

Update: Business Opportunities in Vietnam

Autumn 2009

This periodic brief summarizes economic and social developments affecting the business climate for American and Vietnamese firms and investors interested in trade and/or partnerships.

Summary

Third quarter developments signified growing links between Vietnam and the US through the creation of two new consulates, expansion of business in both directions, surging Vietnamese exports to the US, and Vietnamese investment in America. These events suggest Americans who are early adopters in the heart of Southeast Asia will benefit in years ahead. Economic growth in Vietnam is back on track and appears poised to accelerate in 2010. Much of the infrastructure development and construction that had stalled earlier in the year is back on track. And progress is continuing, although not fast enough to satisfy global businesses, on regulatory and bureaucratic improvements needed to sustain development. Vietnam is becoming a world class player on the global economic stage.

6 Important 3rd Quarter Events that Advanced US-VN Connections

Evidence is starting to mount that a new era may soon arrive in US-Vietnam relations that will benefit American and Vietnamese businesses and investors who pay attention to these developments:

1. **Growing official presence.** Until this fall, the Vietnamese government's only US offices were the embassy in Washington and trade centers in New York and San Francisco. This summer the government announced the opening of a consulate in Houston. At the same time, the US is opening a consulate in Danang to complement its embassy in Hanoi and consulate in Saigon. Also, Maryland became one of the first states to establish trade offices in Hanoi and HCM City.
2. **Investment in America.** Vietnamese companies took advantage of the global recession to strengthen their international market positions — in the United States, Japan, Singapore, Australia and elsewhere. Examples are Saigontourist, a Vietnamese tourism company, placing a \$44 million bet on a hotel in San Francisco, and Vietnam's investment giant Saigon Securities plans to raise \$20 million in Vietnam to invest in US real estate.
3. **American visitors to Vietnam.** American travelers surpassed every other country in visitors to Vietnam in July -- 38,400 Americans visited Vietnam vs. 36,100 visitors from China -- and are continuing to develop a presence in Vietnam. Through September, 329,000 Americans visited the country in 2009, making the US a close second to China's 338,000, and the trend suggests Americans will lead the list in the near future.
4. **The emergence of world class economy.** While much of the world remains mired in the economic quagmire, Vietnam continues to shine. Saigon in particular does not look like it has experienced much of a slowdown. Major construction projects are rising there. Late this summer the city opened its version of the Golden Gate Bridge across the Saigon River, residents began moving into a gleaming new complex of 1,700 high-end apartments on the Saigon River, and million dollar condos continued rising on Ho Chi Minh City's south side. Anyone who doubts Vietnam is ready to compete for business and visitors on a global stage needs only to have a meal at the Cham Charm restaurant in Saigon or spend a night at the Nam Hai Resort in Hoi An.
5. **Retailing success and power shopping.** Online shopping sites, big box retailers, and high end shopping centers are growing throughout Vietnam and show the Vietnamese are big consumers and American brand loyalists – willing and able to pay \$200, for example, for Calvin Klein jeans. And retailing is working two ways; the French retailer Big C announced this summer that it will stock its stores globally with Vietnamese made goods.

6. **Public health and opportunity.** Vietnam is increasing health-consciousness. This summer the government banned cigarettes in classrooms, libraries, theaters, and indoor workplaces. Meanwhile, more water problems were exposed in HCM City, which is losing half a million cubic meters of water every day because of pipeline leaks. A new report warned that the Saigon River will 'die' unless the discharge of waste water into the river stops. These reports show opportunity for Americans with experience dealing with such problems.

5 Key Events and Observations

Investors and businesses need to be aware of a range of issues that came to the forefront in the third quarter. These issues may impact financial outcomes in Vietnam. Among those of greatest importance:

- **Investment** -- After a roller coaster ride earlier this decade on which Vietnam was first seen as a great investment opportunity and then a mistake, the country is now seen as a good long-term bet. It tops a new list of markets outside the BRIC nations for investors over the next five years.
- **Cars** -- The global downturn hasn't stopped Vietnam's roads from becoming more clogged as four-wheel vehicles crowd out the two-wheel culture. In Vietnam, car sales were up 26% in July even though many prices were more than double the cost in the US.
- **Energy** -- Working to deal with increasing energy demands, the Vietnam government is broadening its sources of production. This summer the country opened its first ethanol plant and announced it is planning to build its first nuclear power plant in the south of the country.
- **Reform** -- Despite Vietnam's robust recovery, several recent reports have expressed skepticism about the country's ability to sustain its development without a greater commitment to regulatory reform and effective measures to control inflation and corruption over the next year.
- **Population** -- Vietnam's General Census counted 86 million people on April 1, making Vietnam the world's 13th most populous country. The census found 7,200 people over 100 years old, and 7 million residents in HCM City and 6.4 million in Hanoi.

Key Data

First 9 months 2009 vs. first 9 months 2008 from government monthly statistical reports

Gross Domestic Product -- \$64.8 billion, up 4.6%

Consumer Prices -- Up 2.4%

Exports -- \$41.7 billion, down 14.3%

Imports -- \$48.3 billion, down 25.2%

International Visitors -- 2,773,900, down 16%

Foreign Investment -- \$12.6 billion, down 79%

Telecom -- 32.3 million phones added, up 74.1%

Stocks -- Closed at 580.9, up 84.1% YTD

Vietnomics LLC is committed to a long-term approach of assisting Vietnam with its economic development by linking American investors and companies with opportunities as they arise there. Vietnomics has offices in Vietnam's two largest cities. Vietnomics advisors in Hanoi and in Ho Chi Minh City -- as well as in the US -- are prepared to assist organizations interested in forming US-VN partnerships.

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