DOING BUSINESS IN VIETNAM

Factors to Consider

- Liberal foreign investment law
- Changing rules and regulations
- Poor infrastructure
- Dual economy
- Insecure currency and shifting inflation rates
- Indecisive economic management
- Lack of hard currency
- Rich natural resources
- Large labour pool
- Guarantees against nationalization of foreign companies
- Gradual implementation of a market economy
- Limitations on repatriation of capital limitations

Investment Climate

All typical investment considerations must be effected by a company before seeking opportunities in a country like Vietnam. These considerations include a full understanding of: the political and economic environment, the business environment (such as audit, tax, legal, and licensing rules), banking procedures and laws, communications, and availability of professional advisers and insurance. The current investment climate in Vietnam can be described as undeveloped and unsophisticated, but striving to reach a more mature state.

Vietnam has implemented one of the most liberal foreign investment laws in Asia to attract investment and foreign exchange from abroad. The law is a signal to the international business community that Vietnam is available for business and keen to attract foreign investment in all sectors of the economy. The government recognizes that increasing investment is essential for a country which does not have the capital to purchase the technology required to develop its infrastructure. The introduction of such an ambitious reform program will not succeed without full government commitment.

On the other hand, Vietnam remains one of the poorest countries in the world with a virtually devastated economy, a creaking bureaucracy, confusing and inadequate laws and regulations, massive unemployment, rampant corruption, smuggling and black markets, and a broken down infrastructure. As a result, the outlook for economic development is mixed.

By the end of the 3rd quarter of 1994, Vietnam had granted almost 900 foreign-investment licences worth over US$10 billion. The main business activities in which foreigners have invested since the inauguration of the foreign investment law in 1988 are: oil and gas; hotel projects and tourist services; agro-food processing; posts and telecommunications; the manufacture of consumer goods (aluminum, plastic, electricity, electronics); infrastructure construction; agricultural production; exploitation and processing of forest products; farming, fishing and seafood processing; and the manufacture of rubber, leather, and artificial leather products.

During the last five years, three types of foreign investment enterprises have been established: (1) joint ventures (80 percent); (2) contractual business cooperation enterprises (15 percent); and (3) wholly-owned companies (5 percent).