

Global Marketing and Competitiveness

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International Marketing Environment

Study of Vietnam

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1. Introduction

The targeting of Vietnam as a potential international market is highly complex. Without detailed analysis this could be risky for any foreign business (McDaniel and Gates, 1998). The following analysis is based on the PESTEL Framework as described in Johnson Scholes (2008), which identifies “6 environmental influences” which will affect the macro environment of any market place. There is also a need to look at the future impact of each of the individual factors, these will differ for every organisation and could change over a given period of time (Stokes, 1997). It is also important to recognise their effect on each other and not to take a simplistic view of the whole analysis (Hopkins, 2002).

2. PESTEL

2.1 Political

Vietnam has had a colourful political history (Sterling, 2006) and is currently renowned for its communist leadership. However, when you examine the policies of the current government it could be argued that Vietnam is communist in name only.¹ An example of this being its policy for International Trade – Vietnam has a very receptive attitude towards welcoming FDI and developing Trade relations which contradicts the whole Communist ethos, the government is committed to improving the country’s business and investment climate.

In 1986 Vietnam introduced Doi Moi (‘economic renovation’) the key aim of this policy was to open Vietnam to foreign investment. Vietnam became the 150th member of the World Trade organisation on January 11th 2007.²

Vietnam has not recently faced any serious threat to its powers and the situation is expected to remain the same in the coming years (Data Monitor 2009). Vietnam’s head of state is the President who does not have any administrative powers; however he undertakes the roles of nominal commander of the armed forces and chairman of the Council on National Defense and Security. The Vietnamese Prime Minister holds the administrative powers and also heads a cabinet made up of three deputies and the heads of 26 ministries and commissions.

Potential Impact

Any organisation wishing to enter the market must take cognisance of the fact that there are considerable limits on political activities and free speech. A large police and military presence is common. While it is not seen as a major risk in the case of Vietnam suggestions as to reducing political risk include using local partners, making operations invaluable (ensuring indispensability), localised banking and minimising fixed investments (Jeannet and Hennessey, 2004).

2.2 Economic

In economic terms Vietnam is a rapidly rising power (Vierra and Vierra, 2010). Since the beginning of this century, it has held 3rd place in average annual GDP growth, just behind China and India (Lehmann, 2010) while per capita income rose from \$220 in 1994 to \$1,052 in 2009 (U.S. Department of State 2010). Standard and Poor’s ratings lowered their outlook on Vietnam from stable to negative in May 2008 which was prescient as Datamonitor indicated that the GDP growth plunged to 3.2% in 2009.

The global recession has hurt Vietnam’s export-oriented economy however the government recently upgraded its real GDP growth forecast for 2010 to 6.7% (Economist Intelligence Unit, 2010). The country’s exports make up 90% of its GDP. The country recorded inflation of 7.5% in 2006, which went up to 8.1% in 2007. However, consumer price inflation reached a huge 23.1% in 2008 (due to an increase in prices of foodstuffs). Inflation continues to be a problem although it is predicted to fall to 10.9% in 2010 (US Department of State, 2010).

Vietnam is a true emerging market offering ground floor and growing opportunities for foreign exporters and investors. Vietnam’s major exports reached \$70.7 billion in 2008. Its main export partners were the US (20.8%) and Japan (12.5%). Its major imports rose to \$80.4 billion in 2008 and its partners include China (19.9%), Singapore (12.1%) and Taiwan (11%)

Potential Impact

Any company considering investment in the Vietnamese market will have to take into consideration economic factors such as low disposal income, weak currency and high inflation rates. However there are many opportunities to be exploited in the Vietnamese economy and their priority focus on international trade is extremely encouraging

¹ Thompson G, 2009, Vietnam: The Next China? The Next Taiwan, U

² <http://business.timesonline.co.uk/tol/business/economics/article1291580.ece> accessed on Monday 06th December 2010 @ 18.34.

2.3 Social

The population of Vietnam is 89.2 million (July 2010 est. CIA World Factbook) with 26% under the age of 14. It has a 28% urban population with 3.1% rate of change (2005-2010). Vietnamese have a life expectancy of 71.94 years.

Some of the traditional cultural influences are the teachings of Confucianism³, the role of the family (Elliot, 2001) and the concept of Face in Vietnamese society. These influences are still prevalent especially in rural areas but are coming under increasing pressure from western influences such as consumerism and globalisation due to its young population. There is an increase in demand for consumer and material goods, leisure activities and foreign and local travel.

The main language is Vietnamese with English favoured as a second language. Many Vietnamese are obsessed with English premiership football while religion has very little impact with over 80% stating no religion in the 1999 census.

Education is very important to the Vietnamese. Educational attainment translates into increased social status. Although still a poor country with low per capita income (Smith, 2010), Vietnam has unceasingly recorded significant achievements in education (Orkin, 2009). In 1997 there were 22 million students across the country, 13.2 million in primary schools, 4.3 million in secondary schools and 26,000 in colleges and universities. The literacy rate in Vietnam is high (92%). Of the 8% whom are illiterate 80% of them live in remote areas and 60% are female.

Potential Impact

It is important for any business to consider the social and cultural dynamics of the Vietnamese people. As in much of Asia the family and home are very important even with regard to business interactions. Business appointments should be made weeks in advance, in order not to disrupt family life, and the preferred etiquette is that contact should be made through a local representative who could also act as interpreter or translator.

2.4 Technological

An estimated 2.0% of Vietnamese households have a broadband-enabled computer, representing a significant increase from the 0.1% of households in 2005. The rapid uptake is partly as a consequence of the ease and low price of connection. According to the Ministry of Information and Communication, there were 22.8 million internet users in Vietnam in 2009, accounting for 26.6% of the total population, and an increase of 112.7% on 2005. For number of internet users, Vietnam has been ranked seventh highest among the countries with high internet use in Asia, by Internet World Stats. There is increasing consumer interest in technology and technical gadgets (Steinglass, 2010). Industry specialists estimate that there are 50 million actual subscribers to mobile phones⁴.

The IT Hardware and software markets have grown 13-15% per year for the past 5 years, which are mainly imports as Vietnamese manufactures are still relatively new to the market. Hard market is 89% market share by foreign suppliers which shows a low level of indigenous innovation.

As a new member of the World Trade Organisation, Vietnam will continue to implement tax cuts as part of its commitment under the information technological agreement. This all illustrates a country open to adopt new technologies but lacking in knowledge and dependent on external expertise.

Potential Impact

The technology markets in Vietnam are currently growing but are still in the early stages of development, this provides an excellent opportunity for any company with a technological product or service to gain a good market share in an emerging marketplace.

2.5 Environmental & Geographical

Vietnam is a long and narrow country, lying in the tropical zone. The eastern border consists of more than 3,000 km of coastline, facing the East Sea and the Pacific Ocean. To the North, Vietnam shares its border with China, while to the west, with Cambodia and Laos.

³ <http://www.kwintessential.co.uk/resources/global-etiquette/vietnam.html>

⁴ http://www.buyusainfo.net/docs/x_5738174.pdf page 56



Figure 9, CIA (2010)

Vietnam is an 'S' shaped landmass. North Vietnam has large plains lying in the river basins of the Red, Lo and Chay Rivers. Northwest of these plains are large hilly and mountainous areas. Vietnam is influenced by a monsoon climate, with four distinct seasons and high humidity. In order to cultivate land and earn their living, inhabitants in the north built dikes which are now thousands of kilometers long along the river banks. The climate of central Vietnam is often harsh and subject to natural disasters such as typhoons.

Environment sustainability is included in Vietnam's Comprehensive Poverty Reduction and Growth Strategy (CPRGS) and the accompanying Vietnam Development Goals, which together with other government's strategies and action plans identify steps to address the environmental challenges as a result of rapid economic growth. Despite these signs of progress, there is a need for substantial improvements in the policy framework for environmental sustainability and the arrangements to achieve this. Progress in achieving results has been slow due to weak commitment by sectorial agencies, low awareness in local departments and officials, and capacity challenges at all levels

Vietnam is facing a combination of environmental problems including air, water and solid waste pollution. Major factors contributing to these problems include high population growth, rapid urbanization, accelerating industrialization, and weak enforcement of the Law on Environmental Protection and Development.

Most cities and provinces have no centralized wastewater, solid waste or hazardous treatment plants. This means that storm water and household wastewater discharge through combined and out-dated drainage systems into canals and rivers making them seriously polluted. The prime Minister stated in decision No. 1336 dated September 2008 that it was mandatory for new urban residential areas and industrial parks to develop a plan and construct separate drainage systems for storm and wastewater (Anh, 2010).

Potential Impact

The geographical terrain of Vietnam poses its own set of unique considerations for companies looking to enter the market. Poor transport links and mountainous areas can make links between north and south challenging. Extremes in weather conditions also need to be considered carefully. Violating manufacturers are beginning to feel the negative impacts of boycotts by their partners and customers. Polluting companies have also had difficulty in accessing bank funds as more banks are adjusting their policies to reject lending to clients on the environmental black list. These environmental problems create a lot of opportunities for exporters to Vietnam.

2.6 Legal

Vietnam lacks an independent judiciary, in part because the CPV selects judges and vets them for political reliability. The country's judiciary is under the control of the CPV and the party exercises sufficient power to influence the outcome of cases involving perceived threats to the state or the party's dominant position.

Vietnam's legal system is evolving fast. The dynamism and transparency of the legal system, as a result, have been significantly improved. Despite these significant improvements, Vietnamese legislation is still weak resulting in the legal system being inadequate and unstable. One of the main reasons for this is the function of the National Assembly. It does not consist of professional and specialised legislators, rather working people gathering for two 30-day sessions per year. There is a modest agenda to legal debate and approval of laws (UK Trade and Investment, 2009).

- 1992, constitution recognised for the first time the development of a market economy
- 1996 a new law on foreign investment was passed.
- 2000 a bilateral trade agreement was signed between Vietnam and the United States.
- 2005 a new civil code and commercial law was passed.
- 2005 a new law on investment and law on enterprises which establishes a common regime and unified company law for domestic and foreign investment in Vietnam⁵.

Potential Impact

Vietnam is continually passing progressive laws that are making it more accessible for foreign investors to do business within their country. However there are still tough legal restrictions to be acknowledged prior to attempting market entry and companies should be aware of the potential influence of government interference to satisfy their own agendas.

3. Conclusion

Vietnam is an attractive market, full of many opportunities for potential business, investment and trade. There are however, various issues which will need to be considered by an exporting company, specific to the particular product or service they wish to offer this market. This tailored analysis will inform company decisions (Dibb et al. 1994; Ghemawat, 1999).

⁵ <http://www.vietnamlaws.com/pdf/LegalGuidetoInvestmentinVietNam.pdf>

4. Appendix

Introduction

The appendix report provides a comprehensive overview of the six PESTEL elements in relation to the Vietnamese market.

Background

Why Vietnam?

The choice of country was based on selection criteria recommended by Jeannet and Hennessy (2004) namely:

1. Market size and growth: macro indicators that focus on the total potential demand (size, age profile and growth rate of population).
2. Competitive nature of the marketplace: competitive landscape and degree of freedom of the marketplace.
3. Potential for grouping markets: Jeanette & Hennessy (ibid) identify the reasons for grouping as being critical mass (achieve a sufficient turnover to be viable) and economies of scale (potential for addressing adjacent markets from the host base to lower costs and increase profits). Vietnam is attractive in this regard in its position in close proximity to China, Lao, Thailand and Cambodia.
4. Maturity of economy: We also filtered countries on the basis rising GNP (we were seeking a country offering opportunities not already exploited by international competition matched with an increasing ability to pay for our offerings (a rising per capita disposable income)).

Jeanette and Hennessy (2004) specifically cite Vietnam as a potential market opportunity “*global marketers need to see potential opportunities such as the opening of China, Vietnam or Cuba.*” (ibid, P95).

During the collation of information, problems were encountered that were typical with data collection of this nature including reliability, validity, timeliness, availability and relevance however costs were not an obstacle (Chee and Harris, 1998).

POLITICAL

Political History

With the Declaration of Independence on September 2nd 1945, the Democratic Republic of Vietnam, the first independent republic in Southeast Asia, was born. On January 6, 1946, the first universal suffrage general election was held to elect the National Assembly, the supreme organ of power of the new Vietnam.

In November 1946, the National Assembly adopted the first Constitution of the Republic. The Constitution clearly pointed out that "Vietnam is an indivisible and monolithic bloc; it is a democratic republic; power belongs to the whole Vietnamese people irrespective of race, gender, property, social class and religion."

Article 4 of the Constitution stipulates the leading role of the Communist Party of Vietnam. The Constitution guarantees all citizens fundamental rights such as freedom of speech, press, assemble, demonstration, association, belief, religion and non-belief, equal rights between man and woman, the right to education and health care, the right and duty to labour, the right to build homes, and freedom to do business.

(Extract from, Vietnam Embassy-USA, 2010)

Vietnam War

The Vietnam War was a war fought between 1964 and 1975 on the ground in South Vietnam and bordering areas of Cambodia and Laos, and in bombing runs over North Vietnam.

Fighting on one side was a coalition of forces including the United States, the Republic of Vietnam, Australia, New Zealand, and South Korea. Fighting on the other side was a coalition of forces including the Democratic Republic of Vietnam (North Vietnam) and the National Liberation Front, a communist-led South Vietnamese guerrilla movement. The USSR provided military aid to the North Vietnamese and to the NLF, but was not one of the military combatants.

The war was part of a larger regional conflict involving the neighbouring countries of Cambodia and Laos, known as the Second Indochina War. In Vietnam, this conflict is known as the American War (Vietnamese Chiến Tranh Chống Mỹ Cứu Nước, which translates into English as "War Against the Americans and to Save the Nation").

In many ways the Vietnam War was a direct successor to the French Indochina War, which is sometimes referred to as the First Indochina War, when the French fought to maintain control of their colony in Indochina against an independence movement led by Communist Party leader Ho Chi Minh.

Citing progress in peace negotiations, On January 15, 1973 President Nixon ordered a suspension of offensive action in North Vietnam which was later followed by the unilateral withdrawal of US troops from Vietnam. The Paris Peace Accords were later signed on January 27, 1973 which officially ended US involvement in the Vietnam conflict.

The peace agreements signed at the Paris Peace Accords did not last for very long. In early 1975 the North invaded the South and quickly consolidated the country under its control. Saigon fell on April 30, 1975. North Vietnam united North and South Vietnam on July 2, 1976 to form the "Socialist Republic of Vietnam". Hundreds of supporters of the South Vietnamese government were

executed, thousands more were imprisoned. Saigon was immediately re-named to "Ho Chi Minh City", in honour of the former president of North Vietnam. Communist rule continues in the Socialist Republic of Vietnam to the present day.

The National Flag



The red flag with a five-pointed golden star first appeared in an uprising against French troops in Nam Ky on November 23, 1940. On September 5, 1945, President Ho Chi Minh signed a Decree considering the red flag with a five-pointed golden star the National Flag. On March 2, 1946, the first National Assembly of the Democratic Republic of Vietnam affirmed that the five-pointed star red flag is the Vietnamese National Flag. The red symbolizes revolution and blood and the five pointed star represents the five elements of the populace – peasants, workers, intellectuals, traders and soldiers – who unite to create and build socialism (Central Intelligence Agency, 2010).

Type of Government

Vietnam is a one-party "Communist State" (Central Intelligence Agency, 2010) although it is probably more accurate to describe it as a Communist Party-dominated constitutional republic. It is led by a 'troika' consisting of General Secretary, Nong Duc Manh, President, Mr. Nguyen Minh Triet and Prime Minister, Mr. Nguyen Tan Dung.

Political ideology

"The Communist Party of Vietnam's 11th National Congress, due in January 2011, is expected to usher in a new generation of leaders and so will set the tone for the policy agenda for the next five years" (Economist Intelligence Unit, 2010).

A new state constitution was approved in April 1992, reaffirming the central role of the Communist Party of Vietnam (CPV) in politics and society, and outlining government reorganization and increased economic freedom. Though Vietnam remains a one-party state, adherence to ideological orthodoxy has become less important than economic development as a national priority (Bureau of East Asian and Pacific Affairs 2010).

Stability of Government

The Communist Party of Vietnam has a very firm grip on power has not faced any serious threat to its power in recent years and the situation is expected to remain the same in the coming few years (DATAMONITOR 2009). According to the Economist Intelligence Unit (2010) the reputation of the Prime Minister, Nguyen Tan Dung, has been damaged by the near-collapse of one of the country's largest state-owned enterprises, the Vietnam Shipbuilding Industry Group.

Political risk of seizure of assets

Government actions usually flow from the government's interpretation of its own self-interest, often called by them the national interest (Jeannet and Hennessey 2004). In the case of Vietnam the ruling elite understand that it is very much in their own self-interest to ensure a high level of international investor confidence and will take no actions that jeopardise this. However Vietnam is still

categorised as a Frontier Market (Dasgupta, Vipasha 2008) that is just encountering exposure to cross-border international property investors and is denoted as a market where newcomers can encounter dauntingly opaque situations in the host market. It should be noted that the government does not allow any political dissent in the country and jails political activists on a regular basis.

Anti-Westernism?

Vietnamese is the official language, while English is increasingly favoured as the second language particularly with the large young population who consider fluency in English as enhancing their prestige. The Vietnamese are also obsessed with English Premiership football (which appears to permeate everywhere in SE Asia). Therefore there is little evidence of overt anti-westernism in the public or official bodies even in respect of USA (Bureau of East Asian and Pacific Affairs 2010). One caution here of note is that the persecution of people with religious beliefs has led the State Department of the US to put the country on the Countries of Particular Concern list for violations of religious freedom. This could strain the relations between the two countries.

ECONOMIC

Economic History

Five themes are important to consider when exploring Vietnamese economic history. The first is the continual struggle of Vietnam to free itself from foreign domination, including approximately 1,000 years of Chinese rule, threats from the Mongols, and then external domination by the French, Japanese, and the United States.

The second theme is the struggle against natural disasters, for example floods and typhoons. Reflective of this struggle are the huge dikes protecting the capital, Hanoi, from possible flooding by the Red River.

A third theme is *nam tiến* (expansion to the south), the need for additional land as a result of the high population density of Vietnam. Through this process the Vietnamese moved south over time and took over lands which were once part of the Kingdom of Champa (1471) and the area of what is now southern Vietnam was once part of the Khmer Empire. As a result, the Vietnamese came to control both the rich Red River delta in the north and the Mekong River Delta in the south.

A fourth theme relates to the Chinese cultural and intellectual influences on the country, particularly in the cities. Close to 1,000 years of Chinese domination left an indelible influence of China's culture, customs, and language on Vietnam. This influence has direct relevance to Vietnamese education and potential for human resource development. Unlike its Southeast Asian neighbors such as Thailand, Cambodia, and Laos, Vietnam is part of the Confucian world, other countries that are part of this include, Japan, Korea, and Singapore. Part of this cultural heritage is the great importance attached to learning and special respect for teachers, scholars, and mentors.

A fifth theme is the importance of village life as the heart of Vietnamese culture and related wet rice cooperative culture. It is impossible to understand Vietnam without understanding its villages and their rich and varying cultural traditions (Encyclopedia of the Nations, 2010).

France's interest in Vietnam was economically motivated and the French thought that the Mekong River could be a gateway to the large Chinese market. Unfortunately, the Mekong turned out not to be a navigable river. To generate profits to run its Indochinese colony, the French introduced a plantation economy to facilitate rubber extraction and exports. Land alienation was the cornerstone of economic exploitation under the colonial government. The French also introduced consumer goods such as opium, alcohol, and cigarettes to generate revenues to support the running of their Vietnamese colony.

Vietnam was eventually unified from French power with the "fall of Saigon" on April 30, 1975.

For its first eleven years after unification, Vietnam became a fully socialist state-planned economy with agricultural collectivization (Deshpande et al. 2004). Its international economic relations were almost entirely with the Eastern bloc countries such as the USSR, which provided most of its economic assistance. From 1979-1989 Vietnam had ongoing conflict with neighbouring Cambodia. The modern Vietnamese economy has therefore only had 12 years of stable peace.

In 1986, at the Sixth National Party Congress, a new policy of *doi moi* (economic renovation) was introduced. It used free-market mechanisms as a strategy to improve the economy and its productivity, and, in particular, to provide greater incentives for economic

effort and performance. Prior to the introduction of this new economic policy, the economy was plagued by economic stagnation and excessive inflation. Vietnam's war-torn economy had multiple and extensive economic problems that required a fundamental rethinking of the economic system. Central to the economic renovation was also a commitment to reduce the large size of the state sector and state-owned-enterprises (SEOs).

With the new *doi moi* policy, the Vietnamese economy began to demonstrate impressive macroeconomic performance in the 1990s. With the collapse of the USSR in 1991, Vietnam also opened its economy internationally, with dramatic increases in both international investments in Vietnam and international economic assistance.

While the 1997 Asian economic crisis hurt the Vietnamese economy, the Vietnamese economy had much more immunity to this crisis than many neighboring economies, primarily because Vietnam did not have a stock market, or an internationally traded currency. Also, rather than being part of the "Baht Zone" (areas with close economic interconnections with Thailand), Vietnam was partially a dollarized economy with strong economic links to greater China, an area showing greater currency stability during the Asian economic crisis.

GDP

In economic terms Vietnam is a rapidly rising power. Since the beginning of this century, it has held third place in average annual GDP growth, just behind China and India (Lehmann, 2010) while per capita income rose from \$220 in 1994 to \$1,052 in 2009 (U.S. Department of State 2010). Standard and Poor's ratings lowered their outlook on Vietnam from stable to negative in May 2008 which was prescient as Datamonitor indicate that the GDP growth plunged to 3.2% in 2009. The global recession has hurt Vietnam's export-oriented economy however the government recently upgraded its real GDP growth forecast for 2010 to 6.7% (Economist Intelligence Unit, 2010).

Fact sheet
November 11th 2010

Annual data	2009 ^a	Historical averages (%)	2005–09
Population (m)	87.0	Population growth	1.0
GDP (US\$ bn; market exchange rate)	93.2 ^b	Real GDP growth	7.3
GDP (US\$ bn; purchasing power parity)	256.6	Real domestic demand growth	9.2
GDP per head (US\$; market exchange rate)	1,070	Inflation	10.6
GDP per head (US\$; purchasing power parity)	2,950	Current-account balance (% of GDP)	-6.2
Exchange rate (av) D:US\$	17,800 ^b	FDI inflows (% of GDP)	7.2

^a Economist Intelligence Unit estimates. ^b Actual.

Figure 1

Major industrial sectors

Agriculture contributes 19% of the country's GDP, while industry brings in around 42.6%. The industrial sector comprises sectors such as mining and quarrying, manufacturing, electricity, gas, water supply, cement, phosphate, and steel sectors. The services industry contributes 38.4% of the country's GDP (DATAMONITOR, 2009).

Inflation

The country recorded inflation of 7.5% in 2006, which went up to 8.1% in 2007. However, consumer price inflation reached a huge 23.1% 2008 (due to an increase in prices of foodstuffs). Inflation continues to be a problem although it is predicted to fall to 10.9% in 2010.

Working Conditions

According to the Vietnamese Labour Code, working hours in Vietnam should not exceed eight hours per day. Companies and institutions in the foreign and public sectors usually work 40 hours per week, and people are off on Saturdays and Sundays. Meanwhile, some private companies work 44 hours per week, while some may work 48 hours per week. Most employment in Vietnam is considered full-time. Part-time jobs have not been popular in Vietnam. However, there have been more part-times jobs provided by companies in recent years, as these companies experience different labour needs as they organise promotions and advertising campaigns.

In the past, working from home or freelancing was not an option in Vietnam. However, new jobs have emerged, such as copywriting and research, which require the skills and ideas of employees more than their presence. Rather than work in an office, some Vietnamese can work from home or outside the office as long as they meet deadlines and other requirements of the job.

In recent years, job opportunities have been more abundant for the Vietnamese people. In addition to advertisements in newspapers, magazines or TV, Vietnamese job seekers can now find job vacancies from human resource companies and from the internet. The government mandates nine paid days for public holidays and 12 days for annual leave for those who work in normal working conditions in Vietnam. If public holidays fall on a weekend, employees are compensated by having the following weekday off.

The Vietnamese Labour Code has regulated overtime pay; overtime must be less than four hours per day with a maximum 200 hours per year. Vietnamese women can receive four paid months for maternity leave. However, it has been suggested that this time may increase to six months so that a mother can better care for her baby. There is no gender difference or discrimination in salaries in Vietnam. The salary and status of each person depends on their capability. Higher positions and higher salaries are based solely on levels of education, hard work and levels of capabilities.

Employed Population

Around 51% of employees in Vietnam are males; this share has not changed much overtime. From 2000 to 2007, the share of male employees decreased slightly by 1%. Vietnamese tradition dictates that males must be the main wage earner for their families while the main duty of Vietnamese females is to take care of the housework. However, the number of Vietnamese women going to work has been increasing, particularly as more services have emerged that provide help with the housework or provide care for infants and children, such as the country's system of kindergartens. As children now receive more attention from their parents and society, and have more opportunities as they grow up to study domestically or abroad, they normally start work later in their lives. The national share of employees aged 15 to 29 has decreased from 43.4% in 2000 to 28.8% in 2007, while the share of older employees has increased overtime. Thanks to strong economic development in Vietnam over the last decade and the higher level of education that Vietnamese people have, the unemployment rate has dropped.

Alternative Work Forms

In recent years, there have been new kinds of part-time and seasonable jobs in addition to traditional full-time ones. More companies have organised promotional and advertisement campaigns and they need to employ seasonal employees to support such campaigns. Additionally, Vietnamese people are increasingly working via the internet and there are more freelancers in Vietnam. These freelancers usually work in research or creative fields and do not need to work from an office. More Vietnamese females apply for part-time jobs than males. It is estimated that around 56% of part-time employees were female in 2006.

Wage Levels

Wages offered by private companies in Vietnam are far lower than in the public sector. Nike apparel-producing workers are paid an average monthly wage of \$89. In comparison, the minimum wage at state-owned enterprises is 35% higher and 134% greater for newly skilled employees (DATAMONITOR, 2009). Vietnam raised minimum wages at foreign enterprises by up to 28% this year. It was the first rise in six years, yet it only raised wages to the level seen in neighbouring Cambodia. Average wages are still lower than those of its other neighbours, Thailand and China. Vietnamese factory workers earn just two thirds of what workers in China bring home (BBC Asia Business Report, 2010).

Foreign Direct Investment

Vietnam has been successful in attracting foreign direct investment (FDI) since its accession to the World Trade Organisation in 2007. Manufacturers are choosing low wage northern Vietnam to manufacture products meant for the world market and, in particular, for southeastern China. For example in November 2006 Intel Corporation declared that it would increase its investment from the previous \$300m to \$1 billion in an assembly-and-test facility outside Ho Chi Minh City.

It should be noted that due to the global economic slowdown, the total foreign investments in the country came down from \$9 billion in 2007 to \$3.3 billion in 2008. The major investors in the country are the US, Japan, Taiwan, Hong Kong, Singapore and the EU.

However levels of FDI are slowly returning to the minimum level required to support the government's GDP growth target of 7.5–8% per year. The government also expects to raise \$4.3 billion by 2010 in foreign indirect investment through bonds and shares sold overseas.

Exchange rates Currency fluctuations

Vietnam's currency is called the Dong and had an average exchange rate in 2009: VND17,800:US\$1. As a result of high interest rates and inflation the currency has fluctuated considerably in the past two years.

Imports and Exports

Vietnam is dependent on its exports, which make up around 90% of its GDP. Vietnam has recorded an increase in exports since 2003. The country's exports reached \$54.6 billion in 2007 and \$70.7 billion in 2008. However imports rose from \$69.6 billion to reach \$80.4 billion in the same period.

Vietnam's major exports include crude oil, marine products, rice, coffee, rubber, tea, garments and shoes. The major export partners of Vietnam in 2007, along with their share of total exports, were the US (20.8%), Japan (12.5%), Australia (7.3%), China (6.9%) and Singapore (4.5%).

The country's dependence on imports of intermediate and capital goods (particularly from Taiwan) has contributed to the running of large deficits on the merchandise trade account in recent years, but foreign investment will remain high thus benefitting the capital account.

Vietnam's major imports include machinery and equipment, petroleum products, fertilizer, steel products, raw cotton, grain, cement and motorcycles. The major import partners of Vietnam in 2007, along with their share of imports, were China (19.9%), Singapore (12.1%), Taiwan (11%), Japan (9.9%), South Korea (8.5%) and Thailand (6%).

Reflecting its current concentration in primary industries Vietnam has consistently recorded a trade deficit during 2000–08. Vietnam's trade deficit came down from around \$15 billion in 2007 to reach around \$10 billion in 2008. However, the country's trade deficit as a percentage of GDP decreased from 21% in 2007 to 12% of GDP in 2008.

Major exports 2009	% of total	Major imports 2009	% of total
Textiles & garments	15.9	Machinery, equipment & parts	17.4
Crude oil	10.8	Refined petroleum	8.8
Fisheries products	7.4	Steel	7.6
Footwear	7.1	Materials for textile industry	2.8
Leading markets 2009	% of total	Leading suppliers 2009	% of total
US	20.8	China	18.9
Japan	11.1	Singapore	11.0
China	7.1	Japan	10.3
Australia	4.3	South Korea	8.9

Figure 2

Taxation Levels

Income tax

Vietnam has differential tax rates from 0% to 35% and there are varying rates for Vietnamese employees and foreigners. Nonresidents are subject to a flat 20% tax on their income from Vietnam. From January 1, 2009, a personal deduction worth VND 4 million per month is granted to each taxpayer and VND1.6 million per month is granted to each dependent. This initiative by the Vietnamese government will reduce the taxable income giving more disposable cash to the citizens.

Corporate tax

The corporate income tax rate has been lowered from 28% to 25% from January 1, 2009, with an additional 30% reduction in the corporate income tax bill for eligible SMEs.

Capital gains tax

Foreign companies' gains on the transfer of interests in a foreign-invested or Vietnamese enterprise ('capital assignment') are subject to a flat tax of 28%.

VAT

Value-added tax (VAT) is applied at three different rates: a standard rate of 10% and reduced rates of 0% and 5%. The 0% rate applies to exports of software and services to firms operating in export-processing zones. The 10% rate applies to 16 specific categories of goods and services.

Interest Rates

Interest rates have been relatively high as pressure on the Dong persists. In November 2010 the State Bank of Vietnam (SBV, the central bank) raised its base rate to 9% from 8% previously (Economist Intelligence Unit, 2010).

Access to Finance

The central bank is not independent, as it is under the firm control of the government and ultimately the Communist Party. There are 37 joint-stock commercial banks, five state-owned commercial banks, four joint-venture banks, 35 foreign-invested branches, and 43 representative offices. The four primary state-owned banks controlled 70% of lending in 2007. Lending by state banks is still used as an arm of government policy, particularly with subsidized interest rates and debt relief to farmers and large state-owned enterprises.

In terms of the stock exchange the State Securities Commission (SSC) of Vietnam was incorporated in 1996. The duties and responsibilities of the SSC include the following:

- developing the capital markets in Vietnam
- issuing licenses to participating companies
- drafting and implementing rules and regulations

Balance of Payments - the financial trading health of the nation

The government estimates that the rising fiscal deficit in 2009 could reach 8% of GDP. However, the Asian Development Bank estimates indicate that it will be closer to 10%. The fiscal deficit was at 4.7% in 2008 and 5.5% in 2007.

Foreign trade: On a balance-of-payments basis, exports totaled US\$57.1bn in 2009, down from US\$62.7bn in 2008, while the import bill fell to US\$65.4bn, from US\$75.5bn in the previous year. As a result, the merchandise trade deficit narrowed to US\$8.3bn in that year, from US\$12.8bn in 2008 (Economist Intelligence Unit 2010). The increase in the prices of crude oil, coal, rice, coffee and rubber were mainly responsible.

Membership of International and Regional Trade Organisations

Accession to the World Trade Organization (WTO) in 2007 was the result of 12 years of negotiations and carried political significance, as it indicated the country's entry into the global economy. Trade between member states of ASEAN (Association of Southeast Asian Nations, including Brunei, Cambodia, Indonesia, Laos, Malaysia, Myanmar, the Philippines, Singapore, Thailand and Vietnam) has trebled since 1995 and now constitutes 30% of the region's GDP. The 2001 entry-into-force of the Bilateral Trade Agreement (BTA) between the U.S. and Vietnam was a significant milestone for Vietnam's economy the U.S. is Vietnam's second-largest trade partner overall (after China). To meet the obligations of WTO membership, Vietnam revised nearly all of its trade and investment laws and guiding regulations and opened up large sectors of its economy to foreign investors and exporters (U.S. Department of State, 2010).

Exchange controls

Since 2006 residents and non-residents have been allowed to purchase, transfer and take foreign currency out of Vietnam for current transactions. Foreigners working in Vietnam may receive salaries, bonuses and allowances in foreign currency (Economist Intelligence Unit, 2010). Profits made in Vietnam can be repatriated by foreign owned companies (Vierra 2010).

Incentives/supports available

The government announced that it would inject around \$1 billion, in early 2009, to subsidize bank loan interest for businesses. The stimulus package is expected to encourage growth in the midst of a global economic crisis however it is not clear what the terms are in order to qualify for eligibility are.

Labour Strikes

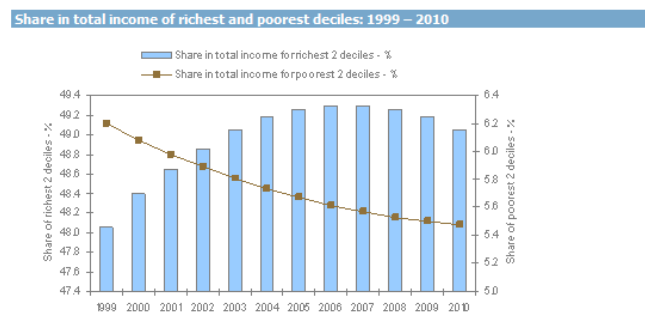
A wave of labor strikes before 2005 led to government attempts to formalize labor codes and make them more efficient in terms of arbitration and implementation. Trade unions are a powerful political force in the country.

Unemployment

While Datamonitor (DATAMONITOR 2009) states that Vietnam has consistently maintained low unemployment levels (unemployment was 2.3% in 2007 rising to 4.7% in 2008) despite the massive growth in the population other sources state that urban unemployment has been rising in recent years, and both urban and rural underemployment, estimated to be between 25% and 35% during non-harvest periods, is significant (U.S. Department of State 2010).

Disposable Income

Vietnam's GDP per capita increased at an average annual rate of 5.9% during 2001–06 in real terms. However income inequality remained high, as the country's Gini coefficient rose to 0.432 in 2006 from 0.345 in 1990(worldwide Gini coefficients for income range from approximately 0.23 in Sweden to 0.70 in Namibia).



Source: Euromonitor International from national statistics/UN

Note: Figures for 2007 onwards are projections. Income deciles divide the total income data into 10 equal subsets each accounting for households with the lowest 10% to the highest 10% of total income.

Figure 3

The Vietnamese government has shown their commitment to economic liberalization and international integration. Structural reforms needed to modernize the economy have been implemented, helping to produce more competitive, export-driven industries.

SOCIO-CULTURAL

Vietnam is the world's thirteenth most populous country, with in excess of 86 million people.

Vietnamese Culture

Vietnam boasts an age-long and special culture that is closely attached to the history of the formation and development of the nation. The Vietnamese Embassy in the United States of America (2010) recognizes three layers of culture overlapping each other during the history of Vietnam;

- Local culture
- The culture that mixed with those of China and other countries in the region
- The culture that interacted with Western culture

The most prominent feature Vietnamese culture is that it was not assimilated by foreign cultures thanks to the strong local cultural foundations. On the contrary, it was able to utilize and localize those from abroad to enrich the national culture (Hostovsky et al. 2010).

Vietnamese Households

Traditionally, Vietnamese households may have four generations of a family living together, so the number of occupants in the average house is normally high. Although there has been a tendency toward reducing the number of generations in a house as well as the number of children in one family over the last few decades in Vietnam, small-sized families are found mostly in urban areas. Rural households are still crowded. In 2007 an estimated 47% of the 12.4 million households in Vietnam had five and more occupants, which was an increase of 1.8% from 2006 and 13.2% from 2000.

In the past, people would often continue to live in the same home with other family members even after marriage. However, Vietnamese couples have started to live separately from their parents after marriage because many can afford to avoid the inconvenience of crowded family life and the country's economic development has allowed them to move from place to place. However, most Vietnamese people still live with their parents until they marry and have their own homes.

Independent living, low birth rates, high house prices and higher living costs in Vietnam over recent years have resulted in a decrease in the number of people in an average household. The growth rate of households with fewer than five people has been much higher than the growth rate of households with more than five people. Between 1995 and 2007, the number of one-person households increased by 238.3%.

Household Annual Disposable Incomes

As of 2007, the World Bank still classified Vietnam as a poor country, as GDP per capita was still below the standard US\$835. Only 57.6% of Vietnamese households had an annual income of over US\$1,000 in 2007. Regardless, thanks to the strong economic growth of recent years, as well government policies aimed to reduce poverty; household disposable income in Vietnam has been increasing. Between 2000 and 2007, the share of households with annual incomes above US\$1,000 increased by 20.7%, reaching 75.6% in 2007. Over the same period, growth in number of households with annual incomes above US\$1,000 was over 100%.

Spending on Consumer Goods and Services

Vietnam is still a poor country, and average incomes are still low. As a result, a high proportion of Vietnamese income is spent on food and non-alcoholic beverages, which are considered necessary goods. It is estimated that in 2007 nearly 39% of overall Vietnamese consumer expenditure was for these products, the largest share among product types.

However, as income increases, the share of expenditure for food will decrease while the shares for other products increase. Although in 2007 the share of expenditure for food and non-alcoholic beverages was the highest, the share nearly 10% lower than it was in 1995.

Spending on health goods and medical services experienced the highest growth rate, increasing by 348.5% between 1995 and 2007. This number does not mean that Vietnamese people have started to take better care of their health. In fact, most Vietnamese only saved a small part of their income for health and medical services although they paid more their attention on health as their income increased. This growth rate was the result of inefficient government control of distribution and of the price of medicine. Medicine manufacturers have included a commission from products they supply to drugstores, doctors and salesmen.

As a result the price of medicine in Vietnam has increased significantly in recent years. When income increases, demand for luxury goods increases as well. There has been a small group of Vietnamese consumers spending large sums for luxury goods. Although spending for luxury goods accounts for a small proportion of the country's expenditure, it has increased significantly.

As a result of increasing income, demand for luxury goods has increased. For example, travelling used to be something of a luxury in Vietnam in the past. However, increasing income, increased demand for tourism in Vietnam and the number of Vietnamese taking outbound and domestic tours over the last ten years has resulted in continuous growth. As a result, more tour operators, restaurants, tourist attractions and travel accommodation have opened to meet the increasing demand, and the tourism industry is considered a lucrative market.

Although only a small part of the Vietnamese population has started to spend more money on luxury goods, their spending power is estimated to be very high. Premium shopping malls such as Parkson, Diamond Plaza or Zen Plaza have become popular. Parkson Plaza has opened more outlets, and more premium shopping malls have opened in both Ho Chi Minh City and Hanoi. Moreover, many world-famous brand names such as Gucci, Levis and Bossini have appeared in leading shopping malls to meet the demand of high-income consumers in Vietnam.

Table 60 Consumer Expenditure by Product Type: 1995/2000/2005/2007/2010/2015

VND billion	2000	2005	2007	2010	2015
Food and non-alcoholic beverages	187,266.0	241,675.3	272,706.8	294,406.9	375,565.3
Alcoholic beverages and tobacco	15,149.7	17,558.3	19,271.7	19,556.1	23,452.7
Clothing and footwear	23,202.7	26,662.5	28,826.1	29,720.8	36,659.5
Housing	17,742.7	24,941.8	28,249.1	30,380.5	38,862.4
Household goods and services	35,863.3	54,489.0	60,658.5	66,143.4	88,759.0
Health goods and medical services	23,113.7	42,861.3	49,882.2	55,902.2	75,852.0
Transport	42,470.0	79,581.2	93,662.7	107,645.3	147,656.1
Communications	5,659.0	7,994.7	9,435.7	10,817.2	14,890.1
Leisure and recreation	4,727.4	7,825.8	8,996.1	10,001.8	13,653.7
Education	21,549.8	39,046.4	45,048.9	54,518.2	80,442.8
Hotels and catering	36,254.8	53,567.9	60,323.5	66,965.8	90,085.7
Misc goods and services	12,828.9	20,976.5	25,398.1	28,964.8	39,500.0
TOTAL	425,828.0	617,180.7	702,459.4	775,023.2	1,025,379.3

Figure 4

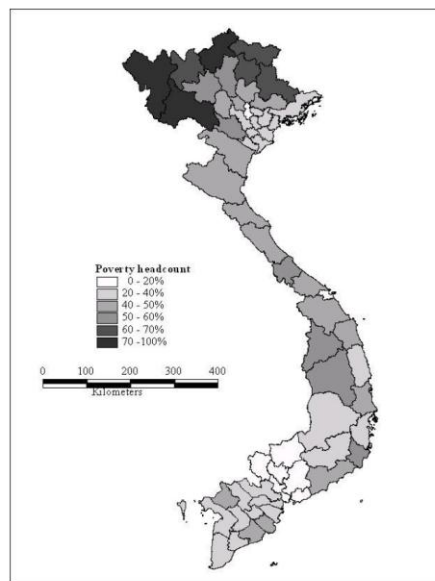
Source: National statistical offices, OECD, Eurostat, Euromonitor International

Note: Constant value at 2007 prices

Lifestyle

Due to economic progress, family life has improved. Apart from investment in production and business, many families have purchased modern furnishings for their homes. In cities 99% of households own television sets; 77.7% have radios; 66% have video players; 79%, refrigerators; 75.7% with telephones; 15% with air conditioners; 81%, motorbikes and; 38.7% with washing machines. In the countryside 55.4% households have television sets; 30.7% have radios; 91.9% have bicycles; 23.9%, expensive furniture and; 13.9 % own motorbikes. Meanwhile, in the midland and highland areas, 62.5% of households own televisions; 25.5% have radios; 32.6% have expensive furniture; 89.1% have bicycles; 19.9%, motorbikes. Differences remain in spending structure among families of different regions. Urban families spend 36.7% of their total income on daily meals. In the plain, families spend 51% and midland - highland spend 60.1% on daily meals. Obviously, in the country, which remains poor, household economy caters for only essential needs. The family is not only a production - business unit, but also a consumer in society. Strengthening household economy will be a prerequisite factor to ensure stability and development of the family.

Social Mobility



Source: Estimated from urban-rural regression models of 1998 VLSS and household characteristics in the 1999 Population and Housing Census

Figure 5, Minot and Baulch (2002)

Ethnicity

Vietnam is a multi-nationality country, boasting 54 ethnicities, living across the country. The Viet (Kinh) people account for 87% of the country's population. The other 53 ethnic groups, totaling over 8 million people are scattered across mountain areas.

Language

The Vietnamese language has Chinese and French influences reflecting the respective dominations of these two countries. Since the August 1945 Revolution, the Vietnamese language has seized a dominant position and has strongly developed.

English is widely spoken by young people but interpretation may be required for business meetings, especially outside the major cities.

Education

Education is very important to the Vietnamese. Educational attainment translates into increased social status.

Although still a poor country with low per capita income (Smith, 2010), Vietnam has unceasingly recorded significant achievements in education (Orkin, 2009). In 1997 there were 22 million students across the country, 13.2 million in primary schools, 4.3 million in secondary schools and 26,000 in colleges and universities. The literacy rate in Vietnam is high (92%). Of the 8% whom are illiterate 80% of them live in remote areas and 60% are female.

After finishing high school at grade 12, Vietnamese students take two important exams. The first is the high school graduation exam and the second is the national university entrance exam. The latter can only be taken upon passing the former. Although the Government has been considering merging the two exams into one, this move is still under consideration. Public education remains the most common choice in Vietnam, but doubts over the curriculum's lack of "soft skills", the private education sector has become one of the most potentially profitable markets in recent years, with private and foreign schools opening at all levels. Besides students' usual studies, they have lots of homework, extra tuition at home, in education centres or at teachers' houses, and students are expected by parents to learn skills such as ICT, music or art.

The Vietnamese education system is said to be backward and in need of change. Its curriculum, programme level, teaching methods and facilities are all in need of an overhaul and update, despite the fact that the Government has spent around 12% of its budget each year on the education sector. With these failings, it is very difficult for the Vietnamese education system to reach the international standard. Despite the move by private education into the Vietnamese market in recent years, there is no evidence that private and international education is better than that given in public schools. The perceived advantage of these alternatives is their application of improved services and the addition of teaching soft skills alongside the national curriculum.

Welch and Murray (2010) discuss the increase in university students in Vietnam as well as the increasing ICT resources, both improving the educational outcomes of the country.

Adults also learn after work, studying, for example, foreign languages such as English, Japanese or Korean and improving their specialist knowledge in evening classes. Therefore, the demand for extra learning has increased significantly. The education market is still a profitable one and attracts more and more investors.

Spending on Education

Most Vietnamese people appreciate education. Parents want their children to be well educated and they are willing to spend large amounts of money to reach that goal; some students will even study abroad despite the expense. Total consumer expenditure on this sector has risen significantly, reaching VND45, 048.9 billion in 2007. This number was 110.5% higher than that of 2006. The growth rate of spending on education from 1995 to 2000 and from 2000 to 2007 was 84% and 109%, respectively. Meanwhile, the growth rate per capita was considerable at 139.7% and was larger than the average for CLIFE countries (87.4%). Although the growth rate is

very high, the per capita expenditure on education in US dollars in Vietnam was less than the average for the CLIFE countries. In 2007, each Vietnamese person spent US\$32.3 compared to the \$206 in CLIFE countries.

Most people study in public schools. Every year, they must face high education costs including school fees, curricula, uniforms and extra learning fees. Some households do not have enough money to cover all these costs. Meanwhile, the emergence of high income consumers has created a high demand for international education. As a result, many private schools and international schools and universities have been opened in Ho Chi Minh City to meet this demand.

Summary of main problems with Higher Education in Vietnam;

- Access to higher education is still low and only about 2% of the population moves into higher education study. This figure is low in both a regional and an international context.
- Ratio of students to faculty is low at 1/30.
- Quality of faculty is not as high as needed and only 14% of faculty staff have a doctoral degree and 33% have a master's degree.
- Quality assurance in education remains weak
- Enrolment is concentrated in a few academic disciplines. Nearly 50% of all students major in economics/business.

Although the government has significantly increased expenditure on education, the Vietnamese standard of education is still lower than international levels. The number of students in each class is too high for effective learning.

Table 121 Consumer Expenditure on Education: 1995/2000/2002/2004/2006-2007

VND billion	1995	2000	2002	2004	2006	2007
TOTAL	11,713.5	21,549.8	29,634.1	36,511.2	40,762.6	45,048.9

Source: National statistical offices, OECD, Eurostat, Euromonitor International

Note: Constant value at 2007 prices

Figure 6

Future Educational Goals

The "Socio-economic Development Plan 2006-2010" and the "Resolution on Comprehensive and Fundamental Reform of Higher Education in Vietnam 2006-2020 (No. 14/2005) have set the following targets for higher education in Vietnam:

- Increasing enrolment in universities and colleges by 10% annually, to reach a level of 200 students for 10,000 population by 2010 and 450 students per 10,000 populations by 2020
- revenue from science and technology activities increased to 15% of total university revenue by 2010, and to 25% by 2020;
- proportion of university teaching staff with masters level degrees increased to 40% by 2010, and to 60% by 2020;
- proportion of university teaching staff with doctoral level degrees increased to 25% by 2010, and to 35% by 2020;
- ratio of university students to teaching staff reduction to 20:1 by 2020
- Encouraging the establishment of private institutions, including high-quality, accredited and 100% foreign-invested institutions in science, technology, and economic management; encouraging foreign scientific and educational experts and Vietnamese expatriates to teach in Vietnam.

As can be seen from the above, the government has set some substantial goals. Now the challenge will be in finding the money and in getting continual supportive and consistent policies over time to achieve the goals set out.

Customs and Practices

Eating habits tend towards vegetarianism, with rice and vegetables as the main meal. Boiling is a popular method of cooking of Vietnamese.

Clothing is usually light, thin and well ventilated suitable for such a tropical climate with the majority of colours grey, indigo and black. Nothing is too over the top and they have a societal view that, 'virtue is more important than appearance'.

Vietnam has many festivities, rituals and religious and cultural celebrations, including Nguyen Dan (Lunar New Year) and Agricultural Rituals (for example, praying for rain).

Religion

Vietnam is a country which has a rich and wide variety of religions. These include religions based on popular beliefs, religions brought to Vietnam from the outside and several indigenous religious groups. The Vietnamese have several popular beliefs, such as animism and theism. The most widespread popular belief in Vietnam is ancestor-worship.

In regard to the major world religions, Vietnam is a multi-religious state with more than 20 million believers and more than 30,000 places of worship. Buddhism is the largest of the major world religions in Vietnam. The second largest foreign religion in Vietnam is Catholicism, with about 6 million followers.

Arts

Vietnam has a rich art culture, including over 50 national musical instruments, for example trong dong (copper drums); folksongs, for example, hat ru (lullaby); traditional performing arts, for example water puppet shows; and sculpture on for example, stone, copper and clay.

Sports

The 4000 year history filled with eternal wars of founding and defending the country had tempered a martial Vietnamese nation. Nowadays a wider variety of sports are enjoyed and practiced including badminton and the very popular, soccer.

Business Etiquette

Many Vietnamese managers and directors are familiar with Western business etiquette and culture. Many business people are young, well-educated and fluent in English and have a flexible business style (UK Trade and Investment, 2009).

Business Meeting Practice

- Meetings are the preferred way of doing business – face to face important – allow lots of time for meeting
- Punctuality important
- Introductions and small talk important
- Hierarchal order – most important person enter the room first
- Yes may not mean 'yes' follow up any agreement in writing

TECHNOLOGY

In-home Technology

An estimated 2.0% of Vietnamese households have a broadband-enabled computer, representing a significant increase from the 0.1% of households in 2005. The rapid uptake is partly as a consequence of the ease and low price of connection. According to the Ministry of Information and Communication, there were 22.8 million internet users in Vietnam in 2009, accounting for 26.6% of the total population, and an increase of 112.7% on 2005. For number of internet users, Vietnam has been ranked seventh highest among the countries with high internet use in Asia, by Internet World Stats. There is increasing consumer interest in technology and technical gadgets (Steinglass, 2010).

In-home technology use has increased significantly during the review period, as Vietnamese with higher incomes want to feel more comfortable with new technology in their homes, for relaxation and enjoyment, and for access to information from around the world. Thus the increasing use of computers, Wi-Fi routers and printers, among numerous other devices, has increased rapidly, especially in urban areas. It is very easy for Vietnamese households to get internet access, and few use a dial-up service any more, having turned to ADSL instead. Currently, there are several broadband internet ADSL providers in Vietnam, including VNPT, Viettel, FPT and SaigonPostel. These service providers have encouraged more people to use the internet by offering attractive promotions such as a free modem.

Easy internet connection and broader coverage has made online services in some industries much easier and more convenient. An increasing number of banks offer online banking to their customers, with account balance, money transfer and online payment of utility bills. The increasing proportion of households with a broadband-enabled computer shows the potential demand for online retail. The majority of those buying online are well-educated, and they tend to buy products such as books and technology from Amazon.com or eBay. With a sharp increase in internet use, and further increases forecast, Vietnam is a promising potential market for online retail.

Telecommunications

Vietnam's telecommunications industry has experienced rapid growth in recent years, and this is particularly so in the case of fixed-line telephony and mobile-phone sectors. Demand will remain strong during the forecast period, in line with continued growth in disposable incomes. Membership of the World Trade Organisation (WTO), which took effect in January 2007, will open the industry up to greater private competition during the forecast period, from foreign as well as domestic firms. This will serve to make telecoms and technology services cheaper and more accessible. The government has already pledged to cut telecoms charges and Internet access fees to match levels prevailing elsewhere in the region by 2010.

Competition is set to intensify

The government plans to facilitate the upgrade of the country's information, communications and technology (ICT) infrastructure, and is intent on opening the industry to greater competition. It has taken steps to break the virtual monopoly of the state-owned telecoms company, Vietnam National Post and Telecommunications (VNPT), by licensing other state-owned and joint-stock telecoms firms and equitising (part-privatising) some of VNPT's market-leading subsidiaries. The right to invest in the sector will gradually be extended to foreign firms under the terms of Vietnam's membership of the WTO, and the minister of post and telematics, Do Trung Ta, stated in early 2007 that nearly US\$2bn had been invested in Vietnamese telecoms firms by foreign investors. Foreign firms may own up to 51% of the shares in Vietnamese telecoms firms (up from 49% before WTO accession), and this limit will gradually rise to 65% by 2010.

The mobile-phone sector

The Ministry of Post and Telecommunication has prepared a five-year plan for the development of telephone services in the country, which aims to ensure that one in three people has a telephone connection by 2010 and that teledensity rises to 35-42 phones per 100 people. According to Pyramid Research, there were 7.5 phones per 100 people at end-2006, representing year-on-year growth of 10.3%. Growth in fixed-line services is likely to be weak during the forecast period owing to inefficiency and waning demand for such services. However, VNPT announced in May 2007 its intention of cutting fixed-line service fees by 15-20% from June.

In contrast, growth in mobile telephony is likely to be explosive. The total number of mobile-phone subscribers and the number of new mobile subscribers now exceed those for fixed-line services. According to Pyramid, at end-2006 there were an estimated 11.8m mobile-phone subscribers, and by 2011 there will be a forecast 27.4 mobile subscribers per 100 people, compared with 12.3 fixed lines per 100. Despite the rapid growth in mobile-phone subscriber numbers, the penetration rate in 2011 will remain below that of China (around 46 subscribers per 100 people) and Thailand (around 58 per 100).

Rising demand for telecoms services, and particularly for mobile-phone services, has raised concerns over the capacity of networks. Moreover, mobile-phone service providers have been cutting tariffs and subscription fees in the face of rising competition, and as a result they may struggle to raise sufficient funds to develop their networks. The three leading operators, Vinaphone, MobiFone and Viettel, are set to move ahead with plans to upgrade their networks to EDGE (Enhanced Data GSM Environment) technology, which is a third-generation (3G) standard for GSM networks. Three smaller operators, S-Fone, Hanoi Telecom and EVN Telecom, offer services using code division multiple access (CDMA) technology. However, demand for CDMA mobile services has been fairly flat.

Vietnam: Telecoms and technology forecast

	2006	2007	2008	2009	2010	2011
Telephone main lines ('000)	8,200	8,300	8,600	9,540	10,261	10,600
Telephone main lines (per 100 population)	9.7	9.7	9.9	10.8	11.5	11.7
Mobile subscribers ('000)	11,880	15,471	18,452	20,446	22,483	24,724
Mobile subscribers (per 100 population)	14.0	18.0	21.2	23.2	25.2	27.4
Internet users ('000)	9,852	12,898	16,140	18,779	21,140	23,646
Internet users (per 100 population)	11.6	15.0	18.5	21.3	23.7	26.2
Broadband subscriber lines ('000)	407.2	618.2	862.2	1,079.1	1,285.4	1,485.7
Broadband subscriber lines (per 100 people)	0.5	0.7	1.0	1.2	1.4	1.6
Personal computers (stock per 1,000 population)	22	30	40	51	63	75
Packaged software sales (US\$ m)	24.5	28.1	32.2	36.5	41.3	46.8
IT hardware spending (US\$ m)	548.5	647.5	712.0	787.5	871.1	963.5
IT services spending (US\$ m)	126.7	152.0	185.5	226.6	276.7	338.0
Total IT spending (US\$ m)	699.7	827.5	929.7	1,050.5	1,187.1	1,341.5

Sources: Pyramid Research; Economist Intelligence Unit.

Figure 7

Government focus on ICT literacy

The fairly low penetration rate of personal computers (PCs) has hampered the spread of Internet use. However, the stock of PCs per 1,000 people is expected to more than triple during the forecast period, from 22 in 2006 to 75 by 2011, and this will serve to make Internet services more accessible. Total IT spending in Vietnam will rise sharply during the forecast period, driven by buoyant domestic demand. However, annual IT spending growth will be rapid in part because of the low base, as Vietnamese urban households and businesses catch up with their regional counterparts. Total spending in Vietnam in 2006 is estimated at only US\$700m, whereas in Thailand, for example, total IT spending in 2006 stood at around US\$3.4bn.

The software industry has developed strongly in recent years, and this trend will continue during the forecast period as the local industry matures. Turnover in software and software services reached US\$300m in 2006, up from US\$250m in 2005, according to the Vietnam Software Association. Software outsourcing services have also grown rapidly in recent years, reaching US\$70m in 2005, up by over 55% on 2004. Foreign software firms are also showing increasing interest in investing in Vietnam: of the 70 or so firms operating in the QuangTrung Software Park in Ho Chi Minh City, nearly one-half are foreign. This rapid growth has occurred despite the high prevalence of pirated software, which accounts for an estimated 90% of all software used in Vietnam. In May the government signed a contract with a US software giant, Microsoft, that will require all Vietnamese government offices to use licensed Microsoft software. The agreement is a significant step in fighting software piracy, and shows the government's growing commitment to curbing the problem.

Quality of Internet Access

Demand for Internet services will continue to expand, and faster networks will become available. In early 2006 four Internet service providers (ISPs) were licensed to operate WiMAX (world-wide inter-operability for microwave access) broadband services on a trial basis, but in the next few years the focus of expansion will be Asymmetric Digital Subscriber Line (ADSL), which has expanded rapidly in recent years. The quality of ADSL services remains poor, with providers failing to cope with the massive growth in subscriber numbers. However, as a result of intense competition among the leading ISPs, prices have fallen sharply. Firms remain preoccupied with pricing, and are not yet focusing sufficiently on addressing quality issues.

Although government control over Internet usage may curtail demand if users are prevented from fully exploiting Internet technology, the number of Internet users will continue to expand during the forecast period. According to the post and telematics ministry, the proportion of Vietnamese with regular access to the Internet stood at 19% in 2006. The government hopes to increase usage rates to 25-30% by 2010.

E-commerce

E-commerce in Vietnam is still at a modest level. A recent survey of 303 enterprises conducted by the Ministry of Trade found that 83% had Internet access, one-quarter had active websites and a further 16% had strategies in place to develop e-commerce. The government's development plan calls for 70% of "influential" firms to develop e-commerce systems by 2010. These plans to develop e-commerce face three major hindrances: the lack of a legal framework, limited electronic signature and payment technology, and inadequate security encryption. A law on electronic transactions that came into force in March 2006 has gone some way towards removing the first of these constraints, and provides for legal recognition of electronic transactions, data messages, electronic signatures and electronic contracts. A range of e-commerce pilot projects are also now under way in banking. Available services include online account management and payment of certain types of utility and insurance bills; some of these services are also

available via mobile phones. The enthusiasm for these services suggests that e-commerce will develop further during the forecast period, despite the various impediments that exist.

IT Sector Salaries



Resource: Vietnam Information and Communication Technology White Book 2010
Graph by: Runckel & Associates (www.Business-in-Asia.com)

Figure 8

- In 2009 there are more than 1,000 software companies employing about 64,000 people.
- Over 200 companies, with average size of 150-200 employees, engaged in software outsourcing services.
- There were two businesses that achieved CMMI level 5 certification, and dozens of companies have CMM-4, CMM or ISO-9001-3.
- There are some companies with more than 1000 employees, such as FPT software, FPT Information Systems, TMA, PSV, etc.
- Software applications focused on electronic entertainment, value-added services on the Internet and mobile networks are the current focus.
- Prime Minister issued Decision 50/2009/QĐ-TTg on 4/29/2009, "Regulation on Management & Development Program of the software industry and the development program of the digital content industry in Vietnam" in order to remove obstacles and promote the implementation of development programs and software industry.

ENVIRONMENT

Overview

Vietnam is a long and narrow country, lying in the tropical zone. The eastern border consists of more than 3,000 km of coastline, facing the East Sea and the Pacific Ocean. To the North, Vietnam shares its border with China, while to the west, with Cambodia and Laos.



Figure 9, CIA (2010)

Vietnam's 'S' shaped landmass widens in the north and in the south. Northern Vietnam has large plains lying in the river basins of the Red, Lo and Chay Rivers. North and northwest of these plains are large hilly and mountainous areas. Northern Vietnam is influenced by a monsoon climate, with four distinct seasons and high humidity. In order to cultivate land and earn their living, inhabitants in the north built dikes which are now thousands of kilometers long along the river banks.

Southern Vietnam has the Mekong River, which originates in China and flows through Laos and Cambodia before entering Vietnam. The rich and fertile Mekong Delta region is the leading rice producer in the country. The south only has two seasons, the rainy season and the dry season.

Between these large delta regions in the north and south is the long narrow central Vietnam. The climate of central Vietnam is often harsh and subject to natural disasters such as typhoons.

Vietnamese natural resources include coal, iron, bauxite and precious stones.

Future rapid economic growth and associated industrialization and urbanization, and investments in infrastructure pose significant pressures on the environmental sustainability of Vietnam's development.

Infrastructure

Environment sustainability is included in Vietnam's Comprehensive Poverty Reduction and Growth Strategy (CPRGS) and the accompanying Vietnam Development Goals, which together with other government's strategies and action plans identify steps to address the environmental challenges as a result of rapid economic growth.

In 2003, the Government established the Ministry of Environment and Natural Resources (MONRE) and approved the National Strategy for Environmental Protection (NSEP). MONRE is now drafting amendments to the Law on Environmental Protection to enable

new policy tools and remedies for pollution prevention and cleanup, and adjustments to cover environmental management in the private sector.

Despite these signs of progress, there is need for substantial improvements in the policy framework for environmental sustainability and the arrangements to achieve this. Progress in achieving results has been slow due to weak commitment by sectorial agencies, low awareness in local departments and officials, and capacity challenges at all levels. Awareness on the expected, negative environmental impacts of sustained economic growth, and the mechanisms for stakeholders to hold government agencies accountable for their performance has been described as weak (The World Bank, 2010).

“If Vietnam is able to successfully develop its infrastructure, the country will become more competitive in the global economy, and further its own goals of export growth and job creation” (American Chamber of Commerce in Vietnam, 2006).

Energy Consumption

Much of Vietnam's large rural population relies heavily on non-commercial biomass energy sources such as wood, dung, and rice husks. As a result, Vietnam's per capita commercial energy consumption ranks among the lowest in Asia. The country's commercial energy consumption is predicted to rise in coming years, primarily due to increases in the use of natural gas. Vietnam claims ownership of a portion of the potentially hydrocarbon-rich Spratly Islands, as do the Philippines, Brunei, Malaysia, China, and Taiwan. Vietnam, China, and the Philippines agreed in March 2005 to conduct a joint seismic survey for potential oil and natural gas reserves in a portion of the disputed area. Vietnam also claims the Paracel Islands, which China first occupied in 1974.

Oil

Vietnam has 600 million barrels of proven oil reserves, according to data from *Oil and Gas Journal*, but that total is likely to increase as exploration continues. Crude oil production averaged 370,000 barrels per day (bbl/d) in 2005, down somewhat from the 403,000 bbl/d level achieved in 2004. Bach Ho (White Tiger), Rang Dong (Dawn), Hang Ngoc, Dai Hung (Big Bear), and Su Tu Den (Ruby) are the largest oil producing fields in the country. Although it is a significant oil producer, Vietnam remains reliant on imports of petroleum products due to a lack of refining capacity. Overall, Vietnam had net exports of 111,000 bbl/d of oil in 2005. Most of Vietnam's crude oil is exported to refiners in Japan, Singapore, and South Korea. The planned development of several new oil fields in coming years is expected to increase Vietnamese production. Exploration in Vietnam continues to yield new discoveries.

Refining

Vietnam is in the process of building its first refinery. The \$1.5 billion Dung Quat Refinery, located in QuangNgai province, will have a crude distillation capacity of approximately 140,000 bbl/d. A second refinery project is under consideration at Nghi Son, north of Hanoi in the ThanhHoa province.

Natural Gas

Vietnam has proven gas reserves of 6.8 trillion cubic feet (Tcf), according to *Oil and Gas Journal*. Vietnam's natural gas production and consumption have been rising rapidly since the late 1990s, with further increases expected as additional fields come onstream. Natural gas is currently produced entirely for domestic consumption.

Coal

Vietnam contains coal reserves estimated at 165 million short tons (Mmst), the majority of which is anthracite. Production has increased dramatically over the last decade, with Vietnam producing over 18 Mmst in 2003. As a result, Vietnam exported a record 7 Mmst of coal, primarily to Japan and China, in 2003. Although Vietnam has historically relied on hydropower for electricity, it has recently promoted the construction of coal-fired power plants.

Electricity

Although Vietnam's per capita electricity consumption is among the lowest in Asia, demand has risen in recent years, straining the country's limited generating capacity. Rapid commercial sector growth, population migration to major cities, and elevated living standards has all contributed to a growing demand for electricity. In 2003, Vietnam had a total electric generating capacity of 8.8 gigawatts (GW) and generated 39.7 billion kilowatt-hours (kWh) of electricity, of which 52 percent was hydropower. Electricity demand in Vietnam is forecast to grow 15 percent per year until 2010. Vietnam currently buys power from China and Laos to prevent shortages in the north.

The majority of thermal electricity generation in Vietnam depends on coal-fired plants, though natural gas use is expanding. The development of natural gas-fired plants in the Phu My complex of the Ba Ria-Vung Tau province has helped to offset Vietnam's heavy reliance on hydropower, which can be vulnerable to disruption when monsoon rainfall is unusually low.

Nuclear Power

Vietnam plans to complete its first nuclear power plant by 2020 as an alternate means on meeting demand.

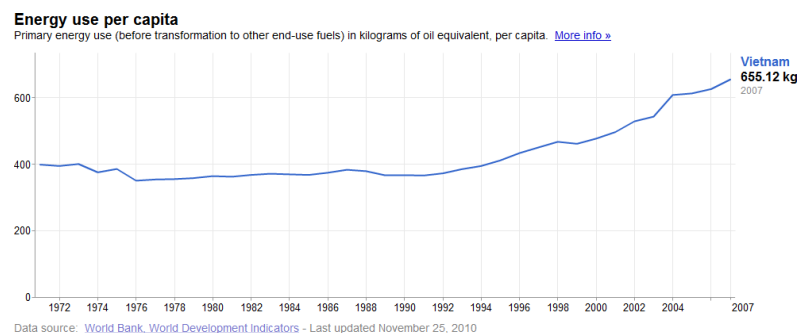


Figure 10

Waste disposal

In Vietnam, 22210 tons/day of waste was collected, which represents a collection rate of about 60%. There are about 55 waste disposal sites in Vietnam. In Hanoi, the capital city, the waste generation was estimated to be 1600 tons/day (87% collection). The average amount of waste generated per person is 0.6kg/day.

Rural environment and agriculture

In recent years, due mainly to progress in intensive farming, increase in cropping and the area under cultivation, the production of cereals has increased rapidly. In addition to agricultural development, artisanal production and development of small industries in rural areas has resulted in the formation of specialised villages located in all provinces and in the suburbs of cities. However, this has also resulted in some environmental problems.

Over the years, the damage caused by pests has been increasing both in the extent of area affected and the intensity. Therefore, the use of pesticides in agriculture has greatly increased. Overuse of pesticides has resulted in local pollution to the water and soil environment.

Current Issues and Future Plans

The State of the Environment (2002) (updated by Environmental Database Division) summarises the main environmental issues facing Vietnam along with current Government responses. An overview of these can be found in the table below (Figure 11).

<p><u>Environmental impacts of socio - economic development</u></p> <ul style="list-style-type: none">• Industrialisation• Urbanisation• Agriculture and rural development• Environmental impacts of mineral resources exploitation• Energy development• Transport development• Tourism Development and Environment <p><u>The key environmental issues of Vietnam</u></p> <ul style="list-style-type: none">• Land degradation• Forest degradation• Loss of Biodiversity• Water pollution• Air pollution• Solid waste management <p><u>National responses for environmental protection</u></p> <ul style="list-style-type: none">• Developing and promulgating legislation on environment protection• Formulating and implementing environmental protection policies and action plans• Environmental pollution control• Environmental monitoring• Development of institutional system of environmental management

Figure 11, State of the Environment (2002)

LEGAL

The basis of law

Vietnam lacks an independent judiciary, in part because the CPV selects judges and vets them for political reliability. The country's judiciary is under the control of the CPV and the party exercises sufficient power to influence the outcome of cases involving perceived threats to the state or the party's dominant position.

Current Legislation

Vietnam's legal system is evolving fast. The Official Gazette has increased its rate of publication from two issues per month in 1995 to daily in 2004. Legal texts must be published in the Official Gazette as a compulsory condition of becoming effective. The dynamism and transparency of the legal system, as a result, have been significantly improved.

Despite these significant improvements, Vietnamese legislation is still weak resulting in the legal system being inadequate and unstable. One of the main reasons for this is the function of the National Assembly. It does not consist of professional and specialised legislators, rather working people gathering for two 30-day sessions per year. There is a modest agenda to legal debate and approval of laws (UK Trade and Investment, 2009).

Product specification

The following summarises the agencies setting the standards for imports into Vietnam (summarised from, Singapore Government, 2010)

- Ministry of Health (MOH - www.moh.gov.vn) - Responsible for the safety and hygiene of processed foods
- Vietnam Food Administration (VFA - <http://vfa.gov.vn>) - Responsible for coordinating and updating food laws; the development of food standards and management; enforcement, monitoring and supervision of food safety laws; capacity building of analytical services; food safety communication and education.
- Ministry of Agriculture and Rural Development (MARD - www.mard.gov.vn) - responsible for the safety and hygiene of agricultural, forest and fishery/marine products including imported animals, animal products, plants, plant products, aquatic products, and ingredients and additives used in production and processing in the agricultural and fishery sectors
- Ministry of Science and Technology (MOST - <http://www.most.gov.vn/>) - Responsible for setting national standards (Vietnamese standards) for food safety and hygiene, provides technical standard regulations to other agencies to enable them to establish

Advertising and promotion

In terms of the status of the press it is completely controlled by the CPV and strict limits on advertising content apply (International Country Risk Guide 2010). Vietnam is an RSF "Enemy of the Internet" and one of the Committee to Protect Journalists' "10 worst countries to be a blogger". (BBC Asia Business Report 2010).

Price levels

According to the Economist Intelligence Unit (2010) new powers to impose price controls on foreign-invested and private companies operating in Vietnam however how this will be implemented in practice is not clear yet.

Contracts and agreements, Ownership conditions with regards to local subsidiaries

The legal landscape in the country has been improving since it became a member of the WTO. It is easy to register property in the country compared to elsewhere in the region (The World Bank 2010). While the recent past has witnessed difficulties in joint ventures located in Vietnam (high profile failures or withdrawal cases, disputes between joint venture partners, problems associated with the lack of transparency in the law (Quang 1998)) the situation is improving.

Foreign banks may now open 100%-owned subsidiaries, branches, or representative offices and provide almost all of the services provided by Vietnamese banks.

Tariffs, quotas, anti-dumping legislation

World Trade Organisation membership since 2007 has reduced the tariffs and restrictions on Vietnam's exports to other member states, which has benefited the country. In turn Vietnam has been forced to recognize WTO requirements in respect of their own tariffs and restrictions.

Competition – protectionism, monopolies

Vietnam is still emerging from being a centrally-planned socialist economy, with state-owned enterprises holding monopoly positions. In industries such as electricity, aviation and telecommunications, government-run companies have powerful monopolies, with a market share of at least 80%. In all of the sectors where government-run organizations enjoy a monopoly, prices tend to be exorbitant and these companies inefficient and uncompetitive (DATAMONITOR 2009).

Bribery and corruption

According to Jeanette and Hennessy (2004) a 1996 survey by the Political and Economic Risk consultancy in Hong Kong found that China, Vietnam and Indonesia were the most corrupt states in their survey. The Vietnamese government has recently created the National Steering Committee for Corruption Prevention and Control, headed by the prime minister, to tackle corruption in the country a move that is expected to show positive results in the near term (DATAMONITOR 2009).

Protection of Intellectual Property

Vietnam has high rates of piracy which could deter investment in R&D-intensive areas. The International Intellectual Property Association (IIPA) has put Vietnam on its watch list for allowing intellectual property rights violations.

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