

Expanding business

Business



Expanding business Geography: Vietnam is located in the southeastern part of Asia in the Indochinese peninsula. Its area is about 331, 690 square kilometer (VBN Para 2). Vietnam borders China on the north, to the west Laos, Cambodia and Gulf of Tonkin, and to the east South China Sea. The land of Vietnam is S-shaped that runs for as long as 3, 260 kilometers. Vietnam is divided into 58 provinces and 5 municipalities. Vietnam can be divided into four geographical regions; low region, flat delta region in south and north, central highlands, and mountainous in far north and northwest (VBN Para 5). Vietnam has a varied climate. In the north, the average temperature is around 27° C and 21 °C in the south.

Generally, Vietnam has a tropical monsoon climate with average humidity of 84% all year round. Vietnam falls in both tropical and temperate climatic zones that varies climate of Vietnam. On the northern part, Vietnam falls in the temperate climate zone and tropical climate on the Southern part. The north part of the country experience cool and dry weather from November to April and hot and rainy weather from May to October. From July to November, the coastal regions of Vietnam experience typhoons that can have the devastating impact. Randomly, there are also floods and droughts that take place that has an enormous impact on lives and agriculture (VBN Para 8).

Major Products and Industries:

Vietnam's natural resources are phosphates, coal, manganese, bauxite, chromate, offshore oil and gas deposits, forests, and hydropower (VBN Para 3). Agricultural resources of Vietnam are Rice, Rubber, Coffee, Cashew nuts, Pepper, Tea, and Fruits and Vegetables. Major industries include coal, tin, chrome, power station, tobacco, tea and cunning factories, pharmaceutical, <https://assignbuster.com/expanding-business/>

textile, food processing (VBN Para 4). Vietnam's main trading partners are Japan, China, the USA, Singapore and Taiwan. The relations between Vietnam and the USA ended up by signing a bilateral trade agreement in December 2001 that increased export to the USA from Vietnam. This trade agreement made the USA the second largest trading partner of Vietnam and increased trade between the two countries by \$15. 4 billions in 2009.

The major export of Vietnam is Crude oil and it is the major crude oil exporter in Asia. Its main countries of export include China, Singapore, Japan, Britain, and the USA (VBN Para 6). Textile and Garment: Vietnam is the world's 16th biggest garment and textile exporter. It currently accounts for 2. 5 % of the world's total market share and the major importing countries are the USA, EU, and Japan. Rice: Vietnam is the second largest rice exporter after Thailand (Runckel & Associates Para 2). However, major importers of rice are Philippines, Indonesia, Malaysia, Japan and Africa. Coffee: Vietnam is the second highest exporter after Brazil and seventh highest export quota that is almost 4% of the countries total export quota. Main regions for Vietnamese coffee export are EU (52%), the USA (15%), Japan, South Korea, and Singapore.

Rubber: Vietnam is fourth largest rubber exporter with main importers being China (60%), Singapore, South Korea, Taiwan, Germany, USA, and Russia.

Aquaculture: Vietnam ranks fourth in export quota accounting for almost 8% of the country total export quota (Runckel & Associates Para 4). Major aquaculture importers are USA, EU, Japan, China, South Korea, Hong Kong, and Taiwan. Processed forest products; Pepper: Although Vietnam has led the world in pepper export for a long time, in 2011 it decreased by 26%.

Currently, Country pepper export is half of the world and major importing

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countries are the USA, EU, and Middle East. Tea: Vietnam is the seventh world's biggest exporter of tea and major importers are Pakistan, India and Russia. Fruits and Vegetables: The most exported vegetables are onion, garlic, carrot, mushroom, green pea, cabbage, and cucumber. The main exported fruits include blue pineapple, jackfruit, dragon, coconut, longan, mango, litchi, and rambutan (VBN Para 7). Major importing countries are ASEAN countries; East Europe, EU, The USA, Japan, and Taiwan. Vietnam's major imports are petroleum products 11.5%, steel 8.3%, electronics, and machinery and equipment 17.5%.

Current Economic Conditions:

Vietnamese economy eventually shifted from a Soviet type centralized system which was based on agriculture, to a socialist style market economy. In fact, according to the World Economic Outlook of the International Monetary Fund, Vietnam's economy is ranked among the fastest rising economies in the globe with 6.8% GDP growth rates in 2010 (U.S. Department of state Para 4). The average Gross Domestic Product per capita is \$1,327 annually. Vietnam became lower middle income class country. Annual income per capita was \$1,168 (2010). According to the Ministry of Planning and Investment, it is believed that the GDP per capita will be over \$2,000 by 2015. Moreover, Vietnam is on its way to become high income class country by reaching over \$4,000 income per capita. In 2010, the agricultural sector contributed 20% to GDP while the Industrial sector's contribution accounted for 41%.

The poverty reduced by over 10% in 2010, which is one of the indicators of the economic growth and success. Despite the fact that Vietnamese economy grows significantly, the inflation rate still exists and was almost

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12% in 2010. In order to cease inflation, the State Bank of Vietnam adheres to restrictive monetary policy by applying high interest rates on loans. Vietnam's economy is highly dependable on foreign trade with exports accounting for almost 68% of GDP in 2010 (U. S Department of state Para 6). By 2010 the country's export increased over 25% and imports reduced. This led to trade deficit fall by 8% of GDP. Trade deficit affected Vietnam's currency such that the country's currency, dong, struggled being pressed down. State Bank reduced the dong's value by 20%. Although, Foreign Direct Investment decreased between 2008 and 2009 due to economic crises, it started to recover by 2010. For instance, in 2010, \$18.5 billion of FDI were made.

Vietnam joined the World Trade Organization in 2007, which has helped the country's economy to hold its GDP rate stable even during the world economic recession. Employment or unemployment rate: since Vietnam War era, unemployment rate has been on the increase. The major victims of unemployment have been the veterans, blacks and disabled. However, those who serve in armed forces experience greater chances of training and education, which place them at better positions for employment than the civilians. Nevertheless, the government has instituted measures to provide job opportunities for all.

Infrastructure

On the other hand, Vietnam has made some progress as far as telecom sector is concerned. This is mainly in terms of availability of basic services and cellular services (Watson Para 3). However, this has not come without considerable challenges particularly technical and managerial issues, shortage of enough capital for expansion purposes, unequal access

especially between rural and urban areas. Additionally, current transportation infrastructure is considered to be inadequate to meet Vietnam's rapidly growing population (Watson Para 5). However, the government has made considerable developments in the transportation sector with much efforts being channeled towards this effects. Similarly, according to the general department of statistics, Vietnam currently has 175,000 km of roads with 10% being paved and 15% consisting of bridges. Although Vietnam has some developments in the air transport, it is estimated that US \$1.6 billion is needed for further development of the air transport. Some other major infrastructural issues include water. It is argued that Vietnam's rural communities have no access to safe drinking water. It is also believed that only 100 out of 436 urban centers have access to piped water. This means that there is a great shortage of clean water across the country. However, the government has formulated a water sector development strategy (Watson Para 9).

Vietnam's construction industry is forecasted to reach 5.4% by the end of 2012. In November 2011, signed loan and consultancy agreements with Russia for the aid of construction of nuclear power plant. Later in December 2011, pledged to aid Vietnam with \$730 million to upgrade its electricity transmission network. Vietnam has also plans to construct more than 860 km of power lines. The funds obtained from Asian development bank would also help Vietnam upgrade its national power transmission corporation. Vietnam's electricity production has grown from 24.3 billion KWh in the year 2000 to 93 billion KWh in 2010.

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