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## **INADEQUATE INFRASTRUCTURE IN VIETNAM**

As Vietnam becomes prosperous, it has to face the challenges that are associated with development; adapting its infrastructure policies and institutions. As in all developing economies across the world, Vietnam too has its share of fulfilling the aspirations of its people in mobilizing finance to create a strong and sound middle-class through urbanization, developing the existing efficiency of infrastructure service providers, and developing stronger institutions to encourage private finance of infrastructure and alleviating poverty. The biggest challenge remains mobilizing funds to address these concerns (Power Strategy).

Like china and India, Vietnam too has become a hotspot for businesses. The flow of Foreign Direct Investment (FDI) was triggered by the nation's leadership taking a leaf out of China's and India's success. Vietnam did well to push forward on liberalization, a step which broke the nation's decades-old foreign policy and created a new wave of cooperation and dialogue with western nations. However, this trend has witnessed a reversal of trends in FDI because of the disparity in infrastructure development to meet the growing FDI inflow. Power, the most essential commodity in running industrial growth has been badly hit because of which many foreign investors are hesitant to set up industries. In lieu of this, " Vietnam has laid a strong plan to increase their power production through an expansion program under the Sixth Power Master Development Plan, covering 2006-2015, with a view to 2025" (Power Strategy).

" Unless Vietnam is able to harness its coal-fired and gas-fired power and they are able priorities their future relative fuel prices and specific fuel

supply arrangements, the flow of FDI will be affected” (Power Strategy). Vietnam will have to come up with a master plan to increase the rapidly growing demand for electric power. In consideration of the above, Vietnam would have to come up with two distinct categories of solution, “ IPPs must carry a large portion of the investment requirement through foreign direct participation, and the average electricity prices must be increased to raise more capital from consumers” (Power Strategy). There is no doubt that passing on the buck to consumers will be met with strong opposition, but Vietnam must address these issues if it is to increase the required power to run industries. Telecommunication is another area that Vietnam has to address to increase or attract foreign investors. Privatization of the telecom sector can generate finance to modernize Vietnam’s telecom sector. “ Increasing competition and private participation is a step in the right direction. There must be new regulatory institutions and processes to support these initiatives and Vietnam must reform and restructure VNPT, and most importantly, increase privatization and rural telecommunications” (Toulmin et al). “ Despite Vietnam’s impressive progress in areas like teledensity, price reductions and increased competition, Vietnam’s rating of Asia-Pacific telecommunications markets in terms of risk, maturity, potential and regulation, is ranked 14th behind countries like Pakistan, Thailand and Indonesia” (Toulmin et al).

In order to enhance production and competition in the electricity sector, the Vietnamese “ government must consider a ‘ Doi Moi 2’ investment policy to set a highly competitive, innovative, flexible program in tune with the growing needs of the people and the market” (UNCTAD, 2008).

“ The success of Vietnam’s economic growth has been the nation’s shift from agriculture” says Breau, Dobbs and Remes, (2012). What this has done to the Vietnamese economy is that industrialization has contributed to two-thirds of Vietnam’s 7 percent annual GDP growth from 2005 to 2010” (Breau, Dobbs and Remes, 2012).

“ One of the major irritants in Hanoi’s foreign policy is to curb the growing stature of SOEs” says The Economist. With enough clout in government circles, SOEs continue to dictate policies that are detrimental to the government’s initiative to encourage In order to make economic integration its top priority, the Vietnamese lawmakers are pondering on how to ‘ equitize’ or partially privatise, SOEs”(The Economist, 2013).

## References

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