

THE BUSINESS ENVIRONMENT

Factors To Consider

- Economic reforms
- Young and abundant labour force
- High literacy rate
- Low cost labour
- Shortage of trained personnel
- Agricultural economy
- Role of government in business

Industrial Climate

Since the beginning of the reform process in 1988, the strategy has shifted from heavy industry to the development of light industry for export. Vietnam is now beginning to develop into a multi-sector commodity economy concentrating on agricultural and mineral products.

Vietnam is focusing on light industry so it can use its labour cost advantage to export simple manufactured products to world markets, followed by incorporating technology and managerial skills to produce more sophisticated products.

Ho Chi Minh City has become Vietnam's light industry capital leaving Hanoi, the country's traditional industrial centre, in the background. The combination of high productivity and low wages could make Vietnam very competitive in a range of light industrial products provided the necessary infrastructure is put in place.

Industry has traditionally been controlled by ministries and state enterprises under their respective ministries; however, there is now a trend towards privatizing state enterprises as the economy shapes to liberal market forces.

ORGANIZATION OF INDUSTRY

The organization of industry in Vietnam falls into three broad categories:

- State Companies
- Private Companies
- Cooperatives

Large-scale manufacturing is predominantly state-owned, while the small-scale manufacturing sector is managed by the collectives and private companies. Every ministry, state enterprise and People's Committee in every city, province and district has its own companies. Some companies have diverse business activities, while others have a fixed focus. Some companies are independent, while others are tightly controlled.

The government has also undertaken a privatization program aimed at medium-sized, state-owned companies in the manufacturing, trade and service sectors; however, the implementation of the program remains gradual.