

# Introduction

## Purpose of this Handbook

The purpose of this handbook is to provide Canadian businesses with current, useful information on the legislative framework that governs foreign direct investment (FDI) in Vietnam, and the administrative processes through which investment is approved.

## Foreign Direct Investment and Vietnam

Since 1987, Vietnam has been following *Doi Moi*, a master economic strategy designed to promote the country's development in a market-based economy. FDI is the key element in this strategy. Vietnam is counting on FDI to transform the country from a centrally-planned, third world nation into East Asia's next economic tiger.

Vietnam's need for FDI creates new opportunities for foreign businesses. Many investors have already capitalized on these opportunities and are active in several sectors of the Vietnamese economy. Canadian businesses, to date, do not have a large presence in Vietnam; however, this situation is sure to change as more Canadians consider Vietnam's commercial possibilities<sup>1</sup>.

Canadian businesses that explore Vietnam should first familiarize themselves with both the legislative framework that governs FDI, and the administrative processes through which investment is approved. While there are several other important factors to consider in the investment exercise, the legislative framework and administrative processes are arguably the most important. This Handbook focuses on these two factors.

## Methodology

A three step methodology was employed to gather the necessary information on the legislative framework and administrative processes.

- An extensive review of the economic and business literature from Vietnam and the region was performed to produce a first draft of the Handbook.
- In May, 1993, and again in November, 1993, Professor Bill Neilson of UVic Law took the first draft to Vietnam and received several comments from experts in the field. On the same trips, Professor Neilson also collected important current information not available in Canada.
- Finally, the information from all sources was compiled and organized as best as possible for this, the first edition of the Handbook.

*Appendix 1* lists all of the information sources used.

## Organization

The Handbook is organized into four sections, the first two of which address the FDI legislative framework. Section 1 provides an inventory of the most important and current pieces of economic legislation that make up the framework. Section 2 identifies the major gaps and deficiencies – pitfalls – in the framework that have been identified by current and past investors, and experts in Vietnam.

Section 3 addresses the investment approval process and the representative office process. Simple flow-charts are used to outline each process' sequence of events. Details in the text support the flow-charts. Section 4 concludes the Handbook in an advisory spirit by listing Six Points to Remember when investing in Vietnam.