Doing Business in Vietnam Today: Challenges and Opportunities

Global Focus Program – Chatham University

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SNAPSHOT

• 90 million people; 50 million in the work force (over 15)
• After 20 years of growth, a “lower-middle-income” country
• Toward a socialist market economy – “Doi Moi”
• Looks like China of 15 years ago
• Labor costs
• Rapid development
SNAPSHOT (cont’d)

• But like today’s China in some ways
• Consumer market; luxury goods
• The “colonial” model
• Agrarian economy
• 21% of GDP
• 65% of workforce
• Raw material exports
Contributions to growth (supply)

Inflation

Sources: General Statistics Office of Viet Nam; ADB estimates.
Exchange rates

- Black market exchange rate
- Lower bound of the trading band
- Upper bound of the trading band
- Reference rate of the State Bank of Viet Nam

Sources: State Bank of Viet Nam; ADB observations.
Gross official reserves

**Note:** Data exclude government foreign exchange deposits at the State Bank of Viet Nam and the foreign exchange counterpart of swap operations.

**Sources:** State Bank of Viet Nam; ADB estimates.
Balance-of-payments indicators

Source: State Bank of Viet Nam.
Selected economic indicators (%)

<table>
<thead>
<tr>
<th></th>
<th>2011</th>
<th>2012</th>
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<tbody>
<tr>
<td>GDP growth</td>
<td>6.1</td>
<td>6.7</td>
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<tr>
<td>Inflation</td>
<td>13.3</td>
<td>6.8</td>
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<tr>
<td>Current account balance (share of GDP)</td>
<td>-3.8</td>
<td>-3.6</td>
</tr>
</tbody>
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*Source: ADB estimates.*
Interest rates

Source: State Bank of Viet Nam.
GDP growth

Source: Asian Development Outlook database.
Inflation

Sources: General Statistics Office of Viet Nam; Asian Development Outlook database.
Current account and fiscal balance

Source: Asian Development Outlook database.
WORLD ECONOMIC ORGANIZATIONS

- World Bank
- International Monetary Fund
- ASEAN
- AFTA
- APEC
- WTO
OPPORTUNITIES

• Power generation, transmission and distribution
• Telecommunications equipment and services
• Oil and gas machinery and services
• Information technology hardware and software
• Airport and ground support equipment, air traffic management systems
• Environmental and pollution control equipment and services
OPPORTUNITIES (cont’d)

- Education and training
- Safety and security
- Franchising
- Medical equipment
- Architecture, construction and engineering services
- Plastics equipment and machinery

(Source: U.S. Commercial Service’s export.gov)
TRADING PARTNERS

- China
- Japan
- EU and US about even in third place
LEGAL ENVIRONMENT

- The New Law on Enterprises
- Law on Investments
- Law on Environmental Protection
BUMPS IN THE ROAD

• Rapid growth $\rightarrow$ hyperinflation $\rightarrow$ monetary and
• Privatization of state-owned enterprises behind schedule
• South Korea’s Posco denied permission to build a steel mill along the coast
• If it’s an emerging economy, there must be corruption
FOREIGN DIRECT INVESTMENT

• Sources
  – Taiwan
  – South Korea
  – Malaysia
  – Japan
  – Singapore

• Industries
  – Heavy industry
  – Urban development
  – Hotels and tourism
EXPORTS – 75% of GDP

- Crude oil
- Textiles
- Footwear
- Rice
- Coffee
- Seafood
- Black pepper
- Cashews
- Natural rubber
DUANE MORRIS IN VIETNAM

- 25 offices
- 4 are outside the US
- 2 of those 4 are in Vietnam (Hanoi and HCMC)
- Since 2007
- Lead partners each have more than 10 years in Vietnam