

VIETNAM'S ENTREPRENEURS AND GLOBAL COMPETITION

By signing a series of bilateral and multilateral trade agreements in recent years, Vietnam has signaled its decision to accelerate economic reform. To this end, Vietnam's new Enterprise Law represents a major step toward solidifying the domestic legal framework necessary for liberalization. The new law has reduced the start-up time for new enterprises from 98 days to one week, and reduced registration costs by 60 percent. In the 12 months following the law's enactment in January 2000, the number of private companies in Vietnam grew by nearly 15,000—easily the largest one-year increase since the first Company Law was passed a decade earlier.

Still, many challenges remain. The private sector contributes less than 10 percent of national GDP and suffers from limited access to resources including land, credit, and critical market information. The high cost of inputs such as telecommunication services and electricity is an additional obstacle to growth. According to government reports, the much praised Enterprise Law is also falling short of expectations due to slow implementation. Furthermore, as state-owned enterprises (SOEs) face mounting challenges, the importance of private sector development has risen. Jobs are urgently needed for over a million new entrants to the workforce each year. For over four decades, The Asia Foundation has supported programs in Asia to encourage sustained economic growth through open markets and transparent and accountable economic policymaking. As Vietnam moves toward a more market-oriented and globally integrated economy, The Asia Foundation is committed to working with local partners in government and business to assist with the challenges of this difficult transition.

HIGHLIGHTS OF FOUNDATION PROGRAMS

VIETNAM IN THE GLOBAL ECONOMY

While official government policy has recognized the importance of international economic integration for more than a decade, ambivalence toward globalization persists. The consequences of declining central control over the economy as a result of unpredictable global markets remain a serious concern among Vietnam's policymakers, particularly in the wake of the East Asian financial crisis. To support research and discussion on these important topics, The Asia Foundation sponsored a series of eight roundtables on "Globalization and its Implications for Vietnam," organized by the Department of Multilateral

Economic Cooperation of the Ministry of Foreign Affairs. The roundtables, chaired by a deputy foreign minister and attended by senior Vietnamese policymakers, researchers, social activists, and business people, focused on formulating strategic policy proposals for the National Committee for International Economic Cooperation—the government body responsible for coordinating government activities related to Vietnam's integration into regional and global organizations.

In its final report, the secretariat of the roundtables noted that globalization presents both challenges and opportunities, but developing countries can benefit from global-

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ization if sound integration policies are implemented in a proactive manner. For Vietnam, the costs and benefits will largely depend on the efficiency of the economy and the competitiveness of Vietnamese products. Recommendations were made to the government to expedite state enterprise reform, create an environment of equal competition, and increase the role of Vietnamese enterprises in the formulation of integration policies.

OPEN MARKETS: RISKS AND OPPORTUNITIES

The Foundation supports Vietnamese institutions that raise awareness and understanding of economic issues, with the expectation that such activities will reinforce economic reforms. In December 2000, the Foundation sponsored two Vietnam Chamber of Commerce and Industry (VCCI) workshops on the integration of Vietnam's economy. At the request of VCCI member companies, these workshops concentrated on opportunities presented by the U.S.-Vietnam bilateral trade agreement signed just six months earlier. Presentations covered technical issues, such as U.S. customs regulations and trade practices. The meetings followed a series of earlier workshops on economic integration that included the participation of over a thousand representatives of business, government and research institutes from 36 provinces.

The workshops utilized a new VCCI-Asia Foundation handbook for domestic entrepreneurs entitled *Vietnam's Integration Into the World*.

The handbook analyzes the roles of the Association of Southeast Asian Nations (ASEAN), the Asia-Pacific Economic Cooperation (APEC) forum, and the World Trade Organization (WTO). The handbook also outlines Vietnam's schedule of commitments under various trade regimes and offers practical information for firms, such as a directory of government offices responsible for implementing integration policies.

COMMUNICATION AND INFORMATION NETWORKS

Lack of business information is a common obstacle to private sector development. In Vietnam, this is a leading bottleneck for entrepreneurs, who lack the information they need to access markets for both inputs and outputs. Limited information is also a major hurdle for the policymakers and administrators who regulate business activity, because it hinders their ability to formulate policies and regulations that stimulate economic growth.

By fostering dialogue between government agencies and the business community, The Asia Foundation hopes to support increasing information flows. The Foundation is working with the VCCI, the only national business association in Vietnam, and with local business associations such as the Union of Associations of Industry and Commerce in Hanoi and Ho Chi Minh City, to enhance their research and policy input capacities. To this end, in 2001, VCCI began hosting monthly business forums in Hanoi and Ho Chi Minh City to bring together business people and government officials to discuss the implementation of the Enterprise Law, competition policy, and other regulatory issues. The forums encourage the business community to contribute to the formulation of new laws, to identify areas of concern, and to propose practical policy solutions. Summaries of the policy recommendations are included in monthly reports and submitted to the government.

The Foundation is also assisting business associations' efforts to conduct research on issues of importance to the greater business community. For example, the Foundation is supporting VCCI to carry out two research projects on pressing regulatory policy issues: replacing business licenses with a system of regulatory oversight; and upgrading the global competitiveness of Vietnam's business environment. VCCI will prepare professional research reports that will include policy recommendations for the government.