Emerging Market Analysis: Doing Business in Vietnam

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**Vietnam Profile**

Vietnam is one of the growing economies in Asia and emerging markets. It is projected that it will be the 20th nations with the highest GDP worldwide by 2050. Vietnam has shifted from centrally planned to a market economy and therefore, this transformed the country to middle income nation. It is now regarded has one of the emerging markets due its dynamic market and therefore, the condition for doing business is more favorable. According to HTDK Research (2018), Vietnam market has opened to investors and the government has signed several trade pacts with others nations. This therefore, has promptly projected Vietnam to steady growth in various sectors of the economy.

With the growing populations and dynamic economy, doing business in Vietnam is regarded to be profitable and easier compared to its neighboring nations. The industrial sector is expected to expand at a steady pace due to foreign direct investment (FDI) inflows. Even though the economies globally is preparing for the impact of protectionism, Vietnam could be the beneficiary due to increase market share in the United States. The strategic plan and economic development strategy known as 10 years strategy illustrates the need to have reforms such as structural reforms, social equity, environmental sustainability and emerging issues of macroeconomic stability. These issues are essential to economic growth and also address issues which are essential for doing business in Vietnam. With full implementation of these strategies, doing business in Vietnam has been made easier, sustainable and is likely to accelerate growth.

**Strengths**

**High Growth of GDP and Signed Pacts with Nations and WTO**

Vietnam GDP has been experiencing steady growth and it expected to be one of the largest GDP by 2050. There are several companies, which are doing business in Vietnam and these firms contributes to the higher GDP being realized. Several economists have projected that the unemployment rate in Vietnam is likely to reduce and the country is likely to gain from the expanded business environment. It has also signed several pacts with nations and joint World Trade Organization (WTO), joint Association of South East Asian Nations (ASEAN), which has made the condition business in Vietnam to be better ( Asia Briefing, 2016). Vietnam has also become a close partner of the United States and several products are exported to the United States from Vietnam. This has not only made doing business better, it has created market for Vietnamese products in the United States. Signing several pacts has opened markets for companies setting up their businesses in Vietnam. It is therefore, important to point that operating business in Vietnam gives a company a wide market, in the United States and Asia, which are some of the largest and dynamic markets globally. The transported, information sectors have been improved making it easier and faster to transport goods to the market. Over the years, Vietnam has upgraded its ports and this accelerate doing business. The availability of oil and gas and power generation is also essential for business growth. Vietnam has made the cost of power lower and this making doing business faster and efficient.

**Weaknesses**

**Corruption and Lack of efficient law enforcement**

Corruption and lack of efficient law enforcement are some of the issues, which affect businesses in Vietnam. According to Nguyen (2018), the possibility of success of businesses could be affected by high level of corruption. Although the anti-corruption laws have been enacted, studies have indicated that the level of corruption is still high in some areas. This is one of the issues, which affect business and has made the FDI inflow to be very low. Without efficient management or solving of corruption in the country, doing business could not be possible and this affects international business. The corruption in the country delay project implementation timeline and this can derail the doing business in the country. However, this can be addressed through efficient enforcement of the law and prosecution of the culprits to make the environment of doing business favorable.

**Communist State**

Vietnam is a communist state and therefore, the political regulation is different with those of the United States. This affect the doing business in Vietnam because it makes closing business deals very difficult. It also affects the growth of international businesses in Vietnam. According to Duong’s video state owned companies contribute owned by the government the highest GDP of about 35%, which means that the economic growth components are purely controlled by the government. It means that government controls most of the companies; this can make it impossible for any international corporation to do business well in Vietnam. Despite the openness of the market, companies most companies are owned and controlled by the government.

**Poor infrastructure**

Despite the improvement the government of Vietnam has made in various sectors to make the infrastructure better, it does have a better infrastructure. The ports and roads still require improvement to facilitate movements of goods to the market. Duong’s Video shows that Vietnam has small airports and roads are still not accessible and therefore, it is important for the country to improve its infrastructure to facilitate the ease of doing business.

**Summary**

Although Vietnam is still faced by some challenges related to corruption issues, poor infrastructure, and communist state, the country has developed itself market favorable for doing business. It has high GDP growth and it is projected to continue in the next decades which are a good projection for investors. It has also partner with the United States and therefore, this create a market in the United State for companies. It is therefore, essential to note that Vietnam has created a good environment for doing business.

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