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### **This Sleeping Tiger is Worth Keeping an Eye on**

While growing up in Hong Kong in the mid-80s, news about boatloads of refugees from Vietnam flooding the shorelines of Hong Kong was as common as reports on the stock market. At that time, Hong Kong was the only place accepting these pitied folks, acting as a safe, neutral intermediary before helping them find a new home abroad. Some of them ended up calling Hong Kong home.

Since the enactment of the “doi moi” (renovation) policy in 1986, Vietnam’s political and economic environments have stabilized tremendously. With the rise of China and its influence over the global economy, Vietnam is in a good position to take advantage of the economic vacancy left by China’s rising affluence. China, once the dominant provider of ultra-low cost labor because of its massive workforce, has begun to slip from this position as its citizens enjoy improved lifestyles and watch prices on all kinds of goods march higher. Foreign and domestic companies are now looking outside of China to stay cost competitive. One of these places is Vietnam. Multinational corporations such as Nike and the Gap already have factories there making goods at costs lower than China. This, in turn, is attracting more foreign capital, evidenced by a \$64-billion inflow into Vietnam in 2008, tripling 2007’s figure, based on data from the Vietnam Ministry of Foreign Affairs.

So what makes Vietnam so attractive?

First of all, the size of its workforce is huge, about 44 million people, or half of the population. But what’s more striking is their demographics—one out of every two Vietnamese is under the age of 25 and the median age of 27. These young souls are eager to work, very disciplined, and not afraid of acquiring new skills to help land a better job.

Vietnam’s emphasis on education tells the world that they know what it takes to become successful. Over 90% of Vietnamese can read and write, and almost all children now go to a primary school, according to *The Economist*. Vietnam’s political stability will help lead to a higher level of market freedom, privatizations of state-owned businesses, and a proliferation of entrepreneurships. Here in the U.S., there has been an increasing number of Vietnamese immigrants taking back stacks of cash and knowledge to invest in their mother land.

Moreover, Vietnam’s accession to the World Trade Organization further opens the door to international trades as well as foreign investments. The stable Vietnamese government is committed to spending on “infrastructure projects and high-tech production projects,” said Nguyen Van Giau, Governor of the Bank and the Fund for Vietnam in a 2009 IMF annual meeting held in that country.

However, Vietnam also has a plethora of problems that need to be addressed. Corruption, for one, is probably the single biggest issue. Layers of bureaucracy not only make doing business in Vietnam inefficient but also encourage bribes. A Communist-run government imposes greater risks of running businesses compared to free markets. But work is being done to reduce administrative redundancy and attack corruption matters.

Battered by the Vietnam War, the country suffered severe devastation and a long period of international isolation—resulting in an exodus of its citizens and almost two decades of zero economic growth. Its lack



of infrastructure—roads and ports—makes logistics a big headache, but the situation is being improved as the government and foreign investors are funding these projects. Inflation, driven by consumer staples and industrial products, has also hindered growth. The advance of consumer prices slowed to 7% in 2009 after growing 23% in 2008 and over 30% in mid-2000s, one of the highest in Asia. A stable and growing economy should eventually calm price levels.

From an investment perspective, Vietnam, dubbed the “Sleeping Tiger” in the Southeast Asia region, has all the right elements to experience explosive growth. We should not be oblivious to it as well as other “frontier markets” in Asia because their growth potential will likely be fierce and powerful.

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