THE ECONOMIC ENVIRONMENT

The government of Vietnam has been implementing a program of economic reforms that aims to provide a suitable environment for growth and productive utilization of its resources. The reform process will create both challenges and opportunities for Vietnam. As one set of economic problems is resolved, new economic challenges will appear.

Factors To Consider

- Per capita income of approximately US$200
- 72 million people in 1993
- 85 million people by 2002
- Literacy rate of 90 percent
- Limited consumer products
- US$35 per month minimum wage
- Low technological capacity
- Wide range of natural resources
- Evolving legal infrastructure

The challenges of Vietnam's developing economic environment are not going to be favourable for all Canadian companies. Due to the evolving legal, tax, customs and licensing requirements, and the lack of reliable information in Vietnam, assessing and accessing opportunities requires more planning and strategic thinking than companies are typically accustomed to in penetrating new markets. Additional management time and money is required by a company to identify and develop the business opportunity.

The ongoing privatization of industries will undoubtedly open the door to competitive markets for a variety of products. Consumer products, capital goods, and technology development will eventually be in high demand in Vietnam; however, companies must look closely at the economic conditions of the country as one aspect in their strategy to position themselves in the Vietnam market.

The Economy - General Description

Vietnam is one of the least developed countries in the world. The country was surpassed by most South Asian countries in per capita income 10 to 15 years ago. The economy is primarily agricultural as 80 percent of the population live in rural areas with 72 percent of the work force employed in the agriculture sector. According to the 1991 census, the total work force consists of 30 million workers.

Vietnam's economy is in a state of transition as it shifts to a market-oriented economy. The gradual shift is resulting in the decentralization of the economic decision-making process from the control of the ministries to the individual enterprises. During this transition, the government of Vietnam has been consulting with the IMF to adopt stricter monetary and fiscal policies.

The economy grew by over 8 percent in 1993, while industrial development grew by 16 percent. Inflation, at one time over 700 percent, was reduced to just over five percent in 1993. In addition, since it introduced its economic reforms in 1986, Vietnam attained its first trade surplus in 1992, estimated at US $70 million though it slipped into deficit again in 1993. These generally positive effects on the economy are an impetus for the government to continue its commitment to building a system mixing private and state ownership.