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VIETNAM CHAMBER OF COMMERCE AND INDUSTRY

Vietnam Business
Annual report 2007

Labor and human resource development

Hanoi, July-2008

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ANNUAL REPORT 2007

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Human Resource Development

Chief Editor: PhD. **Pham Thi Thu Hang**

Hanoi, June-2008

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FOREWORD

2007 was the first year of Vietnam's membership of WTO. Vietnam's significant development during this year demonstrated the ability of its business community to overcome obstacles and seize opportunities in order to contribute to economic growth. The Vietnam Business Annual Report 2007 provides an overview of a wide range of Vietnamese enterprises and aims to provide relevant information for the business community, researchers and managers. Using data from GSO's Annual Enterprise Census between 2000 and 2006, this report analyzes key changes in the business environment, particularly focusing on the theme of "Labour and human resource development".

The Vietnam Chamber of Commerce would like to thank the World Bank in Vietnam for their assistance in developing this report. Support for publication was also provided by VCCI Intellectual Property Sole Member Company Limited (VCCI-IP Co.Ltd), Housing Construction Investment Joint Stock Company, Asia Commercial Bank (ACB) and Bronze sponsor-Viet A Group. VCCI acknowledges a special support of International Labor Organisation in supporting the printing english version of the report.

The Chamber of Commerce and Industry welcomes feedback and suggestions from readers in order to further develop this report in future years.

With Best Wishes to the Vietnamese Business Community

Tháng 6 năm 2008

NHÀ XUẤT BẢN CHÍNH TRỊ QUỐC GIA

FOREWORD

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With Best Wishes to the Vietnamese Business Community

Dr. VU TIEN LOC

Chairman of Vietnam Chamber of Commerce and Industry

ACKNOWLEDGEMENTS

Vietnam achieved a high level of success in 2007 as a result of significant efforts by the business community. However the country continues to face a number of development challenges, particularly with regards to human resources.

This report provides an analysis of key developments within the Vietnam business environment during 2007 and their impact on Vietnamese enterprises. The report will particularly focus on the issues of employment, finance, technology and market access and will provide an assessment of business results from the following six sectors: Garment (including textile), Construction, Tourism, Banking (including investment fund and securities companies) and Food processing (food, beverages and cigarettes). Both the positive and negative impact of human resources and labour supply on these sectors will be examined and strategic recommendations for future development provided.

Key components of this report include: (1) A comprehensive analysis of business competitiveness for the period between 2000-2006, focusing particularly on labour, capital, technology and market access (2) An analysis of the current labour and human resource environment and its impact on the development of key industries (3) An examination of the role of labour and human resource development in attracting foreign direct investment (FDI).

This report includes four main sections:

Part I: Overview of Vietnam's business environment in 2007

Part II: Analysis of capacities of key business sectors that are influenced by labour issues

Part III: Evaluation of labour and human resources within specific sectors

Part IV: Evaluation of labour and foreign direct investment

Data used for this analysis was obtained from the Enterprise Census, conducted annually from 2000 to 2006 by GSO.

The Vietnam Business Annual Report 2007 is a research product of the Enterprise Development Foundation (EDF) of the Vietnam Chamber of Commerce and Industry and was produced as part of a joint programme with the Ministry of Science and Technology. The research team was directed by Dr. Pham Thi Thu Hang and included the following researchers: MA. Dau Anh Tuan, Ph. candidat Pham Quang Ngoc, Ms. Le Thanh Hai, PhD. Tran Dinh Thien – Vice- Director of Vietnam Institute of Economics, Mr. Nguyen Dai Dong – Director of Labour and Employment Department – Ministry of Labour – Invalids and Social Affairs, MA. Le Quoc An – Chairman of the Vietnam Textile Association ; Chairman of Board Director of The Vietnam National Textile and Garment Group, Prof. Dr. Nguyen Truong Tien – Deputy General Director of Hanoi Construction Corporation, MA. Vu Quoc Tri – Co-Director of EU sponsored project on

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Support was also provided by Mr. Pham Dinh Thuy (GSO) and from World Bank representatives Mr. Martin Rama – Lead Economist and Ms Carrie Turk – Senior Poverty Specialist, who helped with the data analysis and structural development of the report.

The Vietnam Chamber Commerce and Industry would like to expresses their gratitude to the VCCI Intellectual Property Sole Member Company Limited (VCCI-IP Co.Ltd), Housing Construction Investment Joint Stock Company, Asia Commercial Bank (ACB) – Gold sponsors; Viet A Group – Bronze sponsor and the International Labour Organisaytion (ILO) in printing of this report.

ENTEPRISE DEVELOPMENT FOUNDATION

ACRONYMS AND ABBREVIATIONS

APEC	Asia-Pacific Economic Cooperation
ATM	Automatic Teller Machine
CIEM	Central Institute for Economic Management
FDI	Foreign Direct Investment
GDP	Gross Domestic Product
GSO	General Statistics Office
NIEs	New industrial Economics
R&D	Research and Development
WEF	World Economic Forum
VSIC	Vietnam Standard Industrial Classification
UNDP	United Nations Development Program
UNCTAD	United Nations Conference for Trade and Development
WB	World Bank
WTO	World Trade Organization

CURRENCY EQUIVALENTS

Currency Unit = Dong

US$ = 16,000

Government Fiscal Year

January 1 to December 31

NGÂN HÀNG Á CHÂU

Ngân hàng của mọi nhà

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Executive Summary

In 2007, Vietnam's Gross Domestic Product (GDP) growth rate, estimated at 8.48%, reached its highest rate in 11 years.

Total export value in 2007, estimated at USD 48.56 billion, increased by 21.9% in comparison with 2006 and exceeded the government's target growth rate of 17.4% by 4.5%. Total turnover of imports in 2007, estimated at USD 62.68 billion, increased by 39.6% in comparison with 2006, within which imports from enterprises with foreign investment capital reached 21.7 billion USD. 2007 also recorded the highest trade balance deficit in years with figures reaching USD 14.12 billion, of which the ratio of deficit to export was 29% (2.7 times higher than 2006).

58,916 enterprises were newly registered between January 1, 2007 to the end of December 31, 2007, accounting for a total registered capital of VND 489,181,802 million. As of July 1, 2007 there were 183,920 incorporated enterprise units in Vietnam and 3,751,158 household enterprises.

Inflow of FDI capital hit record levels, with estimates indicating that newly registered FDI capital and supplementary capital for 2007 reached USD 21.3 billion, an increase of 77% in comparison with 2006.

The process of reforming SOEs took place at a slow pace during 2007 with only 28% of targets achieved. As noted by the Auditing report of 2006, weaknesses of SOEs, such as inefficiency in long-term investments (capital stock investments) contributed to poor production rates. Moreover obsolete process technologies in commercial banks and under development of low risk, high value added services hindered growth. As a result many enterprises, particularly within the construction sector operated ineffectively and did not make profits.

According to evaluations by a number of international organizations, the advantages of doing business in Vietnam increased in 2007. Vietnam's result on the Human development index (HDI) also continued to improve.

The Provincial Competitiveness Index (PCI) investigation in 2007 has indicated that in general, the business environment of Vietnam in 2007 has positively changed in comparison with the previous year. The change trend of sub indexes, however, showed the reforming areas related to the provincial business environment unevenly improved.

Vietnam's economy may experience fluctuations due to its significant integration with the world economy, with the total import-export turnover equal to approximately 170% GDP. Trends in the consumer price index indicate an increase in comparison with previous years. Due to salary increases and input service products, enterprise production costs have increased, limiting the competitiveness of goods and services. Within this context, the development of improved macroeconomic government policies and the creation of a competitive business environment are critical to continuing economic growth in Vietnam in 2008.

Assessment of business capacity within firms

The assessment of firms' business capacity is conducted in six sectors which are significantly impacted by labour factors. These include the (1) Food processing sector (production of food beverages and cigarettes) (2) Garment sector (3) Construction sector (4) Tourism sector (5) Banking sector (including investment funds and security service companies) (6) Insurance sector. Data for this analysis was obtained from the "Enterprise Census' conducted by GSO annually from 2000 – 2006.

Labour force trends

A rise in the demand for labour, in line with upward growth in business activity, was noted in all of the sectors researched. However, demands for labour differed between sector. Within labour intensive sectors such as the construction and garment industries for example, demand for higher skilled labour was relatively low.

Despite the high number of jobs created in the food and manufacturing sectors, a declining rate of employment was noted. Similar downward employment trends in the banking and insurance sectors indicated a mismatch between supply and demand for labour, reinforcing the likelihood that the demand for skilled labour will increase in coming years.

Employees within the service sector tended to have higher skills than other sectors due to the higher level of technological requirements. Within the area of tourism specifically, the short supply of skilled labour may be one reason why tourism has not been able to make the same leap in growth as the banking and insurance sectors have in past years.

Assessment of financial capacity The majority of firms within the six sectors were able to meet their financial obligations, with smaller firms demonstrating higher solvency rates than bigger firms. Analysis of debt records indicates however, that firms are increasingly dependent on loans from banks to finance their activities and that banks in turn are providing more loans than they can afford. In the event that inflation rates reach high levels in Vietnam in 2008, (which looks increasingly likely in light of a possible economic down turn in the US economy), many Vietnamese firms will be under significant pressure. Moreover at the macroeconomic level, economic growth rates in Vietnam will come to a halt. The low profit rates of firms in the garment sector during 2000-2006 and of small firms generally (with the exception of the banking sector) indicated poor economic performance.

Analysis of profitability demonstrates poor economic performance of firms in the garment sector, particularly with regards to small firms.

Assessment of technological capacity

Long term investments were higher in service sectors (banking, insurance and tourism) than in manufacturing sectors due to the faster pace of technological change. Most firms however, provided their own funding for R&D activities as government funding was reserved for state owned enterprises. In order to improve firms' competitiveness, Vietnam's government and Ministry of science and Technology will need to consider the allocation of state budget funds for technological change and R&D activities. High demand for skilled labour was demonstrated within the service sectors, particularly banking, due to the need for strong technological change and R & D activities.

Assessment of market access

The increasing trend to use the internet for marketing and e-commerce was encouraging, particularly in the context of Vietnam's integration into the world economy. Analysis indicated that smaller firms were much more active than large firms with regards to using internet for market access purposes. Within the tourism sector in particular, the high number of firms using the internet to market their services can be seen as a positive sign

Vietnam's labour market and human resource challenge

Vietnam boasts a strong labour force. According to a survey conducted in 2006, Vietnam's labour force is composed of 45.6 million people (an increase of 1.03% compared to 2005). Within this 94.2% are of working age (from 15 to 55 years for females and 15 to 60 years for males) and 45.46% are aged between 15 to 34 years old. Vietnam's labour force is mainly located in rural areas with only 25.37% in urban locales. Although the Vietnamese textile and garment industry has strong human resources and reasonable labour costs, it lacks highly qualified workers with the ability to operate in highly competitive environments. Furthermore, due to the significant differences between enterprises with regards to wages and working conditions, labour disputes are common and productivity tends to be lower than other sectors.

The labour force within the construction industry is made up of 2.1 million people, representing 5% of the entire labour force. Labour supply for the construction industry is negatively impacted by the low rate of mechanization. The use of industrial building materials, lack of modern working tools, low wages and high rate of industrial accidents results in low productivity within the industry. Unfortunately career associations within the industry do not play a strong role in improving work conditions for workers.

Due to its interdisciplinary nature, people working within the tourism industry require training in a range of areas such as culture, foreign languages, economics, finance, architecture, geography and driving. Currently human resource distribution is imbalanced within the sector with 50% of the labour force in the South and 40% in the North. Only 10% of human resources work within the central regions, despite the significant number of cultural heritage sites and beautiful beaches in this area.

The rapid growth of the banking industry has attracted a talented labour force. However, a number of factors negatively impact business efficiency: (i) The lack of qualified staff to take on managerial positions and inadequate head office monitoring has resulted in poor supervision at many bank branches (ii) Limited financial expertise of staff (iii) Different levels of management ability between banks.

The rapid development of the insurance industry has also led to an increased labour force, however skills of staff require upgrading in order to deal with: (i) The diversification of new insurance products and services (ii) international insurance services (iii) further development of insurance services.

Labour and foreign direct investment

Foreign direct investment has flourished since 2004 and reached peak growth rates between 2004-2006. This dramatic increase was a result of strong investor confidence in Vietnam. The increasing gap between registered and implemented FDI however indicates limits to how much the Vietnamese economy can absorb. It must be noted that in the period between 2004-2006 the growth rates of implemented FDI capital were only 8%, 16% and 20% in 2004, 2005 and 2006 respectively, whereas registered FDI capital grew at rates of 43%, 50%, and 75% respectively.

The development of skilled human resources plays an important role in attracting FDI to Vietnam. While FDI and domestic investment target production sectors, real estate and service areas such as banking, insurance and tourism, investment for health and education is limited. Demand for labour was highest in garment firms supported by FDI. While labour demand was also high for FDI firms in manufacturing, it is likely to decrease in future years. Similarly, as the tourism sector doesn’t attract high levels of FDI, the demand for labour is relatively low and is likely to decline in future years. State and non state sectors will thus take on the responsibility for job creation. As foreign direct investment in the service sectors increases, the need for a highly skilled labour force, particularly within banking will continue to increase.

There was a declining trend in the number of jobs created by FDI firms within the insurance sector. However, the relatively high need for employees (in comparison to state and non state sectors) makes it more difficult for FDI firms within the insurance sector to attract highly skilled labour. The lower attraction of insurance jobs in relation to banking jobs may also explain the lower levels of jobs created. In general, FDI firms may find it more difficult to source qualified employees as they require a more highly skilled labour force than state and non-state firms.

Currently, the demand for labour is higher than the supply available in FDI supported sectors, such as garment and food processing and the service sectors (banking and insurance). The availability of highly skilled labour in particular, is decreasing, partially due to the migration of skilled workers to other areas of South East Asia.

As a result of the government’s efforts to improve the investment climate, Vietnam has been ranked as one of the top 10 most attractive countries in the world for FDI and has benefited from an increasing flow of capital. However, if Vietnam does not provide adequate sources of skilled labour and improve the policy framework for labour migration, it runs the risk of losing investor confidence.

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- Công ty Cổ phần Đầu tư và xây dựng Nhà đất được Sở Kế hoạch Đầu tư Hà Nội cấp giấy đăng ký kinh doanh số: 0103000150 ngày 24 tháng 11 năm 2000
- Công ty đang hoạt động theo mô hình mẹ con, đang trong giai đoạn hoàn thiện thủ tục lên tập đoàn Housing Group
- Cơ cấu tổ chức bao gồm 07 phòng ban, 11 chi nhánh, 05 đơn vị hợp tác chiến lược, Hệ thống bán buôn, bán lẻ
- Vốn đăng ký kinh doanh: 50 tỷ VND
- Đại diện pháp lý: Bà Châu Thị Thu Nga – Chủ tịch Hội đồng quản trị kiêm Tổng Giám đốc
- Ngành nghề kinh doanh chính: Tư vấn đầu tư thiết kế, kinh doanh bất động sản, sản xuất kinh doanh vật liệu xây dựng, xây dựng dân dụng, công nghiệp, sản xuất cửa Housing Door, gạch Block (gạch bê tông tự chèn).

Các thành tích đã đạt được

- Cúp vàng Thương hiệu Việt, Cúp vàng sản phẩm uy tín chất lượng, Hội sở hữu trí tuệ Việt Nam về sản phẩm cửa gỗ công nghiệp và gạch Block .
- Bằng độc quyền: Kiểu dáng Công nghiệp về sản phẩm cửa Housing, gạch Block do Cục sở hữu trí tuệ – Bộ khoa học và công nghệ chứng nhận.
- Huy chương vàng: Về sản phẩm cửa Housing, gạch Block, và công trình kiến trúc khu nhà ở bán tại công trình 25 Vũ Ngọc Phan Hà Nội.
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- Được bình chọn top 500 thương hiệu hàng đầu Việt Nam do tập đoàn ICHI của Nhật Bản và Mạng Thương hiệu Việt năm 2007

Part I

OVERVIEW ON BUSINESS ENVIRONMENT OF VIETNAM IN 2007

1. Economic growth and import - export activity

Vietnam's Gross Domestic Product (GDP) growth rate in 2007, estimated at 8.48%, reached its highest rate within the last 11 years. This placed Vietnam third behind China (11.3%) and India (about 9%) in terms of GDP growth in Asia. Record levels in GDP growth rates were achieved in the key economic areas of: agriculture, forestry and fishing (3.41% growth rate vs. 3.32% within the same term of 2006), the industry and construction sectors and the service sector (8.68% vs. 8.29% in 2006).

Table 1.1.

Keys economic indicators of 2007

Gross Domestic Product (GDP)	+8.48
- Production value of agricultural, forestry and aquatic products	+3.41
- Production value of industry	+10.6
- Service value	+ 8.68
- Total export turn-over	+21.5
- Total import turn-over	+35.5
- Total retailing of commodities and social services	+23.3
- International customers to Vietnam	+18.0
- Investment amount of the whole society	+15.8
- Consumption price in December 2007 in comparison with December 2006	+12.63
- Ratio of poor households reduced (in comparison with plan)	+16.0

Source: Statistics General Department

1.1 Industrial gross output

In 2007, the industrial gross output increased by 17.1% in comparison with 2006. As part of this the state owned sector grew 10.3% (within which the Central state owned sector grew by 13.3% and the local state owned sector by 3%), the non-state owned sector grew by 20.9% and the foreign invested sector grew by 18.2% (petroleum and gas rates reduced by 7.3% and other industries increased by 23.2%).

The growth rate of beer was estimated at 19.4%, machine-tools at 74.5%, air conditioners at 56.9%, electric motors at 26.2%, washing machines at 24.7% and electric fans at 30.3%. In provinces and cities with high economies of scale, high growth rates were attained: Hanoi grew by 19.9%, Vinh Phuc by 41.8%, Ha Tay by 24.9%, Binh Duong by 24.6%, Dong Nai by 22.4% and Can Tho by 17.3%.

1.2 Increase in exports

The total export value in 2007 was USD 48.56 billion, an increase of 21.9% in comparison with 2006 and a 4.5% increase on the 17.4% growth rate planned by the Government. FDI contributions, which only accounted for 56.9% of total export turnover, reached USD 27.3 billion, an increase of 18.6% in comparison with 2006. In turn, export turnover of 100% domestic sector grew by 23.1%.

10 groups of commodities reached a turnover of more that USD 1 billion. These included: aquatic products, rice, coffee, rubber, crude oil, textile products, shoes, electronic and computer spare parts, wood products and mechanical products. Within these groups, the turnover of traditional commodities such as crude oil, textile, shoes and aquatic products reached more than USD 3 billion, with electronics and wood products reaching more than USD 2 billion.

In 2007, export volume of certain key export commodities reduced in comparison with 2006. These included: crude oil: 15.2 million tons (down 7.4%) pepper: 100 thousand tons (down 14.3%) and rice: 4.5% million tons (down 3.1%). .

Key commodities that increased their export value in 2007 included: Rice (16% increase); coffee (50% increase); Pepper (73% increase); cashew nuts (30.8% increase), Textile (32% increase); electronic and computer components (28.8% increase); wood products (21.1% increase); plastic products (45.8% increase); Electrical wire and cable (27.7% increase).

Trends indicate an increase in the export of technological commodities such as processing and manufacturing products and a decrease in the export of raw commodities. Export development however is unstable and can easily be affected by outside factors such as price fluctuations in the world market and the establishment of new trade barriers by foreign countries.

The nature of exports in Vietnam is problematic due to: (1) Slow development of new export commodities

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1. Source: Ministry of Planning and Investment

with high turnover (2) Dependence on exports of relatively low value such as textile, shoes, electronic and computer components and only limited export of high value commodities such as mineral (crude oil, coal), agricultural, forestry, aquatic and sea products (3) Slow pace of change within the export sector. Shares in industrial/manufacturing commodities accounted for 40.7% of total export value in 2007 and only increased slightly in comparison with 2006 (40.3%).

1.3. Continued growth of imports

Total import turnover in 2007 reached USD 62.68 billion, an increase of 39.6% in comparison with 2006. Within this, enterprises with foreign investment capital import reached 21.7 billion USD, an increase of 31.6% in comparison with 2006.

The trade balance deficit in 2007 was USD 14.12 billion, representing a ratio of deficit to export of 29%, 2.7 times higher than 2006 and the highest deficit in years.

Key import commodities which increased their value included: automobiles (increased 132%); automobile components (increased 63.4%); steel (increased 56.4%); raw steel (increased 37.6%); fertilizer (increased 23.8%); plastic material (increased 28.6%); fiber (increased 37.1%); machinery (increased 54%); new drugs (increased 27.7%); electronic and computer components (increased 36.7%); fabric (increased 30.7%); animals, vegetable oil (increased 60%); chemical products (increased 24.4%); wood and material (increased 28.9%); milk (increased 24.6%); cattle-feed (increased 60%).

Import commodities with high turnover included raw materials such as fuel, material, sub-material (excluding petroleum), with export volume accounting for 58% of total import turnover. Among these were key commodities such as: iron and steel , metal and raw steel (USD 6.3 billion); fertilizer,(USD 850 million); machineries (USD 10.2 billion); chemical, plastic raw material (USD 3.77 billion); electronic and computer components (USD 2.8 billion); fabric; cotton, raw and sub-material for textile; leather (USD 7.1 billion); material wood (USD 999 million); cattle-feed and raw material (USD 1.18 billion); new drugs and raw material (USD 848 million).

Due to the similarity of Vietnam's export sector (agricultural products, consumption, textile, leather) to other South East Asian countries, exports to these countries did not reach their potential growth rate. During the first 10 months of 2007, Vietnam has high trade deficits with countries such as China (USD 6.8 billion), Taiwan (USD 4.4 billion) and Korea (USD 3.2 billion). Due to advantages with regards to transport, price and compatibility, most of Vietnam's domestic commodities such as textiles, leather shoes, raw steel, petroleum and machinery were imported from neighbouring countries. Only a limited amount of hi-tech machinery was imported from developed countries (such as United States, Japan and the E.U).

Vietnam has not yet identified a strategy for controlling the deficit, which negatively impacts on

2. Source: *Sđd*
3. Source: *Sđd*

macroeconomic indicators such as the: balance of payments, foreign exchange reserves and investment resources.

2. Non-state owned enterprises continued to grow

According to the Ministry of Investment and Planning, there were a total number of 58,916 newly registered enterprises from January 1, 2007 to the end of December 31, 2007 within Vietnam, with a total registered capital of VND 489,181,802 million. In comparison with 2006, the number of newly registered enterprises increased 26% and registered capital increased 330%.

The highest numbers of new enterprises were registered in Ho Chi Minh City and Hanoi, with 18,009 and 10,913 enterprises respectively. The lowest numbers of new enterprises were registered in northern provinces such as Bac Kan (71 enterprises), Dien Bien (85 enterprises), Lai Chau (85 enterprises) and Ha Giang (102 enterprises).

In addition, 38,443 enterprises increased their registered capital, reaching a total supplementary capital amount of VND 230,811,081 million (a 389% increase in comparison with the same term in 2006). In Ho Chi Minh City, 27,549 enterprises registered to increase their capital, reaching the supplementary capital amount of VND 109,687,261 million.

Table 1.2.

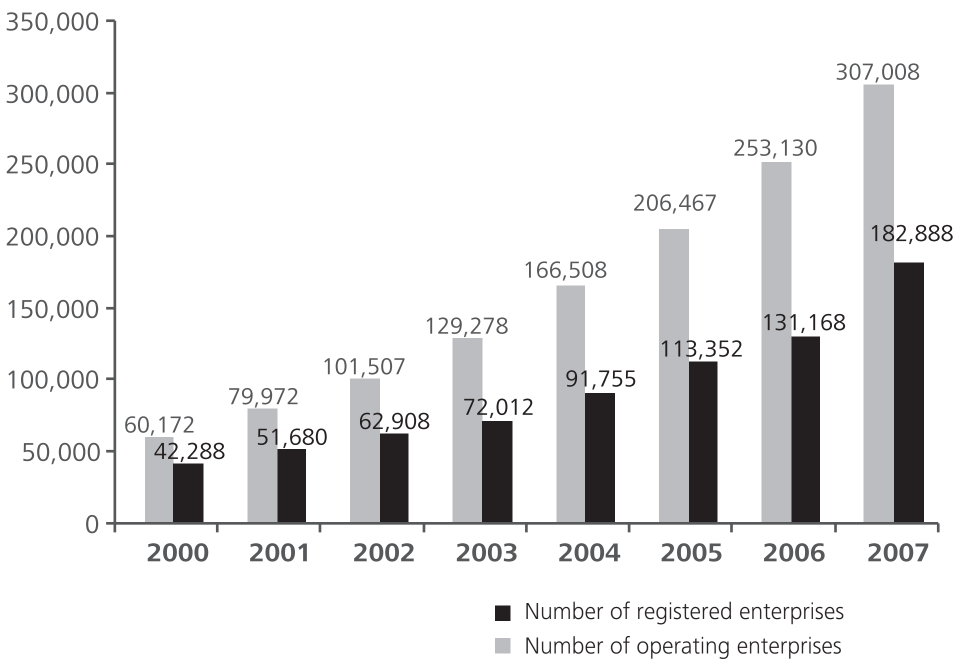
Number of newly registered private enterprises during the period of 2000-2007

Year	State owned enterprises	Sole Proprietorship (Private enterprises)	Limited liability companies	Sole member limited liability companies	Sharehold-ing companies	Partners-hip	Total
to 2000	6,928	33,003	19,082		1,156	3	60,172
2001	27	7,100	11,121	0	1,550	2	19,800
2002	12	6,532	12,627	59	2,305	0	21,535
2003	20	7,813	15,781	98	4,058	1	27,771
2004	6	10,405	20,190	125	6,497	7	37,230
2005	8	9,295	22,341	292	8,010	13	39,959
2006	7	10,320	25,762	902	9,669	3	46,663
2007	-	10,013	25,756	8,404	14,733	1	53,878
	7,008	**94,481**	**152,660**	**9,880**	**47,978**	**30**	**307,008**

Source: Information center, Agency for Enterprise Development - Ministry of Investment and Planning

Figure 1.1.

Number of registered and operating enterprises



3. FDI reached record levels

In 2007, inflow of FDI capital reached record levels, with newly registered FDI capital and supplementary capital reaching USD 21.3 billion. This represented an increase of 77% in comparison to 2006 and the highest level of FDI to date. 17 billion USD of FDI capital was linked to 1,500 newly licensed projects, mainly within the service sectors. This accounted for 63.7% of total FDI inflow, followed by inflow to industry sectors (35.0%) and to agricultural, forestry and fishery sectors, which accounted for only 1.3% of the total.

Ho Chi Minh City attracted the most newly registered FDI capital, with 308 projects accounting for USD 2 billion. This was followed by Phu Yen with 5 projects (USD 1.7 billion); Ba Ria-Vung Tau (USD 1.69 billion); Binh Duong (USD 1.2 billion), Hanoi (USD 963 million) and Vinh Phuc (USD 789 million).

In 2007, Vietnam attracted USD 3.3 billion of supplementary FDI capital, which was associated with 360 projects. FDI flow shifted from industry to service sectors such as hotels, restaurants, tourism, finance and banking and focused more on central and northern areas. 52 provinces in Vietnam received FDI, with central provinces attracting USD 3.3 billion, an increase of 264.5% in comparison with 2006 and close to the accumulated amount of FDI capital from the previous 18 years (USD 3.5 billions).

As a result of the joint UK-Russia investment in the Vung Ro Oil Filtering Factory, FDI capital in Phu Yen climbed up to USD 1.7 billion in 2007, reaching higher levels of newly registered capital than Da Nang, Quang Nam and Hue. In Hanoi, the Malaysian investment project of Yen So Part registered capital of approximately USD 900 million. In total, implemented FDI capital in 2007 was approximately USD 5.1 billion, representing an increase of 1.2 billion USD (30.7%) in comparison with 2006.

Along with the increase of FDI capital, the inflow of remittances into Vietnam rapidly increased in 2007, reaching USD 8 billion in comparison with 5.7 billion USD in 2006 (and 157 times that of 2001). With an average growth rate of 37% per year, accumulated remittances through official channels from 1991 to 2007 reached USD 29.4 billion. This accounted for 70% of accumulated FDI capital since 1998 and was 1.5 times greater than accumulated ODA capital since 1993. Remittances in 2007 mainly accounted for investments in securities, real estates and the purchase of assets and commodities during the New Year holiday.

In 2007, indirect investment capital on the stock market was estimated at over USD 5.3 billion, whereas committed ODA capital reached USD 5.4 billion.

4. SOE reform and performance

Reform of SOEs took place at a slow pace during 2007. 257 SOEs were reformed, bringing the total number of reformed SOEs to 5366 (of which 3756 have been equitized). This represented approximately 28% of the targeted goal for both the restructuring and equitization of enterprises. 50% of SOE reforms were carried out by ministries, in comparison with 24% by corporations and 21% by local authorities. In many provinces no reform took place: Bac Lieu, Dak Nong, Dien Bien, Ha Nam, Hau Giang, Kon Tum, Lang Son, Ninh Binh, Son La, Quang Tri, Thua Thien Hue, Thanh Hoa, Tay Ninh, Tuyen Quang and Tra Vinh.

Table 1.3.

State of SOE reform during 2007

	Reforming			Equitization		
	Planned	**Performance**	**Accomplishment**	**Planned**	**Performance**	**Accomplishment**
Whole country	926	257	28%	480	136	28%
Ministries	196	98	50%	162	54	33%
Corporations	140	33	24%	81	24	30%
Province	590	126	21%	237	58	24%

Source: Steering committee of arranging, innovating State-owned enterprises

Although the Prime Minister provided guidelines for the equitization of state-owned groups and corporations (Decision No 1729/QĐ-TTg dated December 29, 2006), only Vietnam Insurance Corporation (Bao Việt) and Vietcombank implemented changes. Within 23 State-owned companies and State-owned commercial banks, equitization was not carried out according to schedule (Decision 1729/QĐ-TTg). According to the 2006 Report of the Office of The State Audit of Vietnam, 212 out of 277 companies (belonging to 21 national corporations and banking finance organizations) showed a profit, representing 76.5% of audited companies. 64 companies (23.1% of audited companies) failed to make a profit.

The high level of enterprise success let to total profits of 24.503 billion VND (before tax) and contributed significantly to the state budget by increasing capital, creating new jobs and attracting labour. A number of enterprises with large markets succeeded in strengthening their brand and contributed to poverty alleviation and job creation.

Audit results indicated that many enterprises failed to accurately reflect their financial status. Additional capital amounted to an increase in revenue of VND 1,429 billion, VND 19,991 billion below the reported value. Total additional expenses amounted to VND 1,374 billion, VND 20,296 billion below the reported value and the total increase in profits before tax was 889 billion VND, VND 536 billion below the reported value. Financial reports of some corporations did not accurately reflect their total assets, including financial figures of affiliated companies. As a result of audits, the financial value of 23 corporations and finance organizations increased by VND 1,143.2 billion.

Accounts receivable and liabilities in 2007 also reached high levels. Prior to December 31, 2005 the total of accounts receivable was VND 43,757 billion, (accounting for 10% of total assets and 37.8% of total net worth) and total liabilities were VND 97,518 billion (accounting for 22.3% of total assets). The total net worth of 23 corporations and banking finance organizations was VND 115,714 billion, which accounted for 26.5% of total assets. Five affiliated companies of four corporations reported their accounts receivable as up to VND 56.994 billion.

Audit reports also indicated weaknesses within SOEs, such as inefficient long-term investments (capital stock investment) which impacted negatively on production. Moreover, obsolete process technologies of commercial banks and under development of value added services and frameworks for risk management was noted. Many enterprises, particularly within the construction industry failed to make profits due to inefficient business practices. 6 out of 21 audited corporations failed to make profits in 2005, representing a total loss of VND 351.356 billion (with a progressive loss of VND 985 billion up to December 31, 2005). Key causes for profit loss may be attributed to increasing costs of input materials, inefficiency in product management and pricing strategy, high liability and high interest payments rates on debts.

Box 1.1.

Enterprises of Vietnam according to preliminary results from a general census of economic and administrative establishment in 2007

According to preliminary results the total number of business establishment on July 1, 2007 was 3,935,078, take up 94.9% of total economic and administrative establishments. In this group the number of business establishment registered as enterprises and under mass organization and associations is 183,920 (increasing 82.8%); total number of Individual household businesses 3,751,158 (increasing 43.2% in comparison to 2002). Preliminary results of general census showed some general trends of development of business community in 5 years from 2002 -2007:

First: Numbers of business establishments are growing swiftly. Numbers of business sites have increased by 131.6 % in the past 5 years with labour increasing by 121.3%. This is a direct result of government policies to increase investment in production and to develop the economy.

Second: There is structure change in favor of service industry. 76% of business firms and 57% of Vietnam's labour force operate within the service sector. Of concern however, is the small size of services firms.

Third: Positive impact of the Equalization of state-owned companies. At the time of investigation, the number of business establishment-enterprises increased by 83.4% to a total of 182,888 and attracted 6,953,663 workers (an increase of 81.6% in comparison with the year of 2002). While in the state owned sector the number of enterprises reduced 12.3% and labour force reduced 8.3%, number of enterprises and labour force increased 140.3% and 166.3% respectively in non-state sector; 98.3% and 159.4% in FDI sector.

In terms of business size, in average, FDI enterprise has a largest size with approximately 222 workers per establishment at 1st July, 2007. SOE has 53 workers and non-state enterprises has 26 workers.

Industrial enterprises has 102 workers per establishment, threefold of average size of all enterprises vs. 7 workers per establishment in the private trading and service sector. Within the state owned sector, 48.6% of establishment with 52.5% of labour force belonged to trading and service sector whereas the FDI enterprises was focused on industrial sector.

Fourth: Slower growth in scale of Household enterprises (HE). At the time of investigation, the number of individual business sites was at the time of general investigation is 3.7 million increasing 43.2%, but the ratio in total number of business establishment was reduced (90.5% in comparison with 90.9% in the year of 2002). The average size of HE size has not has much change, still at the level 1 – 2 workers/ HE. Development of HE has been spontaneously and being an engine of creating job for most of employment in Vietnam (6.5 millions labours) with simple working skill, generating main income to household economy. Ratio of labours in HE having no paid salary takes 79.8%. Ratio of registered HE paying business exercise tax and VAT has not been improved in low rate: about 30%.

Number of HE in trading, hotel, and restaurant is taking a large portion.

Fifth: Development of industrial zones. At the time of investigation, the country had 577 industrial zones which were concentrated in four areas: the Red River Delta, Coastal South Central part, South-east and the Mekong River Delta.

Source: Statistical General Department

5. View on Viet Nam's development by international organizations

5.1 World Bank and International Finance Company: Improvements in Vietnam's business environment

According to the World Bank business report (Doing Business 2008), produced by the International Finance Corporation (IFC), the business environment in Vietnam in 2007 has improved, with the comparative advantage of doing business in Vietnam ranked higher (91 out of 178 countries) than in last year (104/175) and the year before (98/155). According to this report Singapore was rated having the friendliest business environment in the world, followed regionally by Thailand (15), Malaysia (24), and Taiwan and China (50). See Table 1.4. The report also shows that Vietnam stands at the low ranking in 3 fields: Protecting investors, closing a business and paying tax.

Table 1.4.

Summary of indicators of Vietnam's business environment in 2008

2008			
Advantage level in	**Ranking of Vietnam**	**Highest ranking nation**	**Lowest ranking nation**
Doing Business	91	Singapore	Democratic Rep. of Congo
Starting a Business	97	Australia	Guinea-Bissau
Getting License	63	St.Vincent & Grenadines	Eritrea
Hiring and firing	84	United States	Venezuela
Registering property	38	New Zealand	East Timor
Getting credit	48	England	Cambodia
Protecting Investors	165	New Zealand	Afghanistan
Paying tax	128	Maldives	Belarus
Trading across borders	63	Singapore	Kazakhstan
Enforcing contract	40	Hong Kong, China	East Timor
Closing a business	121	Japan	Central African Republic

Source: World Bank - 2007

5.2 World Economic Forum: Vietnam shows potential for improving its business environment

In 2007, Vietnam ranked 68th out of 131 nations with regards to competitive ability (unchanged from 2006). Evaluation of competitive ability was based on the basis of 100 criteria. Vietnam scored highest for: Female participation in labor force (8th); Cluster development (16th place); Foreign market size index (26th): National savings rate (21st). Vietnam achieved average scores for the criteria of: market size (32nd); labour market efficiency (45th) and Macroeconomic stability (51st).

Table 1.5.

Ranking of Vietnam by high education and labour efficiency in GCI 2008

High Education and Training	**Ranking 93 (out of 131 nations/economies)**
Quality of management schools	120
Quality of the educational system	112
Tertiary enrollment (hard data)	103
Secondary enrollment (hard data)	87
Extent of staff training	83
Quality of math and science education	79
Local availability of specialized research and training services	74
Internet access in schools	67
Labour market efficiency	**Ranking 45 (out of 131 nations/economy)**
Firing costs (hard data)	101
Flexibility of wage determination	96
Reliance on professional management	87
Cooperation in labor-employer relations	84
Brain drain	68
Non-wage labor costs (hard data)	67
Rigidity of employment (hard data)	61

Vietnam ranked over 100 (out of 131 nations) on 17 criteria. Lowest scores were recorded for the criteria of Trade-weighted tariff rate (117th); Protection of minority shareholders (121st), nature of competitive advantage (126th), control of international distribution (115th) Quality of management schools (120th).

5.3 United Nations Conference on Trade and Development: Vietnam belongs to the group of 6 most attractive countries in the world

According to the World Investment Report (WIR) 2007 produced by the United Nations Conference on Trade and Development (UNCTAD), Vietnam is one of the most attractive countries for future investment. In a survey of investment attractiveness, Vietnam stood 6th place out of 141 economies surveyed after China (52%), India (41%), United States (36%), Russia (22%) and Brazil (12%). The report noted that Vietnam is becoming increasingly important for investors in the areas of production, services, banking and finance and ranks Vietnam as one of the most attractive places for investment (alongside China, India and Thailand) for Japan.

Box 1.2.

Attractive investment environment – six reform proposals from UNCTAD

The United Nations Conference on Trade and Development (UNCTAD) is currently composing a report on "Vietnam's investment policies." The report describes Vietnam's foreign investment policies, along with the impact of FDI on economic development and provides recommendations for ways to improve the investment environment. UNCTAD puts forward the following six proposals for Vietnam regarding legal and investment regulation frameworks: *First, it is necessary to change the words "control and direction" into "regulation, supervision and compulsory obedience"*. According to UNCTAD, investment policies and regulations in Vietnam still reflect a "control and directive" approach despite recent changes such as the Law on Investment and Law on Enterprises. This approach should be replaced with "regulatory, supervision, and compulsory obedience" policies.

Second, Vietnam needs to encourage new, dynamic FDI flows. The Vietnamese Government should consider opening key markets and allowing foreign investors to take part in the liquidation of state-owned enterprises. This will attract further FDI which will contribute to Vietnam's growth.

Third, create favorable conditions to absorb the necessary skills for serving Vietnam's rapidly developing economy. According to UNCTAD, Vietnam's competitive advantages, such as a cheap and productive labour force, have allowed Vietnam to attract a high level of foreign investment. In order to attract foreign investment in more highly skilled areas however, Vietnam will need to develop its education system.

Fourth, separation between ownership and regulation functions of the state. At present, state-owned enterprises participate in trade activities and compete with both local and foreign private enterprises. However, in order to avoid conflicts of interests and to ensure business effectiveness, state ownership and regulation functions must be clearly separated.

Fifth, simplify the tax system and rationalize tax incentives. Vietnam should reform the existing system of tax incentives in order to increase business competitiveness. Furthermore the tax system should be simplified in order to reduce the administrative burden for investors and tax management systems.

Finally, recent legal reforms should be continued. Important legislation has been developed within Vietnam over the past decade however further effort is required to ensure its implementation. Judges and managers must be fully educated and trained on the legal framework and investors should be provided with full information regarding the laws and regulatory regime in Vietnam.

Source: Vietnamnet, UNTACD and six proposals on investment environment reform at: http://vietnamnet.vn/kinhte/2007/12/760395/

Vietnam was ranked 78 out of 141 economies regarding effectiveness of FDI attraction in the period 2004 – 2006. Neighboring economies which ranked higher than Vietnam included Singapore (ranked fifth), Hong Kong (ranked second), Thailand (ranked 52), Malaysia (ranked 62), and Brunei (ranked 51).

Table 1.6.

FDI attraction between 2004 - 2006

Economies	Indexes in the period 2004 – 2006	Index value
Vietnam	78	1.343
Malaysia	62	1.693
Brunei	51	2.090
Myanmar	97	0.852
Indonesia	95	0.908
Philippines	102	0.747
Singapore	5	7.622
Thailand	52	2.075
China	69	1.472
Hong Kong	2	9.630

Source: UNCTAD- 2007

5.4. United Nations Development Program (UNDP): Human development index (HDI) of Vietnam improves

According to the UN 2007-2008 human development report, Vietnam climbed up four ranks in the ranking HDI Table, with a HDI of 0.733. Ranked 105 out of 177 countries, Vietnam has continuously improved its HDI over the past 20 years through investment in economic and education development. According to UNDP's human poverty index (HPI) Vietnam ranked 36 out of 108 developing countries.

Vietnam ranked 122nd out of 177 countries regarding per capita income. However, compared to other low income countries, Vietnam lead in the area of life-expectancy (56th) and adult literacy rates (57th). In terms of total primary, secondary and high education enrolment rates, Vietnam ranked 121st.

According to this year's human development report, Vietnam has made progress regarding gender equality, as measured by the gender-related development index (GDI) and gender empowerment measure (GEM)[2]. Among the 156 countries where gender indexes were calculated, only eight countries scored higher than Vietnam.

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2 Development index related to GDI which reflects inequality regarding the achievements between women and men.. In contrast to the GDI, the GEM reflects inequality of opportunities between men and women with regards to economic and political participation.

6. Provincial Competitiveness Index – uneven reform trends

The results of the provincial competition index (PCI) carried out in 2007 by the Vietnam Chamber of Commerce and Industry and Vietnam Competition Initiative project (VNCI) indicates that the provincial business environment of Vietnam has improved considerably. In particular, significant progress has been made with regards to market integration cost reduction, administrative procedure requirements and registration time.

The ten leading CPI provinces and cities this year include Binh duong, Da Nag , Vinh Long, Binh Đinh, Lao Cai, An Giang, Vinh Phuc, Ba Ria – Vung Tau, Dong Thap and Ho Chi Minh City. Provinces which have improved significantly from 2006 (from seven to 13 points) include Thua Thien Hue, Ca Mau, Tien Giang, Soc Trang, Ba Rịa – Vung Tau, Long An, Ben Tre, Quang Ngai, and Thanh Hoa.

The PCI demonstrates the importance of economic leadership. Decisions made by provincial leaders can have a significant impact on investment, trade, job creation and general living standards. An increase of only one point on the PCI of a province is reflected in the creation of eight new enterprises, per capita investment rising by 2.5% and average profits for enterprises increasing by VND 4.2 million (equal to US$ 253).

Uneven reforms

The PCI survey in 2007 indicates that in general, Vietnam’s business environment improved in relation to 2006. However, fields related to the provincial business environment improved at different rates. The biggest improvement was linked to the indexes of “Entry Cost ” and “Time costs of regulatory compliance” – noted by the reduction in 2007 from 20 to 15 days for business registration, from 10 to 7 days for re-registration and 231 to 90 days in land grants. Less significant improvement was demonstrated for indexes regarding “transparency”, “land access and security of tenure” and “legal institutions”. With regards to land access, the PCI survey indicated a 75.57% increase in the number of enterprises with land certificates (versus 55.28% in 2006) and noted the high level of concern by enterprises regarding compensation for withdrawn lands (with only 40% expecting to be fairly compensated).

Within the remaining PCI indexes of Pro-activity, “SOE Bias”, and “Informal Charges” no significant changes were recorded for 2007. PCI survey results indicate that the quality of training and support for labour did not meet the business needs. Both in 2006 and 2007, only 56% businesses in the median province were satisfied with vocational training and only 52% were satisfied with labour exchange bureaus.

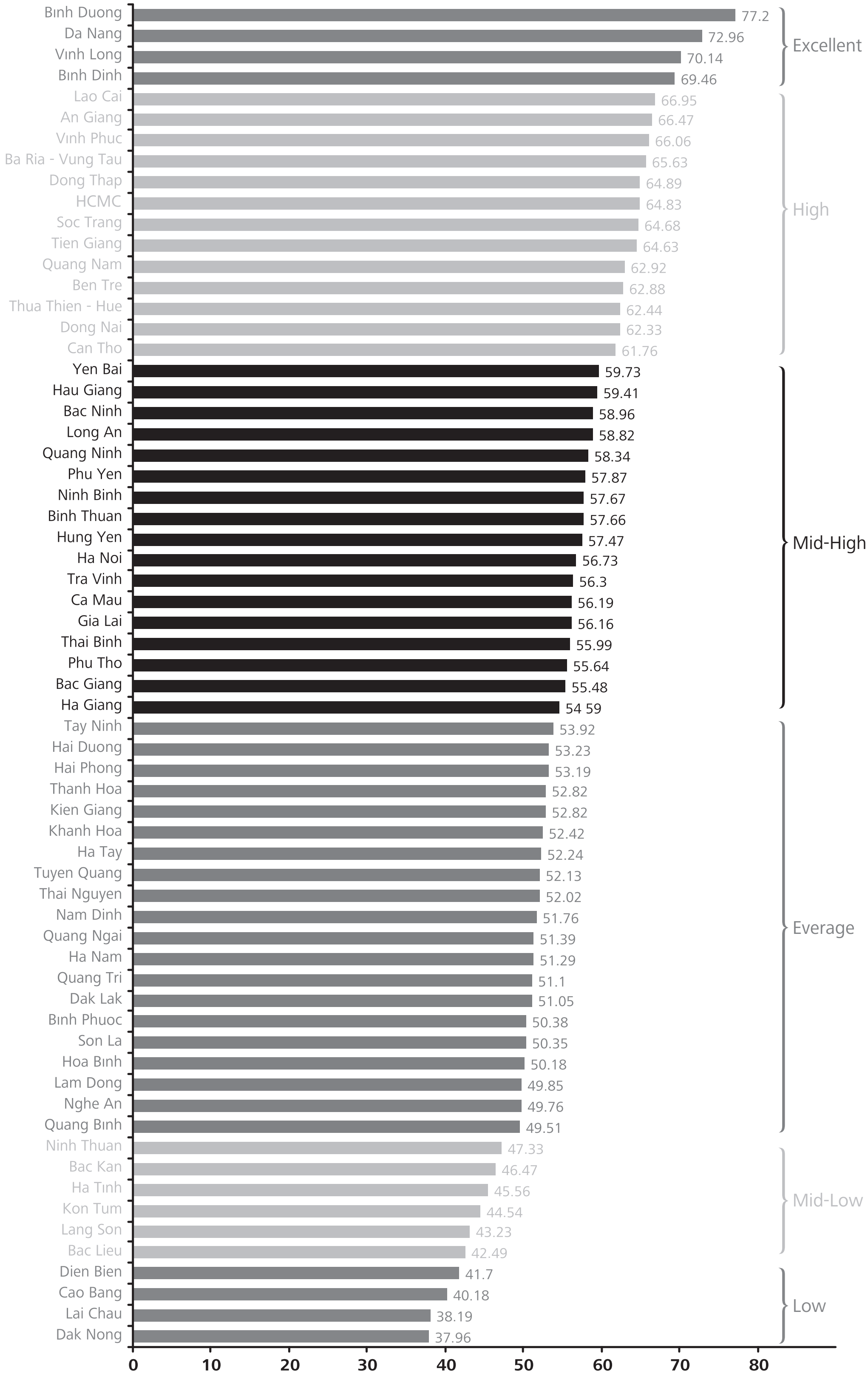
Regional disparities

PCI investigation in 2007 indicated considerable disparities in economic leadership between urban and rural areas and southern and northern provinces/economic zones in Vietnam. The five centrally-run cities of Hanoi, HCMC, Da Nang, Hai Phong and Can Tho averaged 6.8 PCI points higher than 59 provinces (61.89 against 55.06). Higher quality labour training and economic development policies provided cities with an advantage. In general they had more resources available to promote business support activities, enterprise assistance centers, vocational training schools and were able to organize more dynamic trade and investment events than the provinces.

In general, southern provinces ranked 5.68 points higher than northern provinces according to the 2007 PCI indices (58.26 against 52.58). Seven out of the 10 component indices were considerably higher for southern provinces including: land access, transparency, time costs, private economic development policy, labour policies and legal institutions. Remaining indexes, such as entry costs, informal charges and SOE bias were similar for both regions.

The significant gap between provinces with regards to economic development and investment is becoming increasingly apparent. According to statistics released by the Ministry of Planning and Investment in 2006, 10 cities and provinces alone account for 70% of people-run enterprises and 65% of all registered capital in the 64 provinces. As the PCI study has highlighted since 2005, the most important contributing factor towards economic development is quality of leadership. Strong economic leadership directly impacts on economic growth and prosperity within provinces. However economic leadership has differed between provinces over the past years with provinces in the 'high' PCI group changing more rapidly than those in the 'middle high group 'and provinces in the 'low' group improving at a very slow rate. If this trend continues, it is likely that the gap between provinces in terms of economic development will continue to grow.

FINAL 2007 PCI RANKINGS



THE VIETNAM PROVINCIAL COMPETITIVENESS INDEX 2007

7. Impact of international socio-economic development and market prices

The current international socio-economic context is complex: crude oil prices continue to rise, gold prices have reached record highs and the economic crisis in the US is negatively impacting the global finance market. The deterioration of the US economy in particular, which accounts for approximately 25% of overall global GDP and over 15% of total import value of world commodities, has led to the decrease of many economies. In many countries prices have increased significantly and growth targets have been reduced. In Vietnam the price index increased by 12.63% in 2007 compared to 2006 and the price of gold increased by 27.35% due to fluctuations on the world market.

Vietnam's economy is deeply integrated with the world economy, with total import-export turnover equal to about 170% GDP and imports accounting for nearly 90% GDP. The openness of the economy makes it particularly vulnerable to changes in the global economy which can impact negatively on growth rates and price levels.

- The continuous price depreciation of the USD has significant impact for other currencies which may make it difficult to adjust foreign exchange and import-export flows.
- The Consumer price index is likely to increase and to significantly impact business production. Price increases (without corresponding salary increases) may lead to labour strikes. Strikes have already taken place in Ho Chi Minh City and some key economic areas in the south. The competitiveness of goods and services is likely to be limited by increases in salaries and input service products.
- Increases in production costs, in line with stagnant prices may lead to losses for many enterprises, particularly in industries with low profit ratios such as textile, leather and shoes.
- Export industries, such as the textile sector, which rely heavily on imports, may be significantly impacted by increasing oil prices.

As well as facing economic difficulties in 2007, enterprises operating in the agricultural and husbandry sectors were harmed by disasters and diseases which caused considerable losses.

CÔNG TY TNHH MỘT THÀNH VIÊN
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- Tư vấn và đại diện pháp lý đối với quyền chống cạnh tranh không lành mạnh liên quan đến các đối tượng sở hữu công nghiệp; theo dõi, phát hiện và thu thập các thông tin về vi phạm quyền sở hữu công nghiệp và Bản quyền tác giả;
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- Tư vấn đầu tư.

Với bề dày kinh nghiệm của đội ngũ cán bộ gồm Kỹ sư, Luật sư, Luật sư sở hữu công nghiệp và các chuyên viên công tác tại Công ty, cùng với đông đảo các cộng tác viên VCCI-IP CO., LTD đã đại diện cho nhiều khách hàng trong và ngoài nước đăng ký bảo hộ các đối tượng sở hữu trí tuệ tại Việt nam và Nước ngoài. Công ty chúng tôi luôn cam kết đáp ứng các yêu cầu của khách hàng về các dịch vụ tư vấn chuyên nghiệp với chất lượng và độ tin cậy cao nhất.

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Part II

ASSESSMENT OF FIRMS' BUSINESS CAPACITY

1. Selection of sectors

1.1. Rationale

Assessment of business capacity was conducted within 6 of the 32 sectors within the Vietnamese economy. Each sector was analyzed on the basis of the following labour indicators:

1. Total employment by sector
2. Growth of employment (year to year)
3. Growth rate of employment
4. Productivity by sector
5. Value added per unit of labour by sector

1.2. Labour force growth by sector

Table 2.1 demonstrates the allocation of employment and mobility of labour by sector. Within the agriculture, forestry and mining sectors, employment decreased between 2000-2005 and labour moved to the manufacturing and service sectors. While labour levels remained stable within mining, levels increased within labour intensive sectors such as the construction, garment, trade, food/beverage production and wood processing industries. The manufacturing sector, finally, accounted for a large proportion of the nation's labour force.

1.3. Employment rate by sector

Employment growth rates were highest in the service sectors, particularly within insurance, air transport and banking.

1.4. Productivity by sector

Table 2.3 demonstrates productivity by sector, which equates to the average level of gross output per employment by sector. In general, productivity was higher in service sectors than in industrial sectors and was lowest in agriculture, forestry and mining industries. Within the manufacturing sector, productivity was higher for areas requiring highly skilled labour, while productivity was highest for insurance, air transport and trading within the service sector.

Table 2.3 demonstrates that despite high levels of employment within the food, garment and trading sectors, demand for skilled labour was relatively low. In contrast, the demand for skilled labour was high in manufacturing sectors with low employment growth rates, such as the manufacturing of chemicals and chemical products, motor vehicles, motorcycles and cars, radios, televisions and communication equipment.

There was a high demand for skilled labour among service sectors with high employment growth rates.

These sectors included banking, insurance, tourism and air transportation. Despite relatively low employment growth rates, the telecommunications sector also demonstrated high demand for skilled labour.

1.5. Contribution to GDP: employee compensation

GDP contributions within each sector were calculated by the total value added by employees, with higher employment rates and skilled labour linked to higher GDP contributions. In Vietnam, contributions to GDP were highest in the manufacturing sectors (particularly the garment and food industries) however employee contributions were highest in highly skilled service sectors such as banking, insurance and telecommunications. It can be noted that shifting towards high value added sectors will help to improve the competitiveness of Vietnam's economy.

1.6. Selection of sectors for analysis

Table 2.4 ranks 32 sectors on the basis of 5 key economic indicators. The first 3 key sectors, which are relatively labour intensive, include:

1. Food processing (production of food, beverages and cigarettes: sectoral code 4)
2. Garment (including textile, sectoral code 15)
3. Construction (sectoral code 20)

The other 3 key sectors, which require relatively highly skilled labour include[3]:

4. Tourism (sectoral code 27)
5. Banking (including investment funds and security service companies: sectoral code 28)
6. Insurance (sectoral code 29)

The following section will provide an analysis of business capacity for firms within the above six sectors. Firms will be evaluated on the basis of four main dimensions: labour, finance, technology and market assess. This analysis covers the entire period between 2000-2006 and uses data from the "Enterprise census database 2000-2006" which is conducted annually by GSO.

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3. Air transportation in Vietnam is still controlled by Vietnam Airlines. Up until the end of December 2007, Viet Air was the first licensed private airline in Vietnam (see http://www.vnexpress.net/Vietnam/Kinh-doanh/Kinh-nghiem/2007/12/3B9FD8F5/). On March 2008, Air Speed Up became the second one (http://www.vnexpress.net/Vietnam/Kinh-doanh/2008/03/3BA003BA/). Air transportation therefore, was not included for analysis.

2. Number of enterprises (as of 31 December)

Business dynamism was defined by the number of firms within each sector. For the purposes of this study, firm size was classified according to the number of employees, with firms with less than 200 employees defined as 'small' and firms with more than 200 employees[4] defined as 'large'.

Figure 2.1.

Business dynamism in 6 key economic sectors *(unit: firm)*

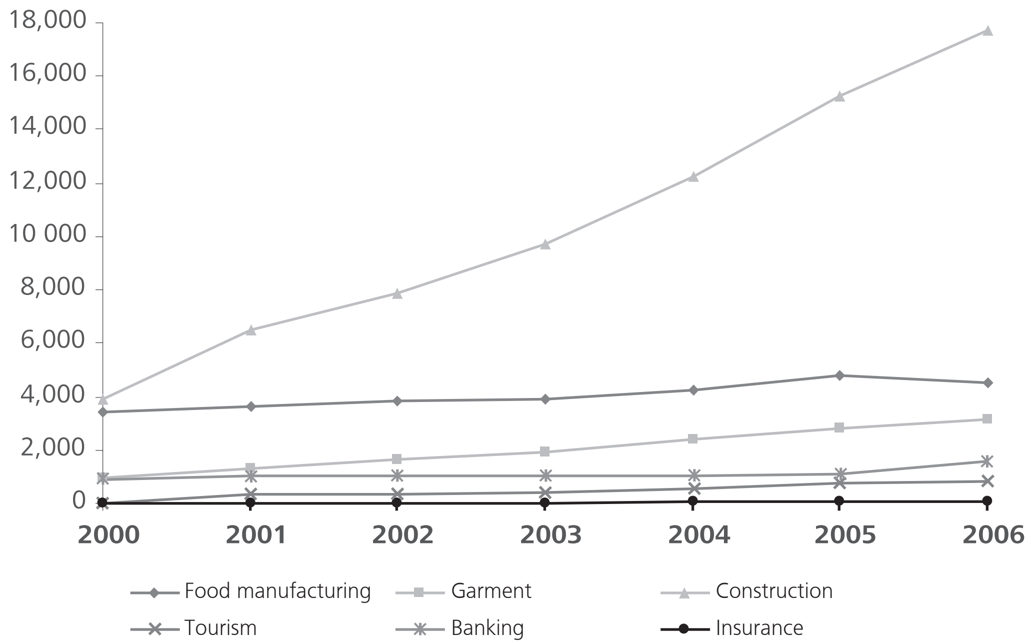


Table 2.5 (see the Appendix) indicates numbers of enterprises within six key economic sectors. Business dynamism trends are demonstrated in figure 2.1.

The highest number of firms was recorded in the construction sector, which increased by almost 400% between 2000 to 2006 (from 4,000 firms to 17,442). This indicates strong potential for business opportunities, particularly as the Vietnamese economy moves towards increased industrialization. Both food and manufacturing sectors also attracted a high number of firms due to the low cost of labour and high volume of exports which offer significant business opportunities. Firms however appeared more willing to invest in the garment industry, which grew almost 300% from 2000 to 2006. Finally, significant growth was demonstrated in the number of firms operating in the service sectors (particularly within tourism, banking and insurance).

4. A key reason for this classification is to ensure consistency with VCCI's 2006 enterprise report .

Figure 2.2.

Business dynamism among large enterprises *(unit: firm)*

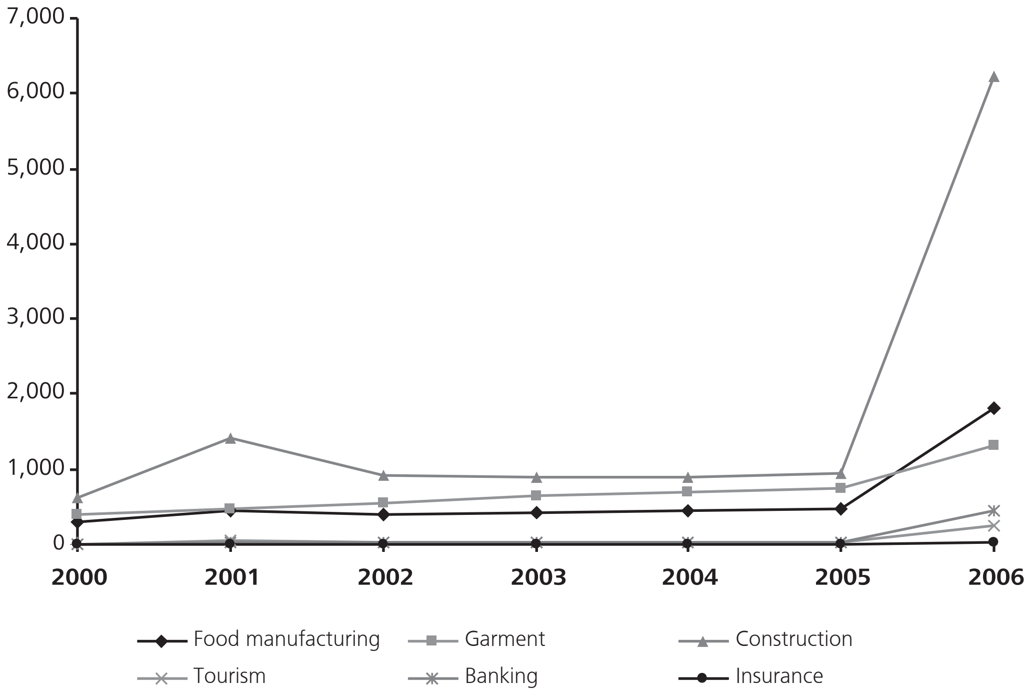
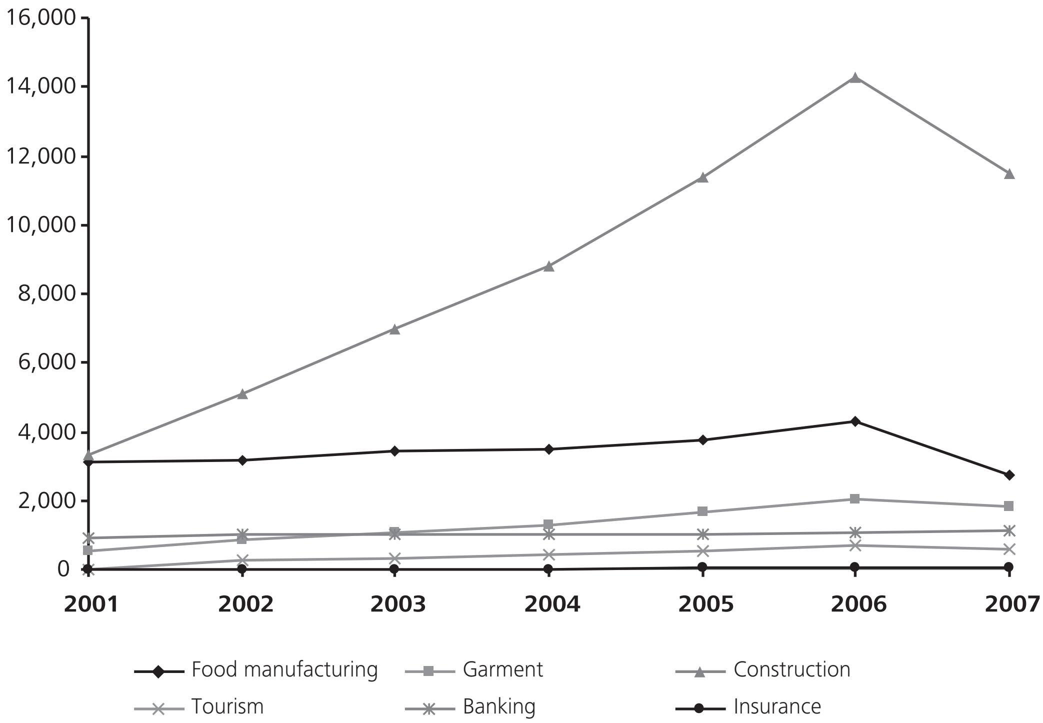


Figure 2.2 indicates business dynamism trends among large firms. The high number of large firms entering the market in 2006 is indicative of the significant levels of dynamism within all six sectors.

Trends for small firms differed within the two periods (2000-2005 and 2006). Between 2000-2005 numbers of small firms increased, while in 2006 they decreased, particularly in the construction and food processing sectors (30%) and the garment and tourism sectors (10%). This indicates that Vietnam's integration into the world economy does not necessarily benefit small businesses. The construction sector, in particular does not attract small businesses due to its requirement for high levels of capital investment and its low liquidity rates.

Figure 2.3.

Business dynamism among small enterprises *(unit: firm)*



3. Employment

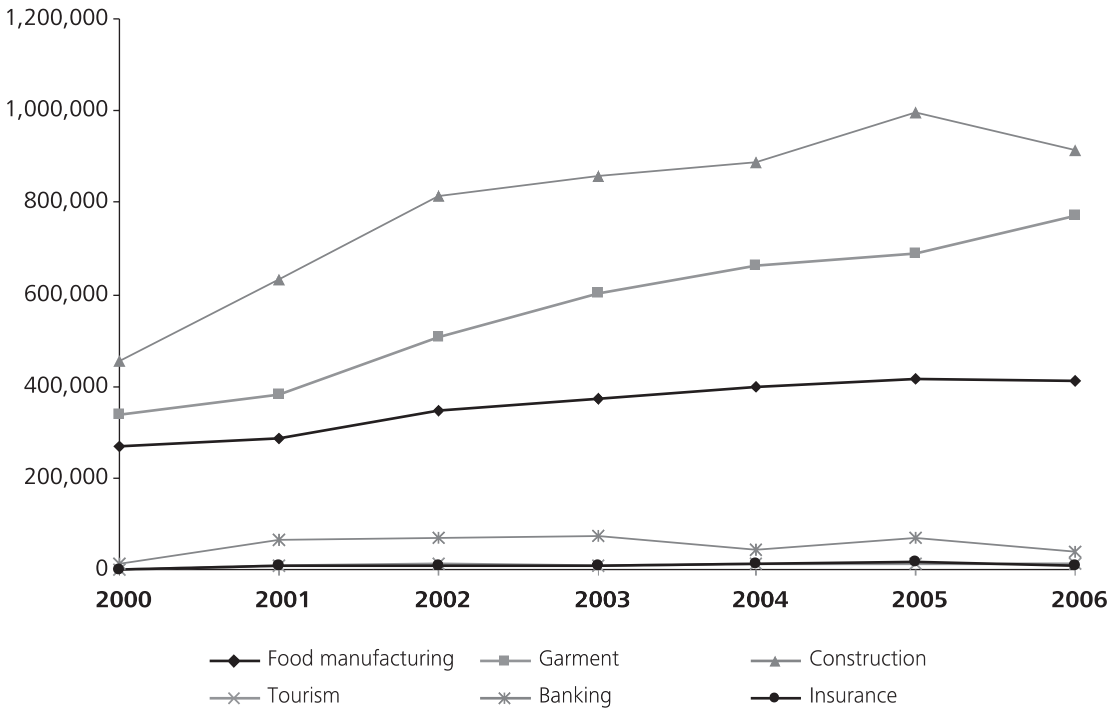
3.1. Employment trends

3.1.1. Number of employees increases but the growth rate slows down

Table 2.6 indicates the number of employees within each of the six economic sectors and figure 2.4a shows employment trends. Within service sectors, employment numbers remained stagnant despite an increase in the number of firms, possibly due to the high level of job skills required. In general, employment grew rapidly in the construction, garment and food processing sectors, however in 2006 growth decreased significantly within the construction industry. Analysis of trends by size of firm demonstrates that this decrease in employment mainly took place within small firms, indicating the construction industry may not be suited to small sized enterprises.

Figure 2.4a.

Trends in numbers of employees by economic sectors *(unit: person)*



Careful examination of employment growth rates can help to identify employee trends within each sector (figure 2.4.b – 2.4.g).

Figure 2.4b.

Trend in number of employees in the food processing sector *(unit: person)*

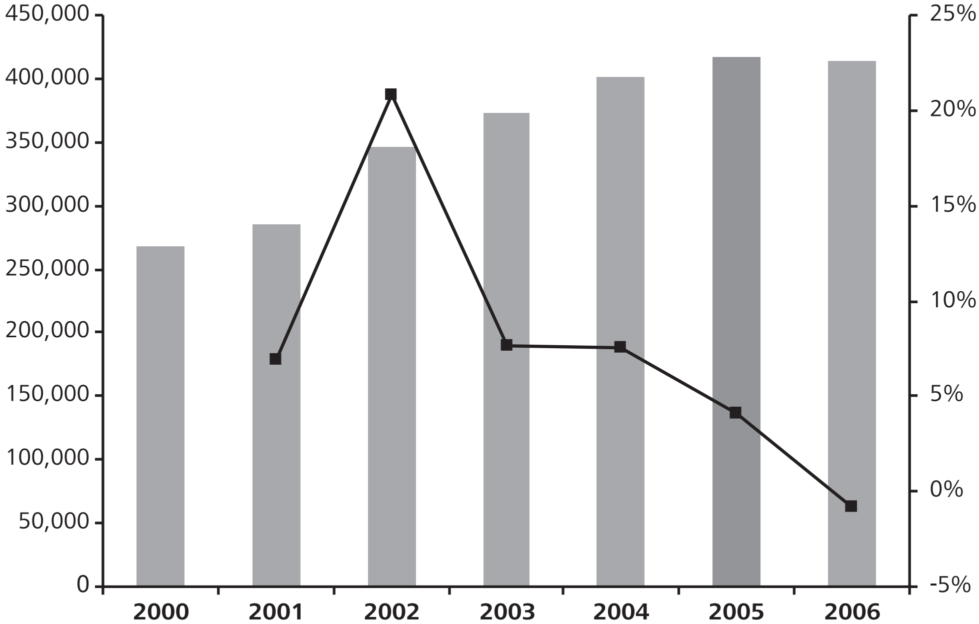
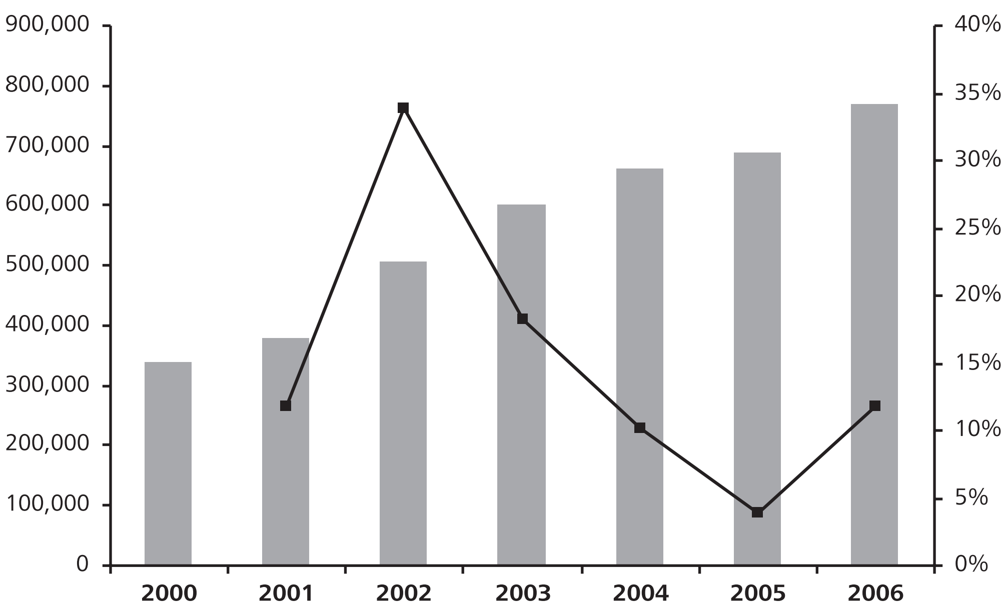


Figure 2.4c.

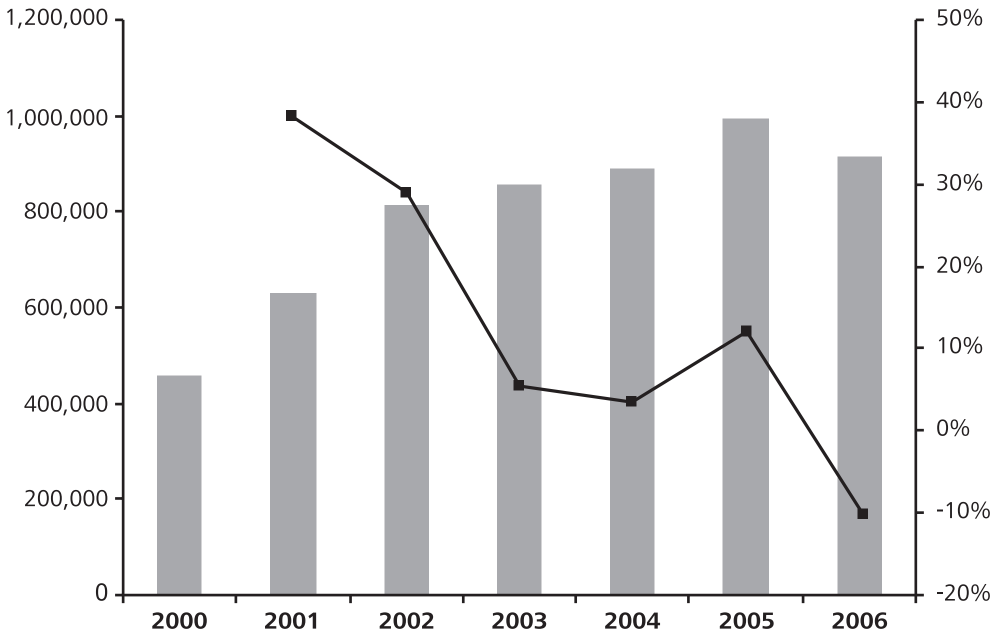
Trends in number of employees in the garment sector *(unit: person)*



Manufacturing sectors shared similar trends with regards to employment growth rates (figure 2.4b and 2.4c).While employment rates in both the food processing (21%) and garment sectors (34%) grew sharply during the period between 2001-2002, they decreased in 2006. The subsequent upturn in the employment growth rate of the garment industry may possibly be attributed to Vietnam's integration into the world economy.

Figure 2.4d.

Trends in numbers of employees in the construction sector *(unit: person)*



Within the construction sector (except for 2002 when the growth rate of employment reached record levels of 40%) there was a sharp downward turn in growth rate (-10% in 2006). Service sectors shared a similar trend (figure 2.4e, f, g).

Within the tourism sector, employment rates remained unchanged throughout the period of 2002-2006, whereas other service sectors witnessed negative growth in 2004 (banking) and in 2006 (banking and insurance). A breakdown of figures by firm size in Table 2.7 indicates that these employment declines can mainly be attributed to large firms. As business dynamism did not decrease for large firms in these sectors (see Table 2.5 or figure 2.2), these declines may be a result of shortages of skilled labour.

Figure 2.4e.

Trends in numbers of employees in the tourism sector *(unit: person)*

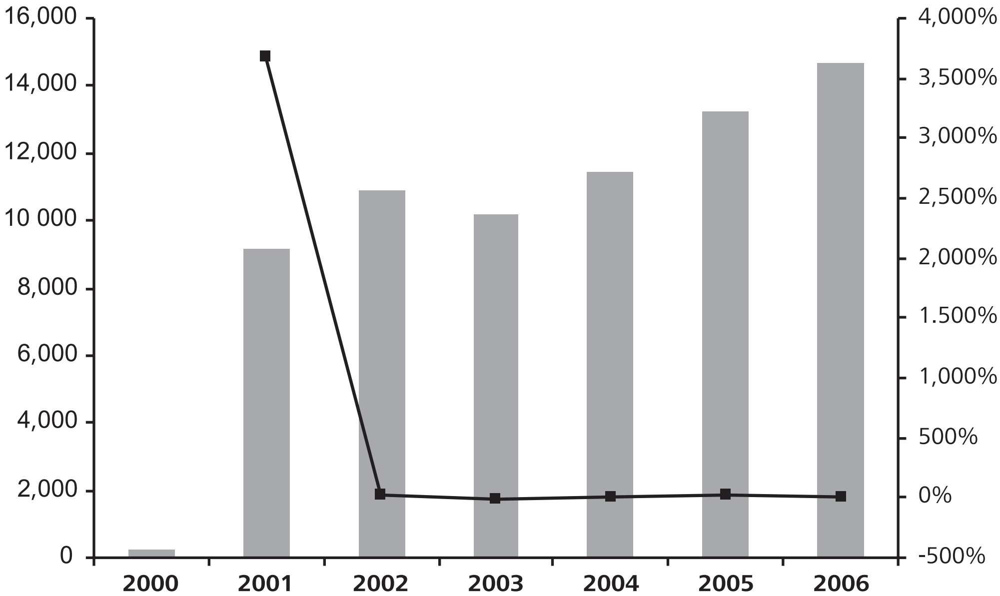


Figure 2.4f.

Trends in numbers of employees in the banking sector *(unit: person)*

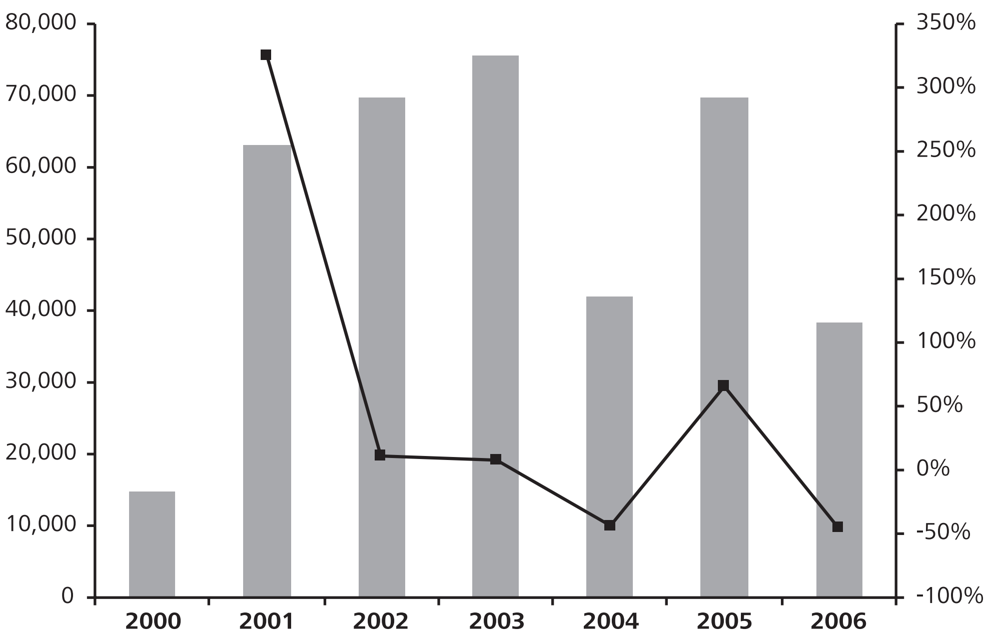
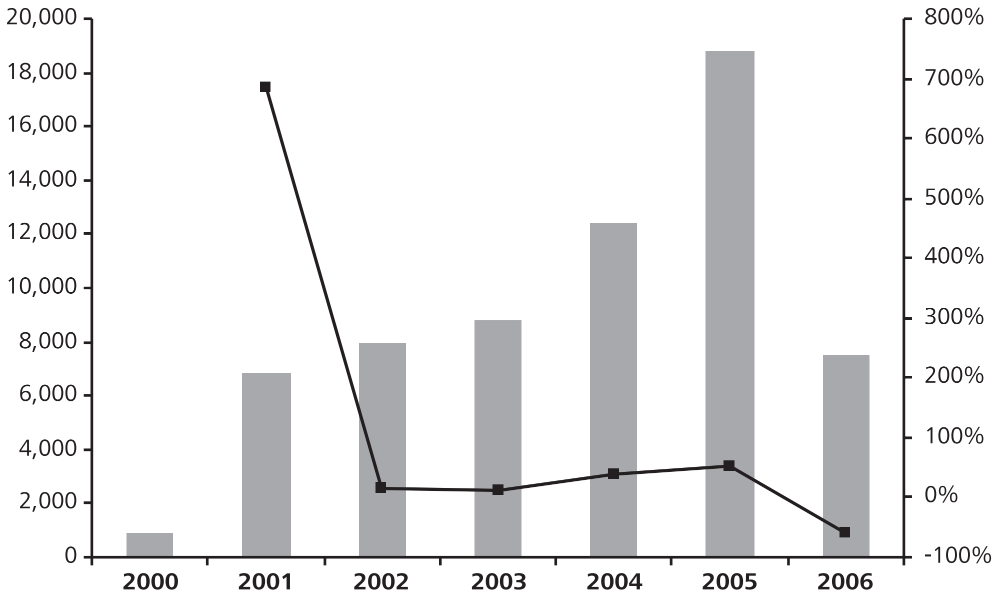


Figure 2.4g.

Khuynh hướng sử dụng lao động trong ngành bảo hiểm *(unit: person)*



3.1.2. Decline in firm size in the service sectors

Figure 2.5a.

Trends in firm size *(unit: person)*

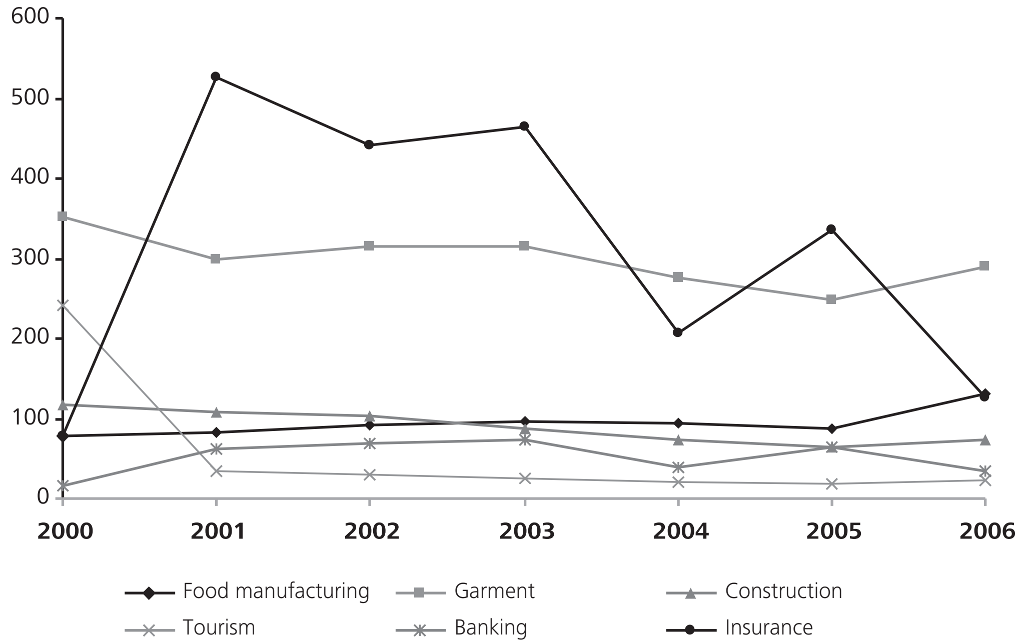
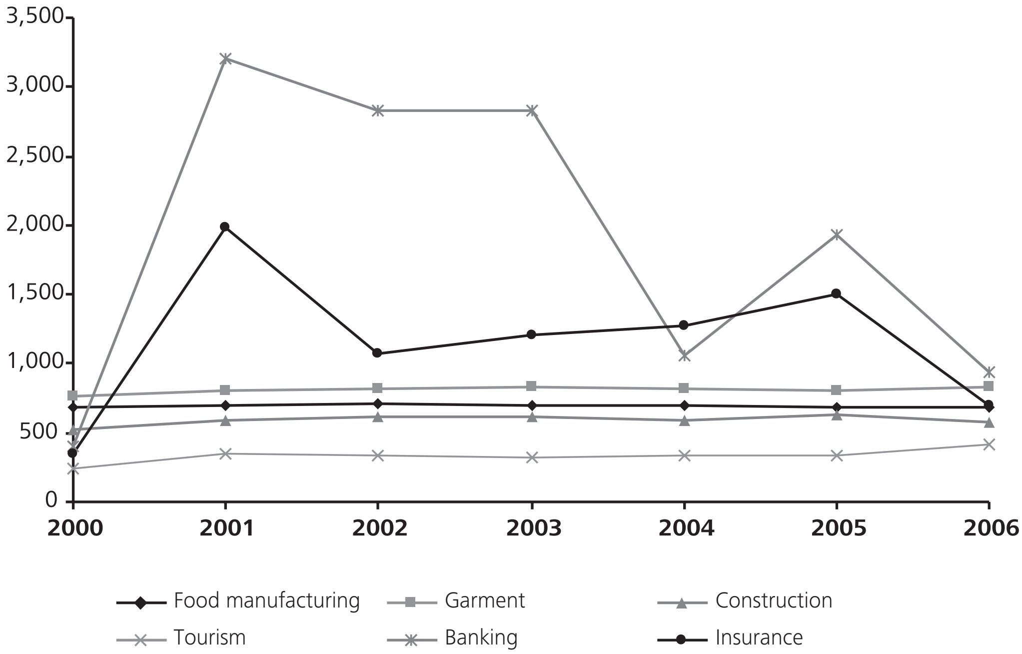


Figure 2.5a indicates changes in firm size in terms of number of employees during the period between 2000-2006 (the average number of employees per enterprise is shown in Table 2.7). Within the food processing, garment and construction sectors firm size remained virtually the same through the period between 2000-2005, however began to grow in 2006. Within the service sectors, with the exception of tourism, firm size decreased, particularly in the banking and insurance sectors. Analysis indicates that these declines mainly took place within large firms (see Table 2.7 or figure 2.5b), with employee numbers in the banking sectors decreasing from 1,935 employees per firm (2005) to only 937 employees per firm (2006). Within the insurance sector, there was a decline from 1,505 employees per firm (2005) to 701 employees per firm (2006). The decrease in employment rates in these sectors thus may not only be attributed to shortages of skilled labour, but to the reduction of firm size.

Figure.5b.

Trends in firm size of large enterprise *(unit: person)*



3.1.3. Many jobs created

Figure 2.6 indicates trends in job creation by sector (calculated as the number of new employees recruited between 1st January to 31st December). Figures indicate an upwards trend in job creation during the period 2000-2006, particularly within the food processing, garment and construction sectors. Relatively high numbers of jobs were also created within the service sectors, with more than 11,000 new job openings in the banking sector in 2006, 5000 in tourism and 1,100 in insurance. Analysis indicates that the majority of new jobs were created by large firms, particularly in the garment, construction and food processing sectors.

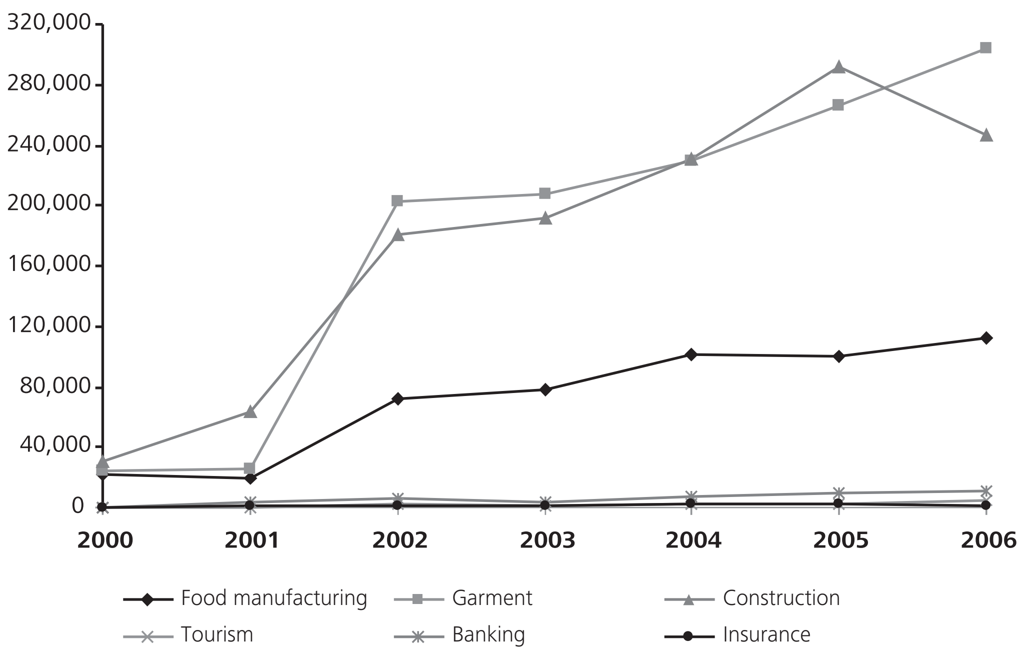
The number of new job openings was highest in the garment, insurance and food processing sectors (surprisingly outnumbering the construction sector which had the highest level of employment). On average in 2006, about 60 new jobs were created in each food processing firm and 40 new jobs created in each insurance firm.

The number of jobs created by large firms was significantly higher than in small and average sized firms. On average, the banking sector had the lowest level of job creation per firm, however large banking firms created the highest number of jobs. This indicates that despite the decline in firm size within the banking sector in recent years, demand for labour may not have decreased.

The increasing number of large banking firms and of new job openings suggests a causal relationship between shortages of labour supply and declines in employee numbers within the banking and financial sectors (see section 3.1.2). It can be argued thus, that the demand for skilled labour within banking firms increased rather than decreased for the period between 2000-2006.

Figure 2.6.

Trends in job creation *(unit: job)*



3.2. Assessment of labour quality

Labour quality was evaluated on the basis of the following indicators: (i) average income of employee (ii) revenue per employee.

3.2.1. Average income within service sectors increased

Figure 2.7a indicates trends in average income (compensation of employees) per employee per year in six sectors. For the period between 2000-2006 average income levels increased, with highest incomes reported within insurance and banking firms. The labour skill level of each sector can be measured by the average income per employee. Banking and insurance sectors clearly require higher levels of skill, with the demand for quality labour growing annually. Analysis by firm size however, indicates that small and big firms do not share the same trends with regards to average income per employee.

Figure 2.7a.

Trends in average income per employee *(unit: mill. VND/year)*

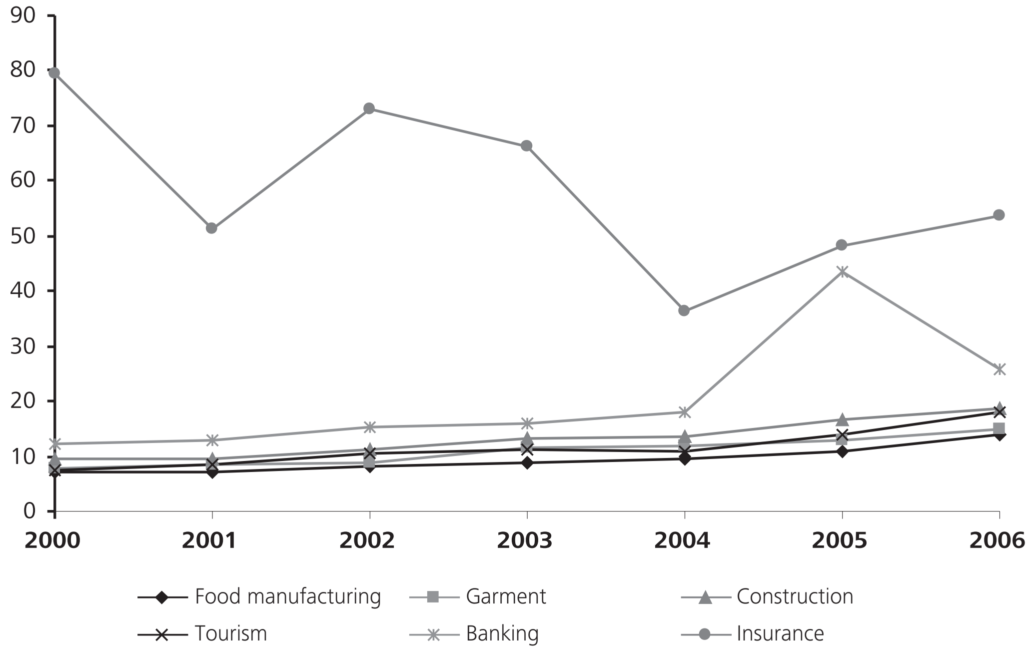


Figure 2.7b.

Trends in average income per employee in large firms *(unit: mill. VND/year)*

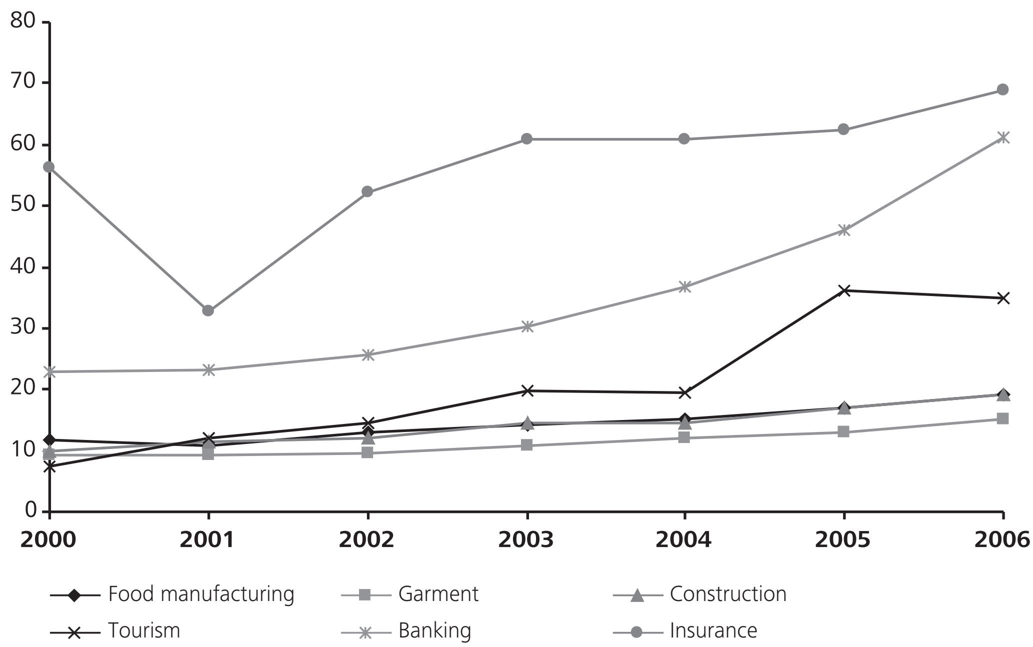


Figure 2.7b indicates changes in income per employee per year in large firms. At a first glance, these trends do not appear to differ from general sector trends. However, while income per employee in the banking and insurance sectors increased significantly, income fluctuated at the sector level. Within the tourism sector moreover, income per employee in large firms was relatively high. This high growth rate of income per employee in the service sectors, which suggests high demand for skilled labour will be examined more closely in the next section.

3.2.2. Upward trends in productivity within service sectors

Table 2.3 (see Appendix) demonstrates productivity of firms (which is the average level of gross output per employee) within six economic sectors. Analysis of the data indicates that productivity levels differ between small and large firms.

Figure 2.8a.

Productivity levels of large firms *(unit: mill. VND/employee)*

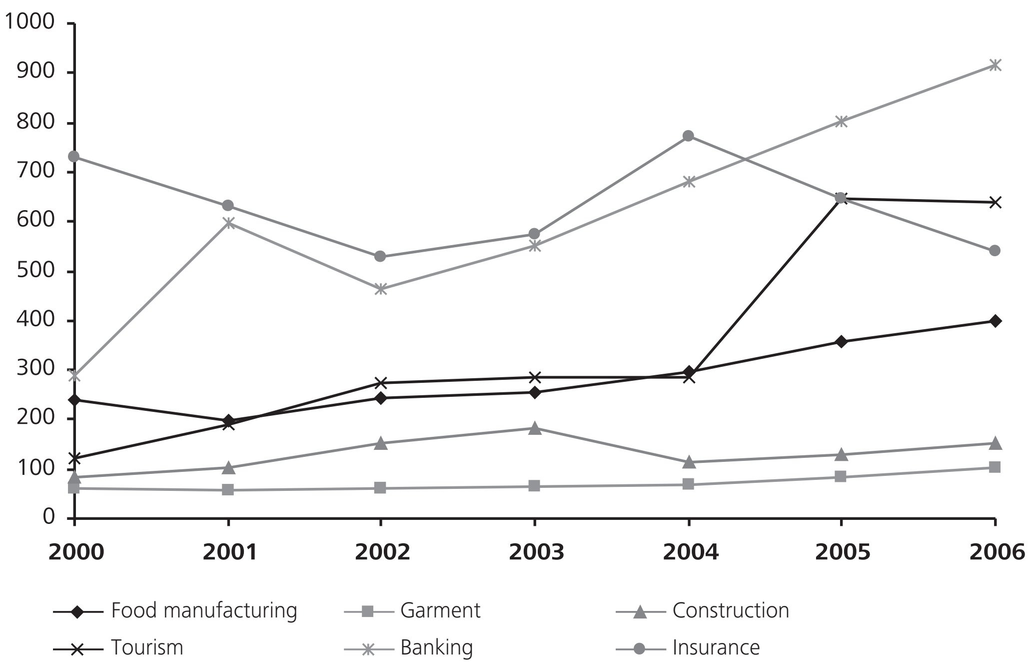


Figure 2.8a examines productivity trends of large firms within six sectors. Trends indicate that sectors can be categorised as follows:

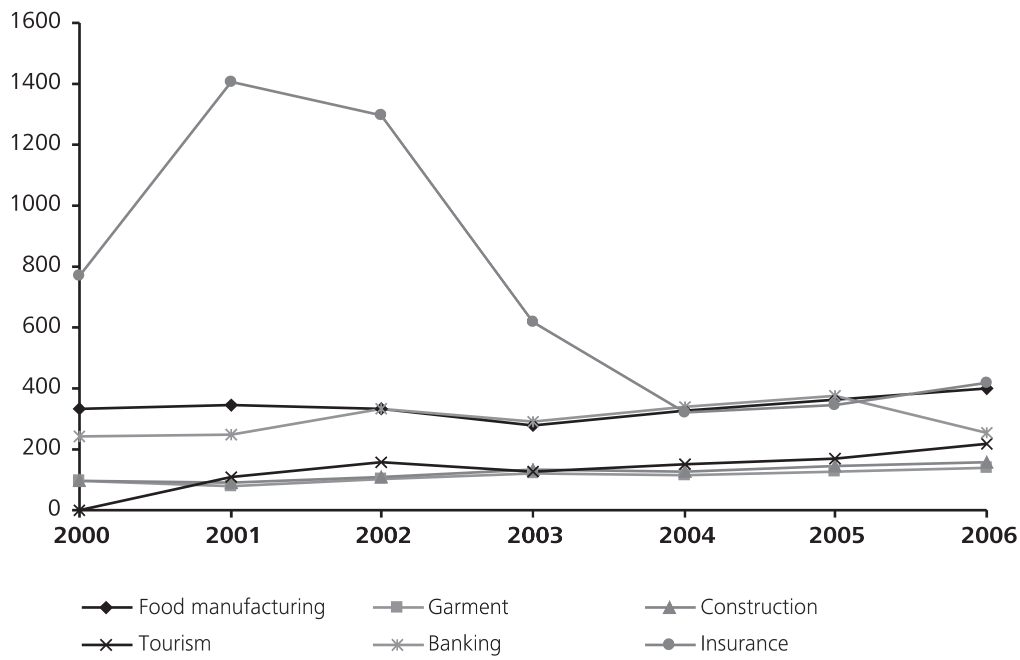
1. Service sectors with high productivity including banking, insurance and tourism. Firms in these sectors demonstrate both high productivity and high growth rates of productivity. This may be explained by: (i) higher pace of technological change and level of investment by large firms in these sectors (ii) higher level of skilled labour.

2. Manufacturing sectors with high productivity such as the food processing sector. Upward trends in productivity of large firms within this sector can be explained by: (i) higher business dynamism of large firms (figure 2.2) and (ii) higher levels of job creation by large firms (figure 2.6).
3. Sectors with low levels of productivity and low growth rates, such as the garment and construction industries. Low productivity may be explained by: (i) the low pace of technological change (ii) low investment in capital stock and (iii) low levels of skilled labour.

Figure 2.8b demonstrates changes in productivity levels within small business firms. In contrast to large firms, the six sectors can be categorised within the following two groups: (i) Sectors with high levels of productivity including banking, insurance and food processing and (ii) Sectors with low levels of productivity, including tourism, garment and construction industries.

Figure 2.8b.

Productivity levels small firms *(unit: mill. VND/employee)*



3.3. Assessment of job quality

The creation of new jobs is not only critical to economic progress but to the development of the Vietnamese business community. As the labour force develops, higher quality jobs need to be created. This section analyses job quality on the basis of the following indicators:

(i) number of employees with contracts (ii) contributions to insurance (including pension, health and trade union fee) per employee.

3.3.1. High levels of employees with contracts across sectors

Table 2.9 demonstrates the number of employees with contracts (as of 31 December) by sector. Overall, over 80% of employees had contracts, with highest rates recorded in the service sectors (approximately 90%) and lowest rates in the construction sector (possibly due to the seasonal nature of employment). Percentages of employees with contracts were higher for large firms than for small firms.

3.3.2. Insurance is highest in banking and insurance sectors

Insurance levels per employee were highest in the insurance sector (VND6.94 million per employee per year) and lowest in the construction sector (VND 0.84 million per employee per year). The ratio of insurance to income level was the same across sectors (Table 2.10), however was higher for large firms (7-9%) than for small firms (4-6%).

3.4. Conclusions

Analysis of employment during the period between 2000-2006 for 6 key economic sectors reveals trends regarding demands for labour. Key findings include:

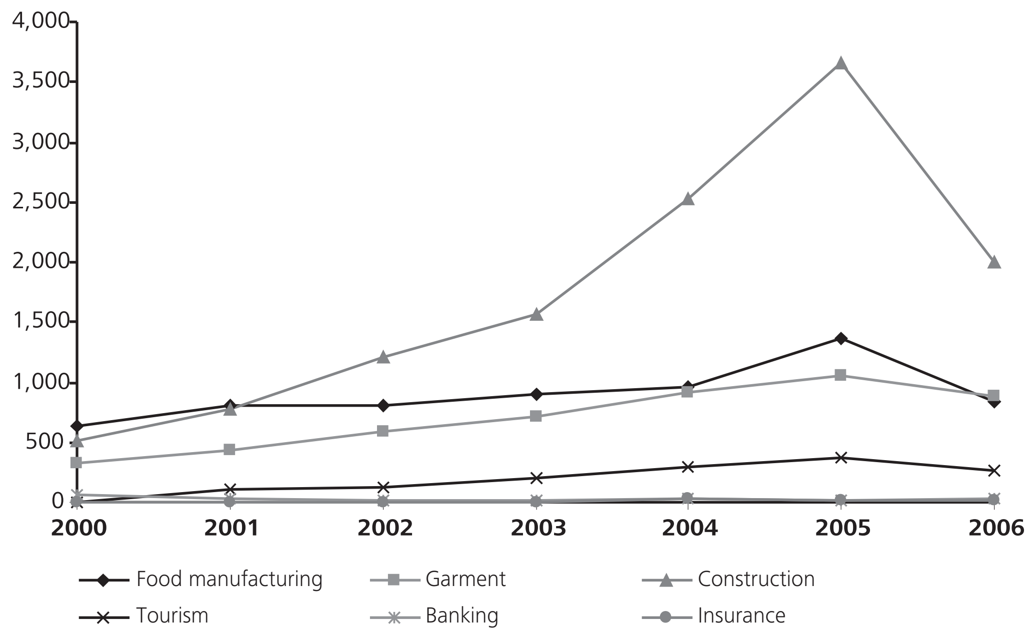
1. In line with upward trends in business dynamism, there is an increasing demand for employment within the food processing, garment, construction, tourism, banking and insurance sectors. However, labour demands differ between these sectors.
2. Labour-intensive sectors such as the construction and garment industries can absorb a large amount of employment. As demand for highly skilled labour within these sectors is relatively low, it may be possible to meet the required labour needs in upcoming years. Despite significant job creation, employment levels remained stagnant within the food processing, garment and construction sectors. This situation, which may be a result of instability within both the global and Vietnamese economies, is of some concern for firms within these sectors who may lose their capacity to compete in the world's economy.
3. According to the above analysis the causes of the downward trend in employment within the banking and insurance sectors include: (i) the decrease in size of large firms and (ii) the gap between labour supply and demand. The high level of job creation, particularly by large firms within the banking sector indicates that demand for skilled labour is likely to increase in upcoming years.
4. Employees working within the service sectors tend to have more advanced skills sets due to the higher level of technological requirements. In turn these sectors tend to be more productive than others. Service sectors have the highest demand for skilled labour whereas manufacturing and construction sectors predominantly require lower skilled workers. The development of the tourism sector could be galvanized by increased use of skilled labour.

4. Finance

4.1. Overall financial status

Figure 2.9a.

Trends in profit loss within firms *(unit: firm)*



An examination of the trends with regards to profit making in six sectors (figure 2.9a), indicates that business performance was better in the service sector than in others. Profit losses in the manufacturing and construction sectors were particularly high and only improved in 2006.

Table 2.11 demonstrates the ratio of firms that failed to make profits across different sectors. Sectors with the highest loss ratios include tourism, garment, insurance, food processing and construction industries. Firms in the banking sector had the lowest ratio of loss (less than 3% in the last 6 years).

Figure 2.9b.

Trends in profit loss within large firms *(unit: firm)*

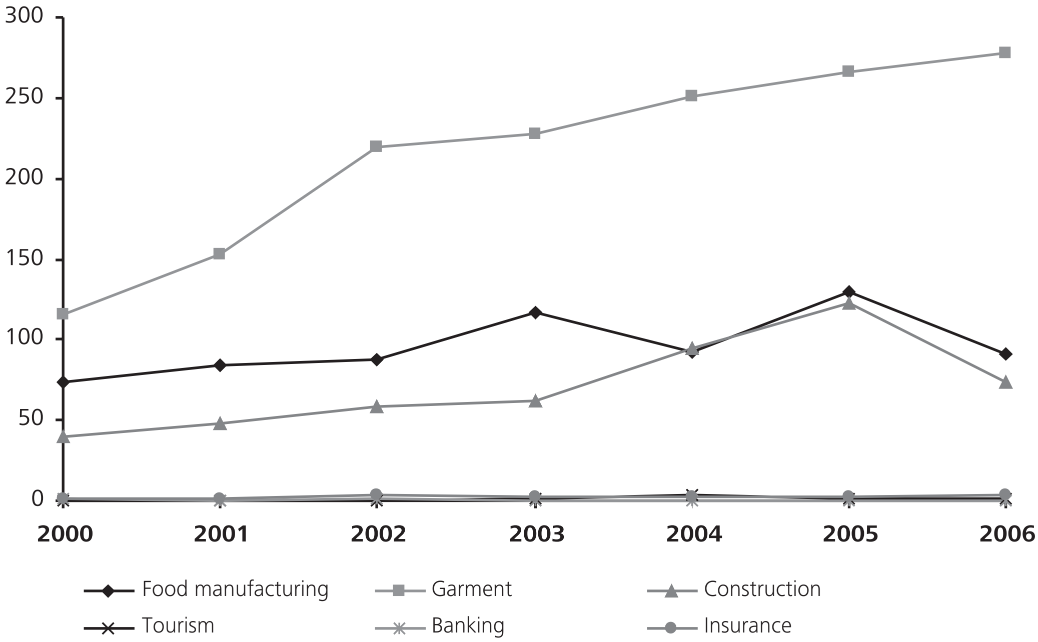


Figure 2.9b demonstrates trends in profit loss of large firms. Sectors with the highest ratio of loss include garment, food processing and construction industries. By contrast, few firms showed loss in the insurance, tourism and banking industries, indicating strong business performance within the service sector. The higher ratio of small firms that failed to make profits (see Table 2.11) within the service sectors suggests that small firms may be less competitive than large firms in sectors with high rates of technological change, such as banking and insurance.

4.2. Analysis of liquidity

This section analyses liquidity ratios which include current ratios (working capital ratios) and quick ratios. Analysis of these ratios will provide information regarding firms' solvency, defined as the ability to meet financial obligations. Ideally liquidity ratios should be higher than reference values.

4.2.1. Current ratio

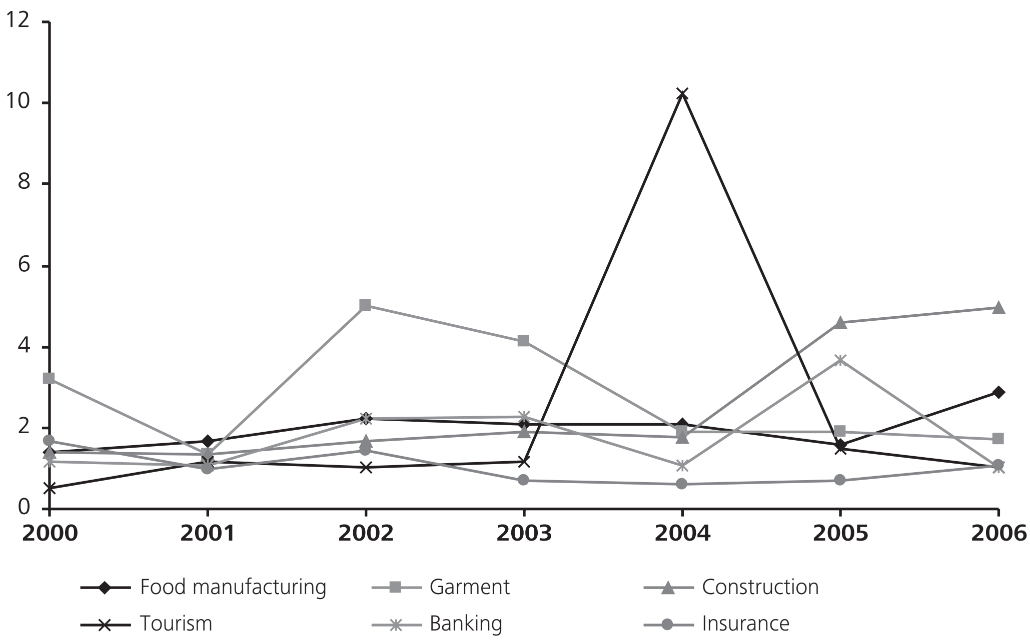
$$\textbf{Current ratio} = \frac{\textbf{Current assets}}{\textbf{Current liabilities}}$$

Reference value = 2.0 (manufacturing sectors) / 1.0 (service sectors)

Table 2.12 demonstrates the current ratios of firms in six sectors. In general, large firms' current ratios are much lower than those of small firms. Moreover, current ratios of small firms are higher than their reference values, indicating strong solvency rates. Within large firms (Figure 2.10) ratios rates were higher in service sectors than in manufacturing sectors. While short-term liquidity of firms in the banking and tourism sectors continued to improve, short-term repayment ability of firms in the insurance sector was fairly low between 2003-2005. Within the construction and manufacturing industries, current ratios of large firms sometimes dipped below reference values during the period between 2000-2006, however remained at acceptable levels. Finally, despite some weaknesses in the ability of firms within the garment sector to make repayments, short-term liquidity of large firms in the food processing and tourism sectors was strong.

Figure 2.10.

Trends in current ratios of large firms



4.2.2. Quick ratio

$$\textbf{Quick ratio} = \frac{\textbf{Current assets} - \textbf{Inventories}}{\textbf{Current liability}}$$

Reference value = 1.0

Short-term repayment capacity can also be measured by quick ratios, which ideally should be higher than reference values. Overall, quick ratios of firms across sectors were strong, with the exception of large firms within the insurance industry during the period between 2000-2005. However, short-term liquidity of these firms improved after 2006.

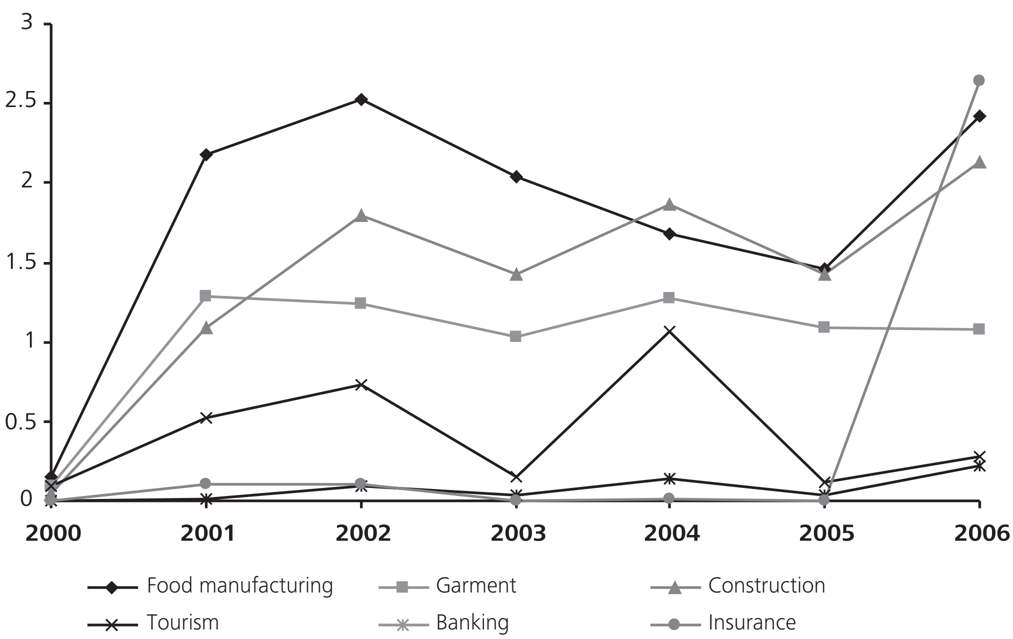
4.3. Analysis of managerial capacity

Managerial capacity of firms was measured by two financial ratios: inventory ratio and total asset turnover.

4.3.1. Inventory ratio

Figure 2.11a.

Trends in inventory ratios of firms



$$\textbf{Inventory ratio} = \frac{\textbf{Inventory}}{\textbf{Current liability}}$$

Reference value = 0.5

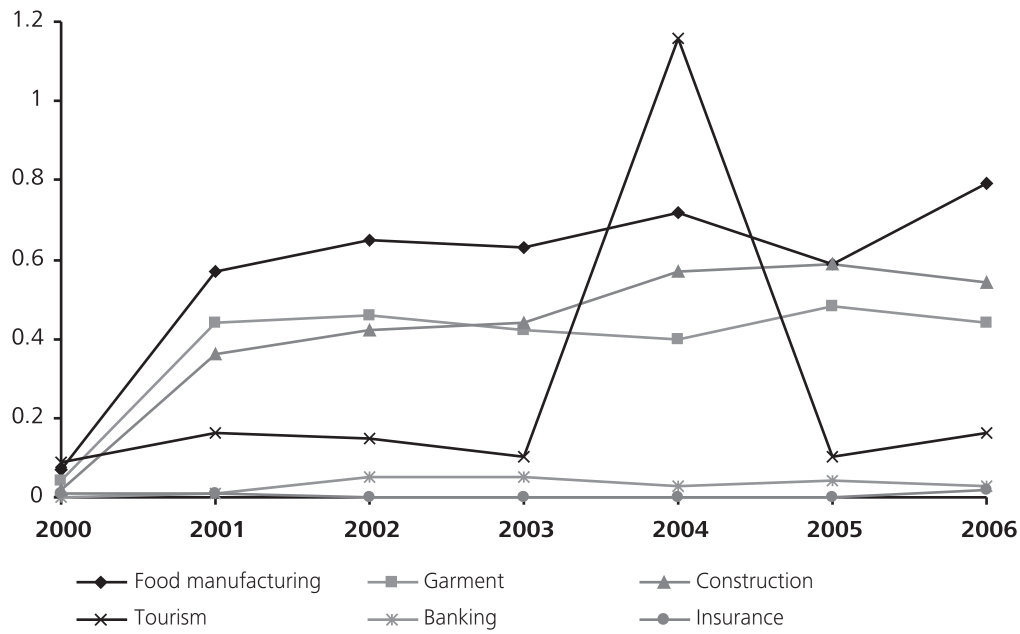
Inventory ratios are used to evaluate the liquidity of inventory and ideally should be higher than reference values. Table 2.14 demonstrates inventory ratios for firms across all sectors except the services sector (where the nature of its services, which are consumed immediately after production, makes inventory ratios meaningless).

High levels of inventory ratios (versus reference values) within the food processing, garment and construction industries (at 2.0 in food processing sector, 1.5 in construction and above 1.0 in garment sector) indicate that firms are well equipped to manage their inventories (figure 2.11.a)

Inventory ratios were stronger for small firms than large firms however, where higher reference values were recorded in large firms in both the construction and garment sectors over past years. Figure 2.11b shows that except [large] firms in food processing sector, whose inventory ratios were higher than reference value, capability to manage inventory of large firms in construction sectors was not very good in the whole period of 2000-2003 and just have started to improve since the last three years. The situation were very bad in garment sectors, for the whole period of 2000-2006, the inventory ratio of large firms were never been higher than the reference value.

Figure 2.11b.

Trends in inventory ratios of large firms [5]



5. Due to the existence of outlier, the value of inventory ratio of large firms in tourism in 2004 was out of sector trend.

4.3.2. Total asset turnover

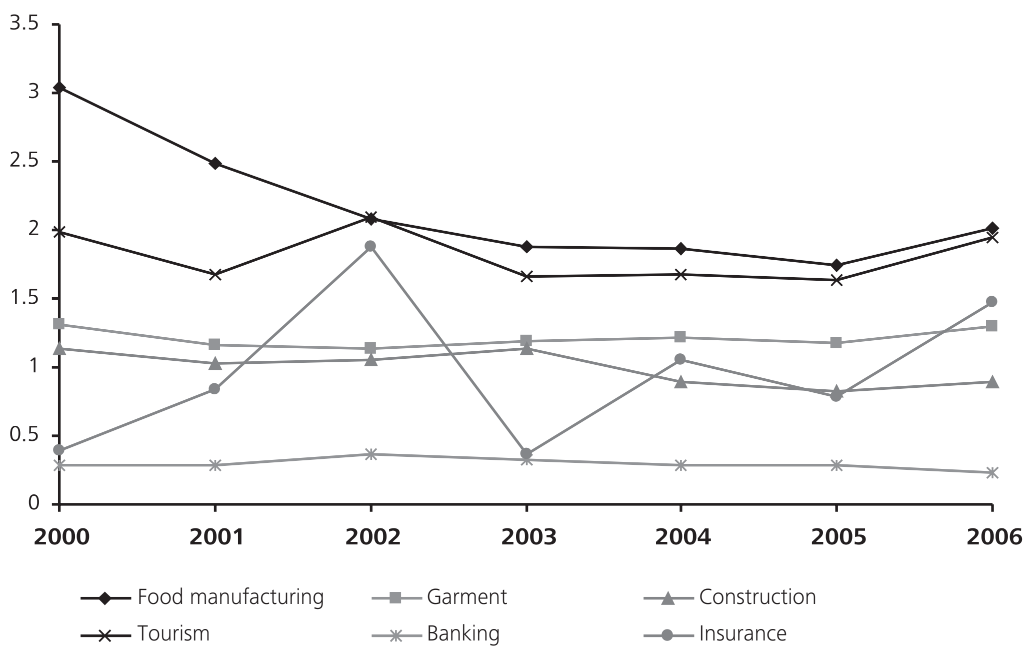
$$\textbf{Total asset turnover} = \frac{\textbf{Net sales}}{\textbf{Total assets}}$$

Reference value = Not available

Total asset turnover ratio is used to evaluate the efficiency of asset utilization. The higher the ratio the greater the firm's ability to use its assets profitably. Values and trends of total asset turnover across six sectors are demonstrated in Table 2.15 and figure 2.12. Highest levels of asset turnover were found in firms within the food processing, tourism and garment sectors, and lowest levels in insurance and banking sectors (due to large amounts of total assets belonging to firms). There was virtually no difference between small and large firms in terms of total asset turnover although it was noted that large banks and insurance firms recorded fairly low asset turnover in 2006 (0.07 ratio for banking and 0.4 ratio for insurance).

Figure 2.12.

Trends in total asset turnover



4.4. Analysis of debt situation

4.4.1. Ratio of Total Liability to Net Worth

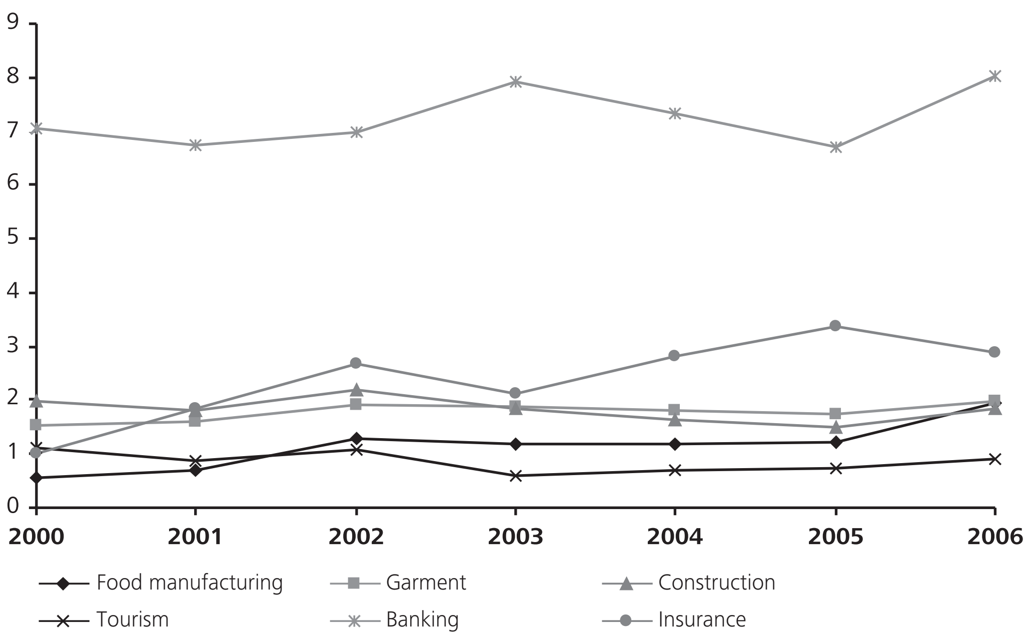
$$\textbf{Ratio of Total Liability to Net Worth} = \frac{\textbf{Total liabilities}}{\textbf{Net Worth}}$$

Reference value = 1.0

This ratio is used to evaluate firms' long-term repayment capacity. Ratios should ideally be lower than reference values, indicating that firms' total liabilities are not expected to exceed their total net worth. Table 2.16 demonstrates the value of these ratios for firms across all six sectors. With the exception of firms within the tourism sector, whose long-term capacity to pay debts was relatively strong, the total liability of most firms in other sectors was greater than their total assets. Within firms in the food processing, garment and construction sectors, total liability was twice as high as total net worth and ratios were even higher in the insurance and banking sectors (7-8 times their total net worth). Moreover, ratios across sectors increased over time (figure 2.13). The limited ability of firms within 5 of the 6 sectors to repay long term debts suggests that banks provided them with too many loans. This trend in bank loans is a matter of significant concern in light of Vietnam's vulnerability to high inflation, as firms may struggle to maintain their business if the State Bank of Vietnam implements restrictive monetary policies in order to curb price rises.

Hình 2.13.

Xu hướng vay nợ của các doanh nghiệp



4.4.2. Debt ratio

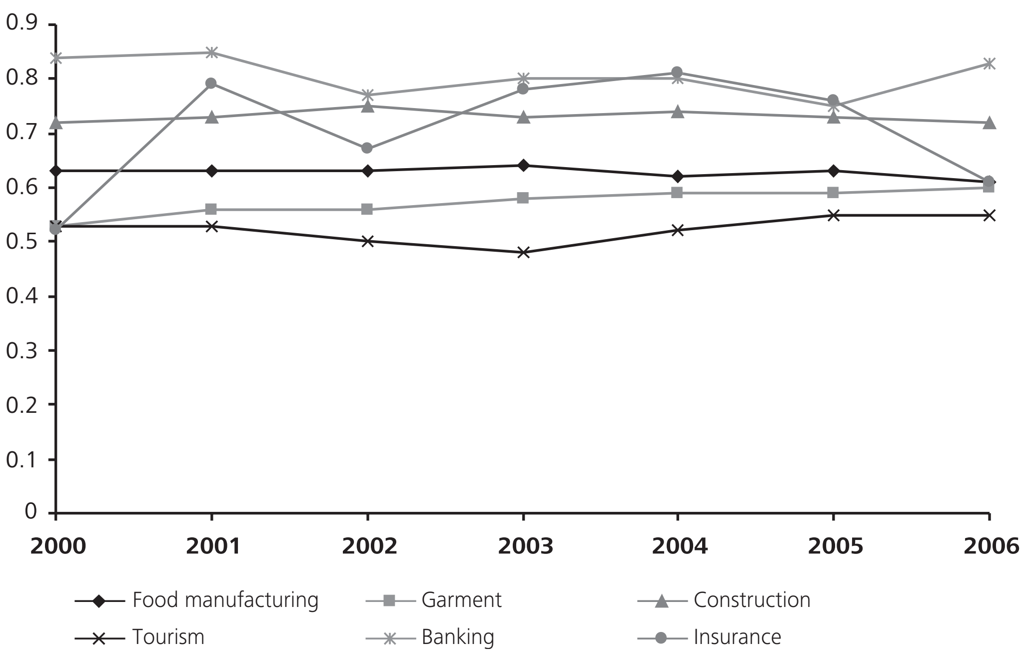
$$\textbf{Debt ratio} = \frac{\textbf{Total liabilities}}{\textbf{Total assets}}$$

Reference value = Not available

Debt ratios are used to measure the extent to which companies use financial loans to fund their activities, with high ratios indicative of high debt utilization. Table 2.17 indicates that with the exception of firms in the banking sector (whose high debt ratios ranged from 0.7 – 0.8) firms in food processing, construction, garment and insurance sectors decreased their debt ratios in recent years to approximately 0.4-0.5.

Figure 2.14a.

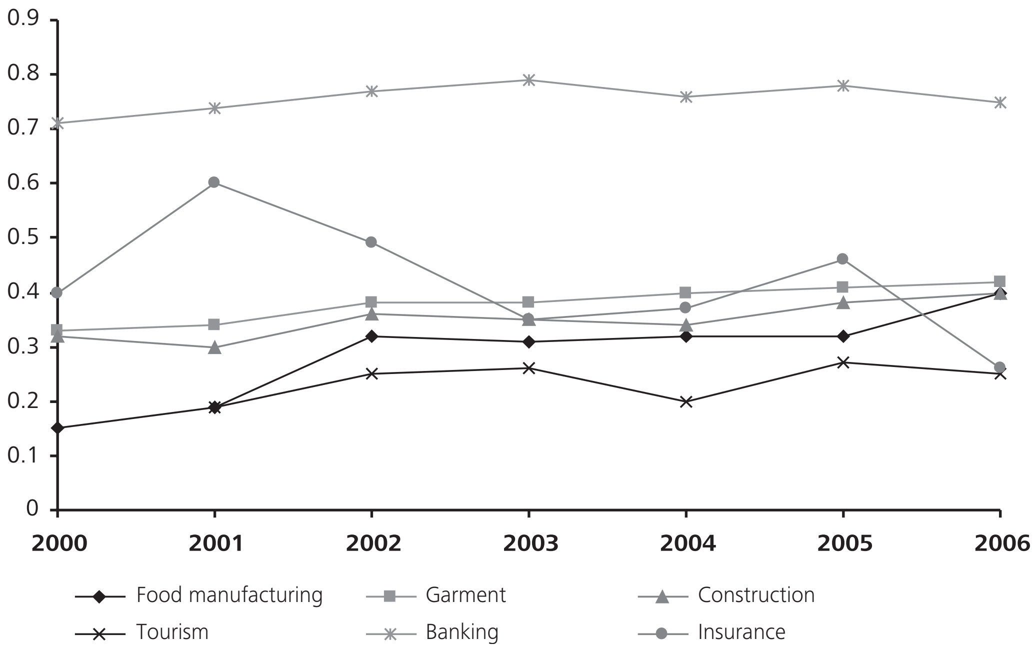
Trends in debt ratio of large firms



Analysis of the figures by firm size indicates that large firms used their debts more efficiently than small firms and that debt ratios for both groups increased annually (table 2.17 and figures 2.14a, b). While utilization of debts was fairly standard across sectors for large firms, much higher debt ratios were recorded by small firms within the banking sector than in other sectors. It can be noted that the overall upward trend of debt ratios is linked to the increasing reliance of firms on long-term loans.

Figure 2.14b.

Trends in debt ratio of small firms



4.5. Analysis of profitability

This section analyses firms' profitability on the basis of 5 financial indicators (see tables 2.18 to 2.22).

4.5.1. Operating profit ratio

$$\textbf{Current profit or loss (before taxes)} = \frac{\textbf{Current profit and loss}}{\textbf{Net operating income}}$$

Reference value = Not available

The majority of large firms succeeded in making profits during the last few years, with firms in the service sectors (particularly banking) proving most successful. Highest levels of profitability were recorded in large firms in the banking sector, where there was an upwards trend in operating profit ratios (31% in 2006). Following this, the profit ratio for large firms in the tourism sector was 4%, 2% for the insurance industry and 1% for construction and food processing sectors. Continuously decreasing profit ratios in the garment industry (falling from -7% and -5% in 2004 and 2005, to -9 % in 2006) raises significant concerns regarding. In practice, as most garment firm using cheap (low skilled labor) and imported raw materials, the profit (or value added) made by firm in garment sector is mainly in\ compensation to employees.

Table 2.18 presents a very negative picture regarding the profitability of small firms in Vietnam. With the exception of the banking sector, small firms made virtually no profit. Ignore any statistical errors which might be the result of error in data collection or measurement , the loss situation in the whole period of 2000-2006 of small firms seems to be not a truth reflection of the profit and loss situation in sectors or in the whole economy. However, figure of collected amount of corporate income tax from small firms can help cross checking. If this finding is accepted, serious concerns must be raised regarding small firms, particularly in the garment and food processing sectors as they may struggle to maintain profitability in light of Vietnam's further economic integration.

4.5.2. Turnover ratios

Turnover ratios, including net worth turnover, receivables turnover, fixed asset turnover and merchandise turnover, are used to evaluate the efficiency of firms' capital and asset utilization (or management capacity). The higher the ratio, the higher the efficiency of firms' utilization (or management capacity).

a. Net worth turnover ratio (Table 2.19)

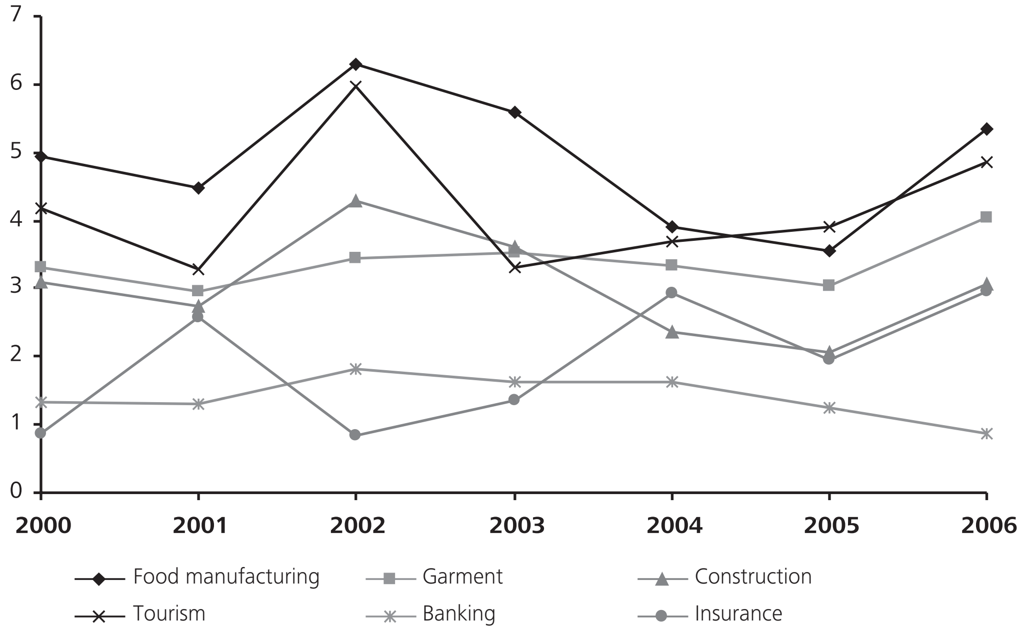
$$\textbf{Net worth turnover ratio} = \frac{\textbf{Net operating income}}{\textbf{Net worth}}$$

Reference value = Not available

Net worth turnover ratios were highest in firms belonging to the food processing and tourism sectors and were maintained at reasonable levels by firms in the garment, construction and insurance sectors. In contrast to the upward trend in net worth turnover within most sectors, ratios were low and declining in the banking sector (figure 21.5). The continuous increase in commercial banks' net worth over past years may account for this decline in net worth turnover.

Figure 2.15.

Trends in Net worth turnover ratios



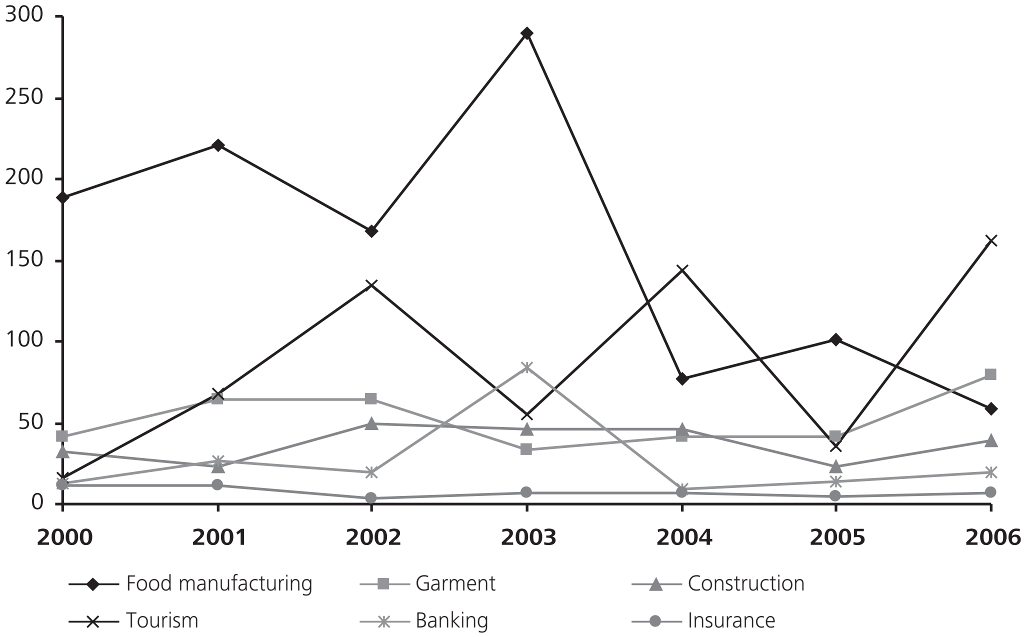
b. Receivables turnover ratio (Table 2.20)

$$\text{Receivables turnover ratio} = \frac{\text{Net operating income}}{\text{Accounts receivable}}$$

Reference value = Not available

Figure 2.16.

Trends in Receivables turnover ratios



As above, receivables turnover ratios were highest in the food processing and tourism sectors and were maintained at an average level by firms in the garment and construction sectors. Lowest ratios were recorded within the banking and insurance sectors, perhaps due to the increase in accounts receivables within these industries over recent years.

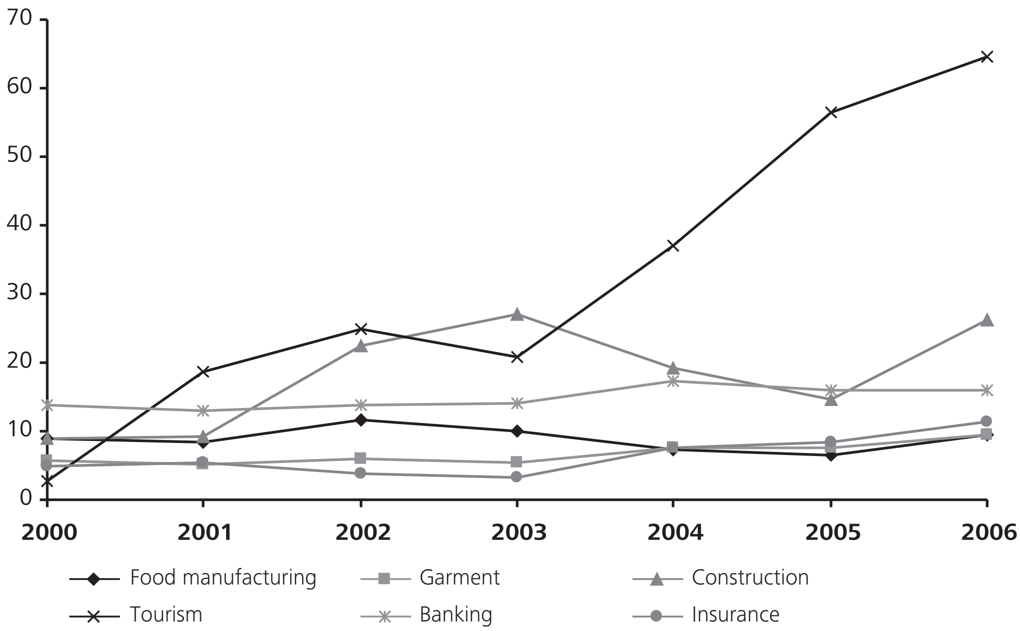
c. Fixed asset turnover (Table 2.21)

$$\textbf{Fixed asset turnover ratio} = \frac{\textbf{Net operating income}}{\textbf{Fixed assets}}$$

Reference value = Not available

Figure 2.17.

Trends in Fixed asset turnover ratios



Trends in fixed asset turnover ratios were fairly similar for both small and large firms, with ratios highest in the tourism sector and average in the banking and construction industries. Lowest levels of asset turnover ratios were linked to firms in the insurance, garment and food processing sectors.

d. Merchandise turnover ratio (Table 2.22)

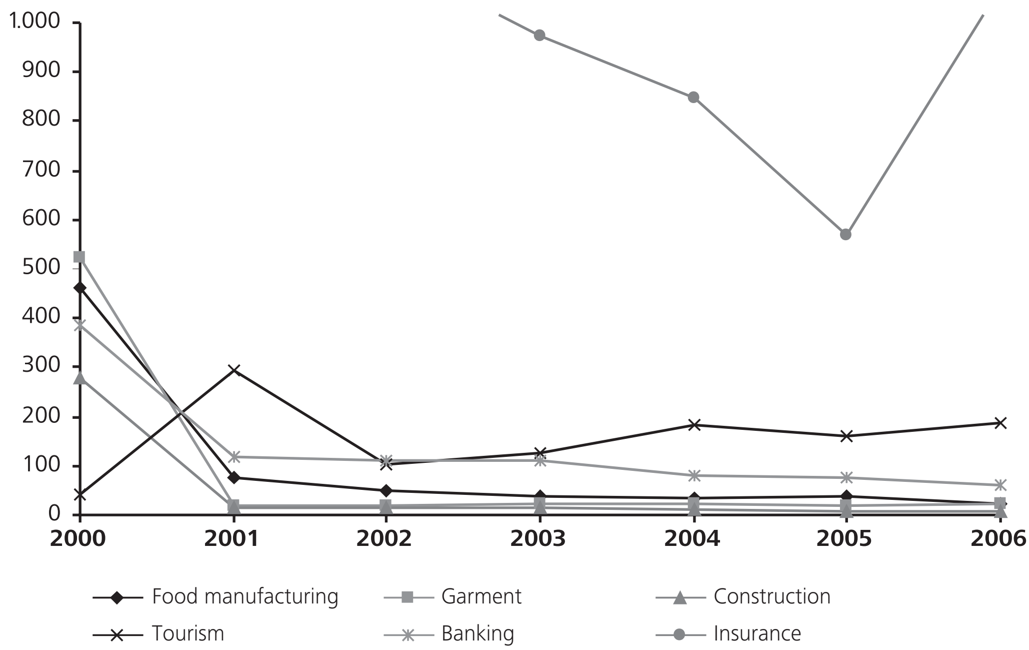
$$\textbf{Merchandise turnover ratio} = \frac{\textbf{Net operating income}}{\textbf{Inventory}}$$

Reference value = Not available

Merchandise turnover ratios (which primarily relate to manufacturing sectors) are demonstrated in Table 2.22. Among large firms, the merchandise turnover ratio in the food processing sector was lower than in the garment sector (14 vs. 32 in 2006), whereas within small firms, inventory management was more efficient in food processing than garment sectors. Small firms in food processing were more efficient in inventory management than in the garment industry (26 vs. 16 in 2006). Due to the shorter life cycle of food products in relation to garments, it is more important for firms in food processing to improve their merchandise turnover ratio.

Figure 2.18.

Trends in Merchandise turnover ratios



4.6. Conclusions

4.6.1. Conclusions drawn from the analysis of liquidity

Liquidity analysis demonstrates that the majority of firms in the six sectors were able to meet their immediate financial obligations. The significantly lower solvency rates of large firms in comparison with small firms however must be noted (particularly with regards to large state owned corporations which may not operate as efficiently as those in the private or foreign owned sector).

Inventory ratios of small firms were higher than those of large firms and significantly exceeded reference values. Of most concern, was the inventory ratio for large firms in the garment sector which did not exceed reference values at any point within the period between 2000-2006.

4.6.2. Conclusions drawn from the analysis of managerial capacity

Analysis of managerial capacity indicated that efficiency of asset utilization was generally low in banking and insurance sectors and large firms in these industries demonstrated worryingly low asset turnover ratios in 2006.

4.6.3. Conclusions based on the analysis of debt ratios

Debt analysis indicates that firms were highly dependent on bank loans for financing their business activities and that banks provided more loans than recommended. Financial weakness in many sectors was demonstrated by the lower ratio of total liability to net worth compared to reference values. In the event of high inflation rates in Vietnam in 2008 (which looks increasingly likely in light of the continued downturn in the US economy) many Vietnamese firms will be under significant pressure and economic growth may slow down.

4.6.4. Conclusions drawn from the analysis of profitability

Analysis of profitability demonstrates decreasing profits within the garment sector and the need for innovation in order to improve competitiveness and prevent further losses as Vietnam continues its integration into the world economy. Low ratios in net worth turnover and receivables turnover in the banking sector also indicate that banks need to focus on improving asset utilization and/or management capacity.

5. Technology

5.1. Status of firms' investment in technological change

5.1.1. Investments in fixed assets are highest in service sectors

Figure 2.19.

Trends in fixed assets and long-term investments (per employee) *(Unit: mill. of VND)*

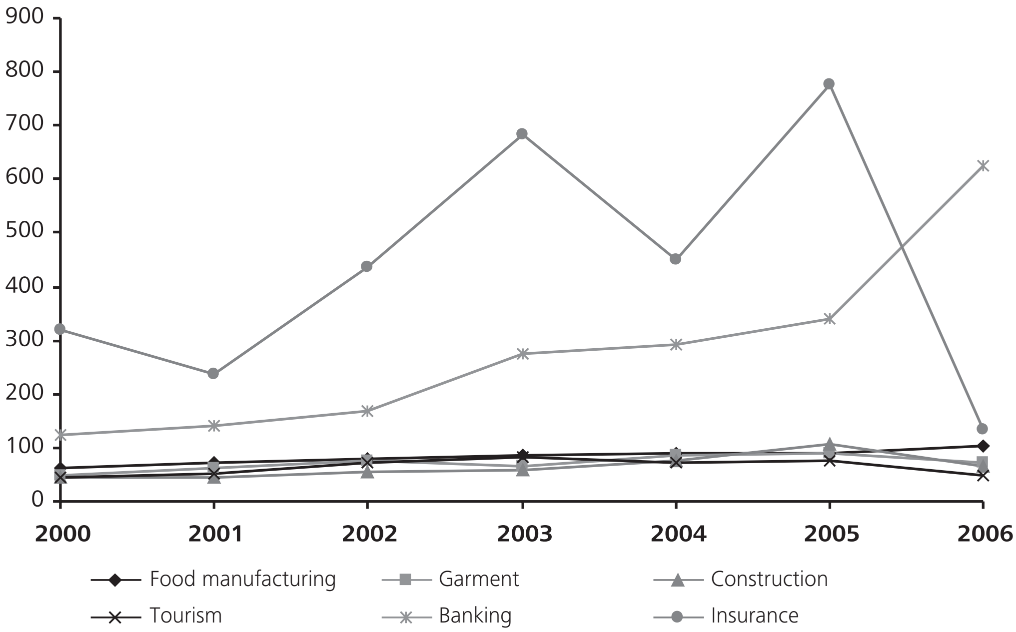
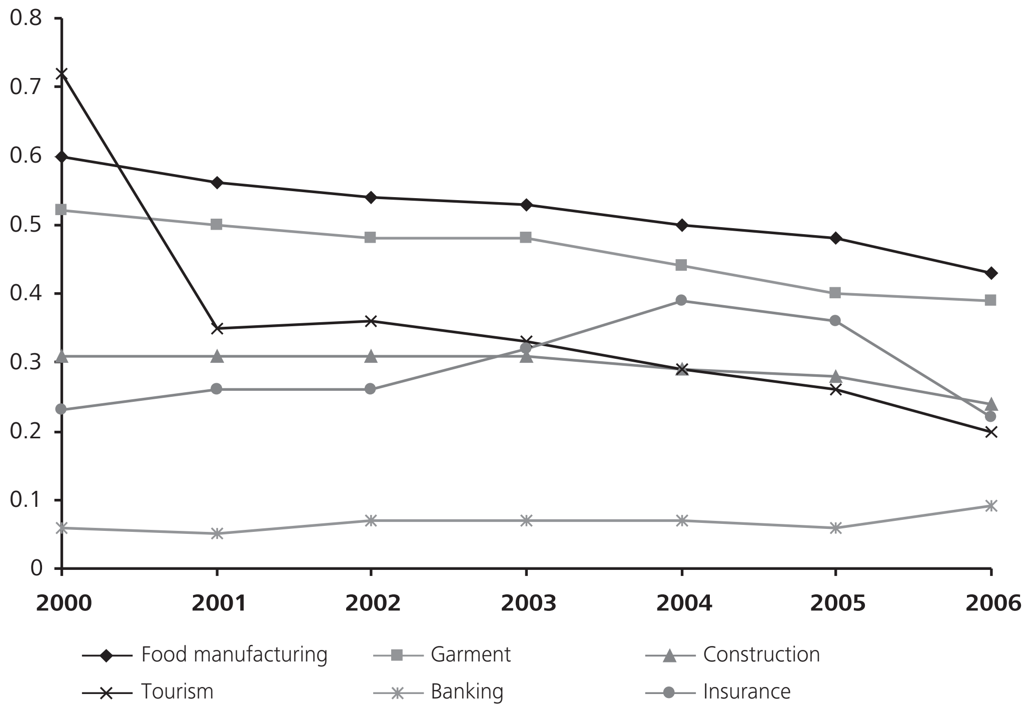


Figure 2.19 indicates trends in fixed assets and long-term investment, which can help to evaluate firms' technological capacity. While the fastest growth in long-term investments was recorded within the banking and insurance sectors, long-term investments grew slowly (and even declined slightly in 2006) within the food processing, garment and construction sectors. These differing investment trends can be attributed to the significantly higher demand for technology within the service sector, particularly in light of Vietnam's increasing integration with the world economy.

5.1.2. Growth rates of long-term investment by firms in service sectors

Figure 2.20a.

Trends in long-term investment (per total assets)

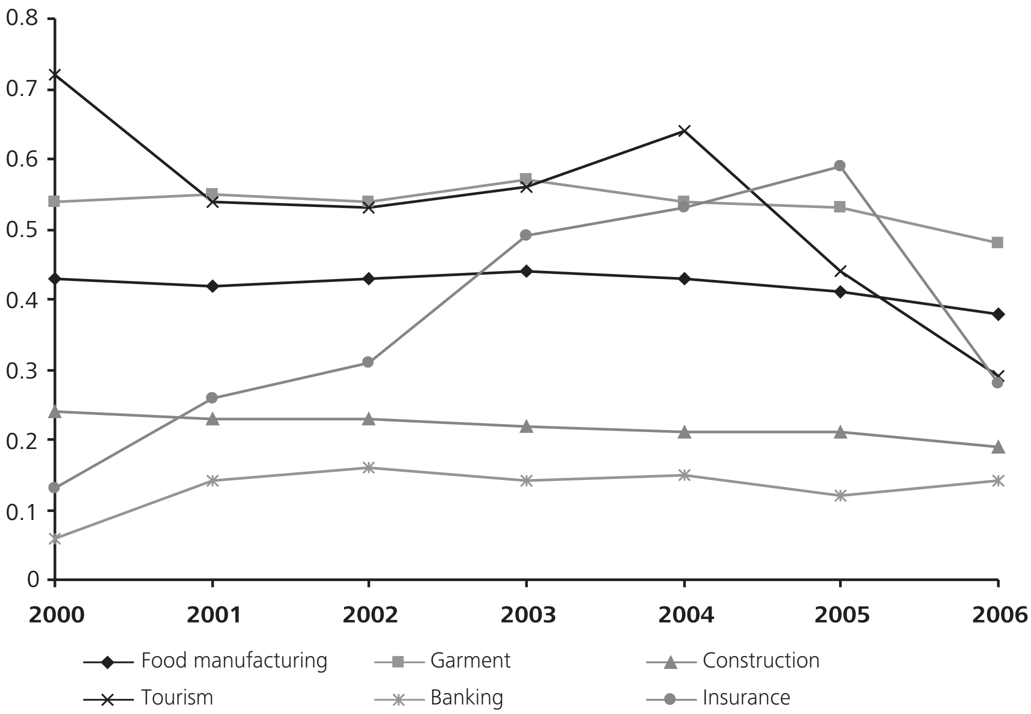


The long-term investment per total assets ratio provides a complementary measure for analyzing investments in capital stock.[7] Figure 2.20a indicates increasing trends within the service sector (particularly banking) and decreasing trends in the manufacturing sector, with regards to investment in technology. This indicates that banking and insurance sectors are investing more heavily in technology than other sectors.

7. Clearly firms with higher values of total assets would normally have higher value capital stock. However there is no positive correlation between ratios of fixed assets to total assets and the value of total assets. Upward trends in this ratio can only be found if (i) firms increase long-term investment and/or (ii) decrease their total assets.

Figure 2.20b.

Trends in long-term investment (per total assets) of large firms



5.2. Situation of R&D and technological change performance

Innovation and technological change may occur as a result of R&D activities or technological transfers from 'owners' of technology such as firms/private individuals/universities or research institutes. In Vietnam, technology is often transferred to firms via foreign owners. In the absence of R&D activities however, firms may become 'locked in' to new technologies as they have limited understanding or control over them. This is the case with regards to the car manufacturing sector in Vietnam. Car manufacturers have high quality technology however are unable to use it to produce new cars and thus rely heavily on imported spare parts. Moreover, as they do not perform R&D, firms in supporting sectors are unable to learn from their technology and cannot produce the required spare parts.

This section examines enthusiasm for R&D and new technology within firms. Due to limitations of the data set, analysis is only possible for the years 2000, 2002 and 2004, however this review will help to provide a general snapshot of technological performance within the six sectors.

Table 2.25 demonstrates the ratio of firms engaged in R&D activities during the period between 2000-

2004. Levels of R&D were low in all sectors and non-existent in the tourism and insurance sectors. With the exception of the banking sector, the majority of R&D activities were performed by large firms (Table 2.25).

Higher numbers of firms in the food processing and garment sectors were involved in new technologies than in R&D activities. Within the banking sector the level of firms undertaking technological change fell from 0.58% in 2002 to only 0.19% in 2004. As with R&D, only large firms were involved in new technologies.

5.3. Assessment of firm's technological capacity

Technological capacity of firms was evaluated on the basis of indicators regarding allocated financial and human resources for R&D activities.

5.3.1. Greater willingness to increase R&D expenditure

Despite overall low levels of funding, there were positive indications of an increasing trend in R&D spending among all sectors except the garment industry. Unsurprisingly financial resources for R&D activities were higher among large firms, with funding for nearly 100% of R&D activities in the garment and banking sectors in 2004 provided by large firms, 86% in food processing and 74% in construction.

Tables 2.28 and 2.29 demonstrate the key sources of funds for R&D. In the period between 2000-2004, state budget allocations for R&D continued to improve and accounted for 50% of total expenditure in food processing and 30% in garment and construction sectors. 100% of R&D activities within the banking sector and 50% within the manufacturing sectors however, were funded by firms themselves. Only a small portion of R&D funding came from international sources (17% and 4% in the garment and construction sectors respectively).

Expenditure for technological change was much higher, with spending highest in the food processing sector, followed by the banking, construction and garment sectors. In contrast to trends in R&D spending, there was a general declining trend in technological expenditure. The state budget for spending on new technology was fairly low and in 2004 only accounted for 8% of the total technological change expenditure in food processing, 4% in garment and 1% in construction (Table 2.31). Almost 100% of financial resources from the state budget was directed towards large, state owned firms. As with R&D, firms in the banking sector provided their own financing for new technologies, as did firms in the food processing, garment and construction industries (Table 2.32).

The majority of technological change was carried out by large firms, with expenditure by small firms relatively low (only 2% of the total budget for technological change).

5.3.2. Human resources for technological change

Human resources for technological change included scientific staff within firms (Table 2.33), of whom highest proportions were found in the service sectors. In 2004, 78% of scientific staff were located in the banking sector, 68% in insurance and 30% in tourism. In other sectors, percentages were much lower: 10% in construction, 7% in food processing and only 4% in garment sector. The high skill set and education level required for scientific staff, who mainly operates within the service industry, lends support to the argument that service sectors require higher skilled labour than other sectors.

5.4. Conclusions

1. Due to high demand for new technology in service sectors (banking, insurance and tourism), firms in these industries recorded higher levels of long-term investment than other sectors.
2. R&D and investment in new technologies within firms was mostly self-financed. Only a low proportion of the state budget was allocated for R&D and new technologies, and the funds that were available were directed towards state enterprises. In order to improve the competitiveness of Vietnam's firms, the Government and the Ministry of Science and Technology will need to increase funding for R&D and new technologies, in line with developed countries such as the EU and US who provide huge state funding in these areas.
3. The relatively high level of human resources dedicated to R&D within the service sector furthermore, is another demonstration of the high demand for skilled labour by firms in service industries.

6. Access to market

CDue to limitations in the data set, analysis of firms' capacity to access markets was limited to the following three indicators: (i) internet access (Table 2.35) (ii) website possession (Table 2.36) and (iii) e-commerce activity (Table 2.37).

6.1. Trends in internet access

Table 2.25 indicates the increasing trend towards internet access by firms. Highest percentages of firms with internet access were found in the insurance (75%), tourism (63%) and garment (53%) sectors. Firms with internet access accounted for 25% of the manufacturing, construction and banking sectors. Surprisingly, internet access was higher for small firms (60-80% access across sectors).

6.2. Trends in the use of websites

Table 2.36 demonstrates trends among firms in the use of websites to market services. The number of firms using their own websites to access markets increased, however did not attain the same high levels as internet access.

The highest proportion of firms using their own websites was found in tourism (23%) and insurance (38%), followed by the banking and garment sectors (7%) and the construction industry (2%). Within the tourism, banking and construction sectors, the majority of firms using their own websites were small ones, whereas more large firms used websites within other sectors.

6.3. Trends in e-commerce

Table 2.37 indicates trends among firms regarding e-commerce. As with internet access and website use, there was a growing trend in the use of e-commerce (although relatively few firms were actively involved). Highest use of e-commerce was found within firms in the tourism, insurance and garment industries, followed by the food processing and banking sectors. Lowest use was in the construction industry. With the exception of the garment and food processing sectors, the majority of firms undertaking e-commerce were small ones (particularly within the insurance industry).

6.4. Conclusions

1. The growing trend among firms to use internet for marketing and e-commerce activities is encouraging, particularly in light of Vietnam's integration with the world economy.

2. The high number of firms within the tourism sector using internet to market their services is a positive step towards further development of tourism in Vietnam
3. Analysis indicates that higher percentages of small firms use the internet to promote their services and access the market.

Part III

LABOUR AND HUMAN RESOURCE DEVELOPMENT

1. Outline of Vietnam's labour market

In the 20 years since Renovation (Doi Moi), the labour market has become one of the most important components of the Vietnamese economy. Despite some progress however, a number of factors continue to prevent Vietnam's labour force from meeting the demands of the market.

1.1. Labour Supply

1.1.1. Quantitative

Vietnam has a rich labour force. According to a labour survey conducted in 2006, the labour force of the entire country is made up of 45.6 million people, 94.2% of which is accounted for by individuals of working age (15 to 55 years for females and 15 to 60 years for males).

Vietnamese workers are mainly located in rural areas, with only 25.37% in urban environments. With the exception of the South East region, rates of urban labour participation are low (13 – 29%). A large proportion of the labour force (41.4%) is located within Vietnam's three economic zones: the southern zone (42.28%), the Red River Delta (40.62%) and the central zone (17.1%).

Developing a highly skilled labour force will be of great benefit to Vietnam as it further integrates with the world economy. It must be noted that more than one million people enter the labour force annually and that the majority are capable of learning new scientific, production and management skills.

1.1.2. Qualitative

While education levels within the Vietnamese labour force have improved, they differ between regions. Although relatively high education levels can be found in the Red River Delta, Vietnam's labour forces tend to be less educated in the north west, the highlands and in the Mekong river delta. This represents a significant challenge, as Vietnam increasingly requires highly skilled workers to contribute to the economy.

Average skill levels are higher in Vietnam's three economic zones, with the northern zone boasting the highest labour force education levels, followed by the central and southern zones. Technical skills levels have also improved in Vietnam, with the number of graduates increasing continuously.

The ratio of trained workers in Vietnam has been improved significantly in recent years. In 2006 it took 31.55% of which the number of the vocational trained workers took 21.25%. Vietnam currently has more than 14,000 PhD and 16,000 Masters educated workers and more than 85% of provincial officers and central government officials are university graduates. More than 30,000 are technical / scientific officers and 47.000 are lecturers in Universities and colleges (The percentages of Masters and above Masters is more than 55%), these are very important intelligent resources for the development of the nation.

Although the Red River Delta boasts the highest education levels among economic zones, but its trained workers take only 33.59% of it total labor force. South East regions have the highest percentage of trained (approximately 50% of the labour force). Workers in other regions, particularly in the North West are less ratio of trained workers (only 11.64%).

These limited educational qualifications within the labour force are likely to constrain development of Vietnam's countryside. . The ratio of untrained workers in rural area was about 77% in 2006. On the other side, untrained workers are mainly in the age of 35 or older (the main workforce in each family) make up 54.4%, therefore it will create a remarkable impact on ability of having a stable job to ensure family's income, especially for workers in conversed agricultural land.

1.1.3. Structure of trained workers

Although Vietnam's labour force has improved considerably, there are still a number of factors which prevent effective use of workers' skills. The biggest challenge is related to the structure of Vietnam's trained labour, which is 1- 0.8- 3.7, indicating that for every 100 workers of higher education level there are 80 intermediate-level workers and 370 technical workers. This contrasts significantly with labour structure in developed nations, which is usually 1-12-24, meaning that for each worker with higher education level, there are 12 intermediate-level workers and 24 technical workers. In acknowledgement of the importance of this issue, the Government has pledged to change the structure of Vietnam's labour force to 1-4-10 by 2010.

1.2. Labour market demands

1.2.1. Domestic labour market

Demand for skilled domestic labour in Vietnam has increased. Although a large proportion (approximately 75%) of the labour force works in rural areas, the structure of work in Vietnam is changing with more jobs becoming available in industry. In 2006, the percentage of workers in the agricultural, industrial and services sectors was 54.7%, 18.32% and 26.98% respectively.

Vietnam's renovation process has transformed all aspects of the economy. The restructuring of state owned enterprises and opening up to foreign direct investment has led to a redistribution of the labour force, with workers moving from the state sector to private enterprises.

In 2006, 88.57% of employees were based in the private sector, 9.53% in the state sector and 1.9% in the foreign invested sector. This rapid development of the private sector in Vietnam (which now accounts for approximately 85% of the country's workers) is the key cause behind the growing demand for labour.

Despite significant developments there are still a number of challenges with regards to the Vietnamese labour market. Notably, Vietnam can still be characterized as a household economy: only 23.1% of the labour force is made up of contracted employees, with the majority of workers self-employed (38.47%) or and un-paid workers working within a family business (38.43%).

Within the context of Vietnam's economic growth and integration into the global economy, the high demand for foreign technical workers is unsurprising. According to figures provided by MOLISA, there are approximately 40,000 foreign workers in Vietnam, mainly within export and industrial zones. Over half of the foreign work force is Asian, with the majority possessing high educational qualifications. Foreign employees primarily work in the fields of technology (41.2%) and management (31.8%) with foreign investment companies spread across a number of different sectors.

Attracting foreign employees to Vietnam is critical in order to increase the competitiveness of Vietnamese firms, to further penetrate the international market and to upgrade the skills of Vietnamese employees who need to adapt to new technology and management practices.

1.1.2. Demand for overseas labour

The number of Vietnamese working overseas is continuously rising. In 1995 approximately 10,050 Vietnamese travelled overseas to work in 15 countries, whereas between 2001-2005 Vietnam exported 290,000 workers to more than 40 nations (primarily the East Asian destinations of Korea, Japan, Taiwan and Malaysia). Vietnam's export labour is increasingly skilled, with workers providing high flows of remittances which benefit the economy.

1.1.3. Unemployment Ratio of urban areas

In general, rapid urbanization and economic development has helped to decrease unemployment rates in urban areas of Vietnam. However, high unemployment still exists in certain regions such as the South East and the Red River Delta. Unemployment rates are lower within Vietnam's key economic zones.

1.3. Labour Costs

Since 1993, the government has implemented a number of reforms with regards to salaries, including the establishment of a competitive minimum wage and raises in income levels. Salaries however, differ between sector and type of firm. According to the 2006 Enterprise Survey, average salary levels were highest in state enterprises (2.633 million VND per month in 2006), followed by FDI firms (2.175 million VND per month) and non-state enterprises (1.488 VND per month). Moreover there were significant income gaps between urban and rural areas, geographic regions and between skilled and non-skilled workers. Within SOEs, highest salaries were approximately 5 times higher than the lowest salaries and around ten times higher within the private sector (rising to about 50 times within the service sector).

Vietnam's minimum wage is low and does not ensure adequate standards of living for workers. Within SOEs, salary levels are not linked to the market whereas in the private sector, workers' wages may be provided in the form of allowances, benefits and bonuses in order to avoid tax and social security. This is particularly common in sectors with low-skilled labour forces, such as the clothing and leather industries.

1.4. Effective policies for working environments

A key priority of the Vietnamese government is the development of the education sector. To this end, a number of policies have been developed with the aim of upgrading workers' skills, investing further in education, expanding and diversifying vocational education and creating favourable conditions for Vietnamese citizens to study and teach at all levels of the education system.

Within the labour market, policies have been developed and implemented in order to protect workers' rights and support positive industrial relations. Furthermore, Vietnam has developed a number of national programmes to support the creation of new jobs, develop export labour and to advance the labour market. A wide range of new jobs have been created which have served to generate incomes for approximately 300-350 thousand workers, while reducing unemployment and shifting labour from agriculture to industrial sectors. Labour placement offices in Vietnam have played an important role in the development of the labour force by connecting supply to demand. In the period between 2001-2006, labour placement offices were consulted over 2,7 million times and provided jobs for more than 1,4 million workers.

With regards to salary levels, policies have been adjusted to the market economy. Correspondingly firms have been entrusted with determining income levels for employees as long as salaries meet minimum wage standards.

Finally, new policies regarding labour, insurance and industrial hygiene have affected the labour market in Vietnam, as has legislation on issues such as unemployment benefits and early retirement.

1.5. Strategies for developing Vietnam's labour market

In order to develop Vietnam's labour market within the current economic context, the following recommendations are put forward:

1.5.1. Continue to regulate the labour market

Vietnam should develop legislation to create a safe labour environment, protect the rights of workers and ensure harmonious relations between employees and managers by:

- Reviewing international conventions such as: convention 122 regarding labour, convention 131 regarding minimum wages for developing countries, convention 88 regarding organisational services, convention 142 regarding career guidance and labour resource development and international conventions regarding work and safety issues
- Continuing with administrative reforms and placing more responsibility on local authorities for managing labour issues
- Openly communicating labour policies to workers, facilitating labour export and developing healthy industrial relations

- Continuing to develop policies, particularly regarding unemployment benefits.

1.5.2. Develop labour supplies

Vietnam should:

- Mobilize resources to develop the education sector, upgrade labour force skills and link training to industry requirements.
- Create favourable conditions for labour migration, particularly from rural to industrial zones, improve work and living conditions for workers and develop more labour opportunities

1.5.3. Develop demand for labour

- Continue to steer the economy towards industrialization and modernization, develop sectors where Vietnam possesses advantages (e.g. electronic and mechanic industries) or which require high levels of labour suited to the skills of Vietnamese workers (e.g. garment and leather shoes industries), develop high value services (finance, telecommunications, post) use more highly skilled labour and develop tourism.
- Develop industrial and economic zones
- Develop small and medium sized enterprises.

1.5.4. Support labour market development

- Develop the labour placement office system in order to enhance the link between labour supply and demand
- Carry out quantitative and qualitative research regarding the labour market and develop a national database of labour related information
- Establish a national research centre within the Department of Labour, Invalids and Social Affairs (MOLISA) to provide analysis of Vietnam's labour market.

1.5.5. Reform the salary policy framework and develop a social security system by

- Aligning salary policies with market conditions
- Standardising the minimum wage across all types of firms and sectors
- Developing a social security system to protect workers as Vietnam integrates with the international economy and opens up its markets further. This social security system should particularly target rural unemployment.

2. Textile and garment industry

2.1. Overview of the development of Vietnam's textile and garment industry

The textile and garment industry is of particular importance to Vietnam's economy. It has developed rapidly over a number of years and currently consists of more than 2000 enterprises, 74.5%, of which belong to the private sector (with FDI and state owned enterprises accounting for the remainder). Since 2000, Vietnam's textile and garment industry has developed at an average growth rate of more than 20% per year, attracting approximately 2 million employees and contributing 15% to the total export turnover of the country.

It is worth noting that in 2007, the first year of its WTO membership, Vietnam faced a number of significant challenges. These included high increases in the cost of raw materials, natural calamities (particularly floods), fluctuations in the labour market within big cities and industrial zones and trade barrier issues with the US. Despite these obstacles, the Vietnamese textile and garment industry attained 20% growth in production and 30% export rates. In 2007, the export turnover of the entire sector reached US$7.75 billion, an increase of 30.5% in relation to 2006. Exports to the US made up 54% of the total export turnover of the whole sector and produced returns of US$4.4 billion. This was followed by US$1.5 billion worth of exports to the EU and US$700 million to Japan (representing 19 % and 9% of the market share respectively.

The general strategy for further development of the Vietnamese textile and garment industry is to continue exporting high numbers of products in order to meet the demands of the domestic market and to integrate more fully with regional and world economies. The industry target for 2010 is to attain US$12 billion in export turnover and US$25 billion in 2020.

2.2. The human resource context of the Vietnamese textile and garment industry

By 2006 the Vietnamese textile and garment industry had attracted a labour force of approximately 2 million workers, with 1.1 million workers engaged in industrial labour (350,000 workers in textile branches and over 750,000 workers in garment branches).

Table 3.1. **Labour structure of the textile and garment industry**

	Ngành dệt	Ngành may
Sex (%)		
Male	32.8	21.1
Female	68.2	78.9
Age (%)		
Under 30	38.3	64.3
From 31 to 40	34.4	27.0
From 41 to 50	24.3	7.6
Above 50	3.0	1.2
Education level (%)		
Beyond University	0.08	0.01
University/ College	7.04	4.0
Intermediate	4.71	3.5
Technician	3.34	3.78
High grade worker	18.8	6.3

Vietnam has several advantages with regards to its labour force within the textile and garment industry. Labour costs are relatively low (in line with China, Bangladesh and Cambodia) and Vietnamese workers are intelligent, easy to train and display strong workmanship.

However there are a number of limitations:

- The industry lacks workers with high qualifications, especially merchandising and management staff who can operate in highly competitive environment. This is due to the limited education system in Vietnam, both in regards to vocational and university training, which does not meet international standards. As a result the quality of outputs from the educational system does not meet the requirements of enterprises operating in the market economy. Furthermore, employers often do not have clear plans for utilizing available human resources over medium and long term periods.

- The distribution of the labour force in the textile and garment industry remains uneven, with large cities and industrial zones often lacking workers (both in terms of quantity and quality).
- Garment enterprises differ significantly with regards to salary levels and working conditions. Industrial relations are undeveloped in many enterprises and increasing numbers of disputes are a matter of concern. Within Vietnam's current context of rapid industrial development and foreign investment, harmonious industrial relations are critical.
- In general, productivity in Vietnam's textile and garment industry is lower than that of its competitors. Vietnamese enterprises lack the strong business administration required to increase its competitiveness.

2.3. Solutions to develop human resource in textile and garment industry include

Vietnam's growth target for 2010 to 2020 is to achieve a 8.5% - 9% general increase in GDP, a 17% increase in industrial zones and for exports to double. Annual growth in the textile and garment industry needs to increase to 16-18% by 2010. In order to meet these goals, the quality of the textile and garment industry needs to be improved.

It is estimated that the workforce will be about 2.5 million in 2010 and about 3 million in 2020. In the upcoming years, the textile and garment industry needs to take measures in order to develop the required human resources:

2.3.1. Improvement of labour force quality is the best way to develop the textile and garment industry

Training can play a critical role in improving the quality of the labour force. Within the current context of globalization, the transfer of textile production from industrial countries to Vietnam has led to a high demand for an industrial workforce. In addition to factors such as capital and technology, high quality human resources can impact significantly on productivity.

Training of highly skilled managers is critical to raise productivity. Accordingly, enterprises in the textile and garment industry should devote at least 0.5-1% of business costs to training in order to upgrade workers' skills. In particular, managers, sales people and technicians should be provided with short-term, practical courses which are tailored to job requirements. A highly skilled, multidisciplinary labour force is required in order to ensure that the textile and garment sector meets the demands of economic integration and increases productivity.

Table 3.2 (Appendix) indicates training plans for the textile and garment industry.

2.3.2. Improving policies and working conditions for workers

Improving employee wages and working environments can play an important role in fostering stronger attachments to enterprises and enabling more creative work. The establishment of harmonious industrial relations between employers and employees can contribute to productivity and build a good organizational image.

It is necessary to establish clear methods of settling labour disputes need to be established by strengthening labour unions and the role of employers representative From then, both employers and employees give their own opinions to come nearer to each other, so that strikes can be prevented.

Textile and garment industry is a labor extensive that requires a development of cultural atmosphere at enterprise to keep employees stay with it for a long time. Enterprises of this industry need to be direct their business with corporate social responsibility as well as protect employees, environment and consumers.

2.3.3. The textile and garment industry needs to restructure production

The Vietnamese textile and garment industry should shift manufacturing to rural areas in order to meet labour demands. In order to ensure a safe working environment, textile firms should operate within industrial zones that have convenient access to power supplies, clean water and wastewater treatment.

3. Construction industry

3.1. Overview of the development of Vietnam's construction industry

The construction industry plays a significant role in Vietnam's economy. Since the Doi Moi renovations in 1986, it has experienced two periods of development.

From 1986 to 1995, the construction industry completed a number of big building projects including the Tri An hydroelectric plant, the Hoa Binh hydroelectric plant, the Thang Long bridge, the Chuong Duong bridge, the Uong Bi thermo-electric plant, the Kien Luong cement plant, the Bim Son cement plant, the Dap Cau producing glass plant, the Bai Bang producing paper mill, the Pha Rung shipbuilding yard and several large hospitals.

From 1996 to 2007, reformation of the construction industry and increasing investment resulted in numerous large building projects and the development of industrial zones. Investment for construction doubled in five years (from 2001 to 2005). Whereas investment from the private and foreign investment sectors grew rapidly, the percentage of state funding for construction actually reduced from 59.1% in 2000 down to 52.2% in 2005.

Table 3.3. **Classification of investment capital for construction according to economic sector**

Year	Total	Sector		
		State sector	Private sector	Foreign investment sector
Real price	**Investment capital (billion VND)**			
2000	151,183	89,418	34,594	27,172
2001	170,496	101,973	38,512	30,011
2002	199,105	112,238	52,112	34,755
2003	231,616	125,128	68,688	37,800
2004	275,000	147,500	84,900	42,600
2005	335,000	175,000	107,500	52,500

Source: VIFCEA- 2007.

In 2007 Vietnam's construction industry has grown at a rapid pace with growing rate of 30%, two times more than average growth rate of whole industrial and construction sector (10.6%).

Enterprises under management of Ministry of Construction alone have gross product of 103,153 billion VND, over 111.6% of planed target. The total sale was 69,079.878 billion VND equivalents to 125.27% of total sale of 2006. Profit before tax was 2,618.234 billion VND equivalent to 150.2% to 2006 level. Profitability/ on sale was 3.79% that is 0.63% higher than 2006 level. Total investment was 29,157 billion VND, increased 40% comparing to the same period of 2006.

With the same pace of development of construction industry, a network of industrial clusters and new cities has been widely expanded including 720 sites. A prominent number of high buildings and houses shall be constructed through 1.500 projects which have been implemented. Every year 58 mill. m^2 of new housing will be constructed. Currently Vietnam has 890 mill. m^2 of which 260 mill. m^2 are urban housing. The country has 300 projects of water supply and drainage with capacity of 4.2 million m^3/ day . About 70% of urban population are supplied with 70 liters/ per capita/ day of clean water in average. Total investment on water supply was about 1 billion USD[8].

The Vietnamese construction industry is still in a state of development and demands for construction are increasing as a result of the strong increase in foreign investment. In 2007, numerous foreign investment projects in the area of real estate were commenced, with capital for new apartments and offices amounting to US$ 2.5 billion (as Nov. 31th, 2007)[9]. This upwards trend is likely to continue in 2008 and Vietnam will need a strong labour force in order to meet the demands of the industry.

8. Source: *http://www.doanhnghiep.xaydung.gov.vn*
9. Source: *http://www.Vnchanel.net/news/18-dau-tu-chung-khoan-dia-oc.*

3.2. The Vietnamese construction industry labour force

The labour force in the construction industry ranges from construction site workers to engineers, consultants and managers and is characterized by certain unique features. The total number of workers in whole industry reached 2.1 mill. persons (2005) taking 5% of total labor force of Vietnam[10]. Nonetheless, the number of employees directly working in the construction sector was 951,108 persons only, in 2005. The statistics data of the II part of this report already described the quantitative and qualitative indicators on human resource in this industry. Beside, the industry labour has some following specifics:

- Workers in the construction industry are recruited on a competitive basis with salary levels determined by different types of contracts. Despite low skill requirements, the construction sector struggles to meet labour needs due to low salary rates and poor working conditions. Competition for high standard workers between domestic and foreign firms has also increased.
- Another factor affecting the supply of labour to the construction industry in Vietnam is the low level of mechanization. Many factories lack modern working tools and are prone to industrial accidents. The supply of labour for the construction industry is mainly provided through construction training centers in Vietnam and overseas.
- The supply of labors for construction industry comes mainly from training centers of construction and other training offices within the country or abroad. Training centers for technical cadres and for managers include 31 University, 6 Colleges and 3 Technical secondary schools. The network of vocational training of Civil and Industrial constructing (not including bridges, roads and irrigation with 4 colleges, 10 intermediate schools of vocational training and some elementary schools of vocational training. During the period from 2001 to 2005, training centers of constructions had trained 234,000 students. (Table 3.4).

Bảng 3.4. **Số lượng nhân lực xây dựng qua đào tạo giai đoạn 2001-2005**

Training type	Number (person)
University and postgraduate education	17,000
College	8,000
Technical secondary school	24,000
Vocational education	135,000
Short-term training	50,000
Total	240,000

Source: VIFCEA- 2007.

10. Source: *VIFCEA- 2007.*

One of the most important characteristics of Vietnam's construction industry is the development of social career associations which help to support and develop workers' careers. These include associations which specialize in science and technology, such as the Vietnam Federation of Civil Engineering Associations (VIFCEA), Vietnamese Association of Bridges and Roads Construction , the Association of Vietnamese Irrigation Companies, which specialize in construction expertise such as the Vietname Association of contractors, the Vietnamese Association of construction consultants, the Vietnamese Association of Cement Industry and etc.

Labour force in Vietnam's construction industry faces the following limitations:

- Low skill levels particularly in the areas of management and finance
- Lacking of standards and criteria to assess the quality of labors, of training centers and of enterprises. Present methods of assessment are no longer suitable and are deprived of motivation and do not require cadres to study ceaselessly to improve their qualifications.
- The roles of career associations are not adequately supported and promoted They could not gather a large number of individuals and help them improve their capacities of working yet. Government has not yet developed knowledge and contribution to career associations. .
- Low working standards and professional ethics which result in industrial safety issues and poor building quality
- Construction industry is short of good managers with expertise in who are experts in techniques and have knowledge in fields such as finance, law, human resource management, risk management and contract management. According to the data provided by Ministry of Construction, the industry has 29,230 managerial officials of which 24.3% have been qualified with construction specialization. Those managerial officials are working at many managerial levels as followings: 0.95% at Ministry of Construction; 6.6% at constructions sites; 14.7% at district level and 77.75% at hamlet level. The issue of cities management is a big concern. Large portion of constructions managerial officials (51% at district level and 83% at hamlet level) has not have a construction qualification.

3.3. Strategies for developing the construction industry labour force

The labour market serving the construction industry faces numerous challenges:

- There have only been limited attempts to apply technology in order to increase productivity and building quality.
- The policies of tax and finance are used to inhibit the housing fever, but they has been any scientific solution as well as investment policy to develop housing, increase the speed of constructing, reduce the price and meet the housing demand of community.
- The laws of market economy are not observed in choosing contractors to execute the construction

works. Instead of choosing contractors, offering minimum price, then increasing price and lengthen the time, the construction industry has to respect contractors to offer “reasonable price” in order to assess labor capacity and grey matter in each building project by their nature.

- The most important part of an investment project is the consultant work. The cost for this work usually holds a portion from 10 to 12% of the total value of the building project. For many years, the cost of consultancy work takes up only from 1 to 3%, while it usually has to be repaid to investors from 30 to 40%. The quality of consulting is quite low which lead to the prolongation of projects and the lack of participation of excellent and professional architects and engineers.

It is anticipated that the urbanization in Vietnam may reach 45% in 2010, that can bring growth rate of construction sector more than 20%. The construction industry will need 100,000 workers every year as minimum, concentrated in cities and main economic areas, with, being able apply new technology invented for construction. Vietnamese construction market is developing strongly, that requires a sufficient and timely supply of human resource from the labor market on 3 sides: quantity, mechanism and quality.

- The number of technical workers needs to be increased.
- A better balance of engineers, managers and technical specialists workers and specialized jobs (carpentries, electro mechanics, structuring, aluminium and glass, painting, white-was, piping and mechanism, etc.) is required for building projects.
- Skills at all levels of labour need to be upgraded.

Strategies for developing human resource in the construction industry include:

Restructuring the human resource:

- Restructuring of salaries. According to statistics from the General Statistics Office of Vietnam (Table 2.8), the average income for construction industry workers in 2006 was approximately 1.5 million VND per month, less than one third of the average income within the insurance sector
- Restructuring human resources in the construction sector by addressing the distribution of “white-collar and blue-collar workers” and standardizing specialized jobs for technical workers.
- Providing adequate work equipment and ensuring industrial safety.
- Establishing large scale construction enterprises with strong financial and human resource capacity and encouraging the development of highly specialized contractors and subcontractors
- Restructuring construction enterprises to the developed trend of contractors with large scale and establishing big construction groups which have the capacity of both finance and human resource. Besides, developing quickly specialized contractors and subcontractors within a narrow specialty to serve big contractors.

Improving training for workers:

- Renovating the task of training human resource for the construction industry, socializing training activities and training to the demands of companies. Supplementing, modifying and issuing policies for training cooperation programs between schools and companies.
- Helping labor unions and other social career associations to protect the rights of labor workers.

  Setting high quality standards for recruitment of engineers.
- Establishing a Vietnamese Federation of engineers or an Vietnamese Association of engineers to help to train human resource and develop sciences and technologies.

4. Tourism

4.1. Overview of the development of Vietnam's tourism industry in 2007

Since Vietnam's entry into WTO, its position in the world has improved and it is now considered a safe destination by expatriate investors and foreign tourists. In 2007, Vietnam's tourism industry grew rapidly, welcoming over 4 million new arrivals into the country.

According to the Central Statistical Office, 2007 Vietnam received 4,171,564 foreign tourists in 2007 (16% more than in 2006) and 19.2 million domestic tourists (a 9.7% increase). The highest number of tourists came from China (558,719 arrivals in 2007) followed by Korea (475,535 arrivals), USA (475,535 arrivals), Japan (411,557 arrivals) and Taiwan (314,026 arrivals). Among Europeans, French tourists led with 182,501 arrivals, followed by England (105,918 arrivals) and Germany (95,740 arrivals).

The number of international tourist agencies increased to 605 in 2007. Among them, 87 are state owned companies, 157 are joint stock ones, 12 are foreign joint ventures, 345 are limited companies and 4 are privately owned. There are more than 10,000 domestic travel companies operating in every region of the country and over 5,000 certified tour guides. Accommodation for tourists has also increased, with approximately 9,000 accommodation premises and 180,051 rooms available. Among them, 4,283 hotels are of 5 star quality (49.94% of all accommodation). Average room utilization is 51% per year however in luxury hotels in big cities and key tourist areas it is over 80%.

In 2007, the government invested in a Tourism infrastructure development program that provided 750 billion VND for 59 provinces across Vietnam. Foreign direct investment also increased considerably, with the number of FDI tourism projects increasing from 47 to 235 between 2006 and 2007. Despite these achievements the Vietnamese tourism industry is still at an early stage of development. According to the Business Monitor, an international organization that ranks tourism in developing countries, Vietnamese tourism ranked 7th out of 8 surveyed countries in Asia in 2007. Thailand was ranked first, followed by Malaysia and China.

4.2. Current labour force situation in the Vietnamese tourism industry

Developing human resources and products for the tourism industry

Human resources are critical for the quality of the tourism industry in Vietnam and can be divided into the categories of direct and indirect labour. Improving direct labour, (which includes work that directly serves tourists) is critical to improving Vietnam's tourist industry. In recent years, the tourism industry work force has grown considerably, with 444,096 people employed in 2005. Indirect labour has increased at a faster pace than direct labour (Table 3.4 in Appendix 3).

Due to its interdisciplinary nature, workers in the tourism industry require skills and training in a wide range of areas including: culture, foreign languages, finance, architecture, and geography. However in general, skill levels in the tourism industry are low with only 42.5% of workers considered skilled. Only 3.11% of the work force holds university qualifications related to tourism.

An analysis of educational qualifications within the tourism sector indicates that university graduates account for 65.54% of tour guides, 84.17% of tourism marketing executives and 65.29% of customer services staff. Other employees, including bar-tenders, waiters and chefs mainly hold lower qualifications.

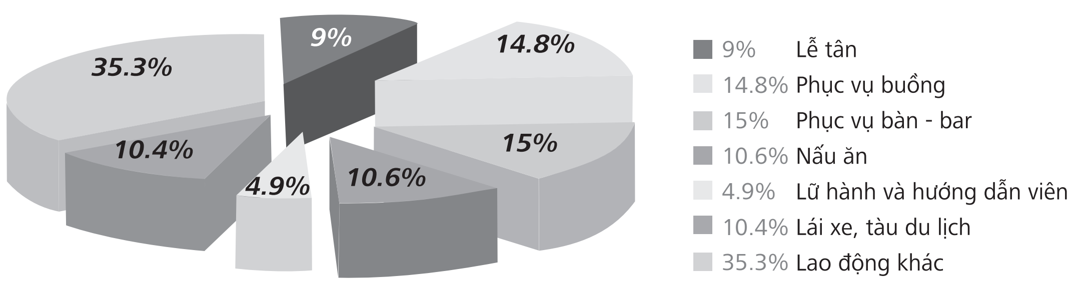
A high percentage of workers in the tourism industry speak a foreign language, with English most common (40.87%) followed by Chinese (4.59%), French (4.09%) and other languages (4.18%). About 28% of tourism employees speak two or more languages fluently.

Currently, there is a significant imbalance in the distribution of tourism labour: 50% in the South, 40% in the North and only 10% in central regions (despite the location of many of Vietnam's cultural attractions in this region). This skewed distribution is partially attributed to the low levels of infrastructure in central regions, particularly with regards to transport.

Ho Chi Minh City and Hanoi attract approximately 38.55 % of all tourism (24.41% and 14.14% respectively) with other provinces only attracting an average of 1% each. In order to address this issue, tourism labour from Hanoi and Ho Chi Minh City should be relocated to other regions that have ability to develop strongly, such as Hai Phong, Quang Ninh, Khanh Hoa.

Figure 3.1 demonstrates classification of labour within the tourism sector. In general, skill levels are low, particularly with regards to knowledge of culture, society and communication skills.

Figure 3.1. **Demonstrates classification of labour within the tourism sector**



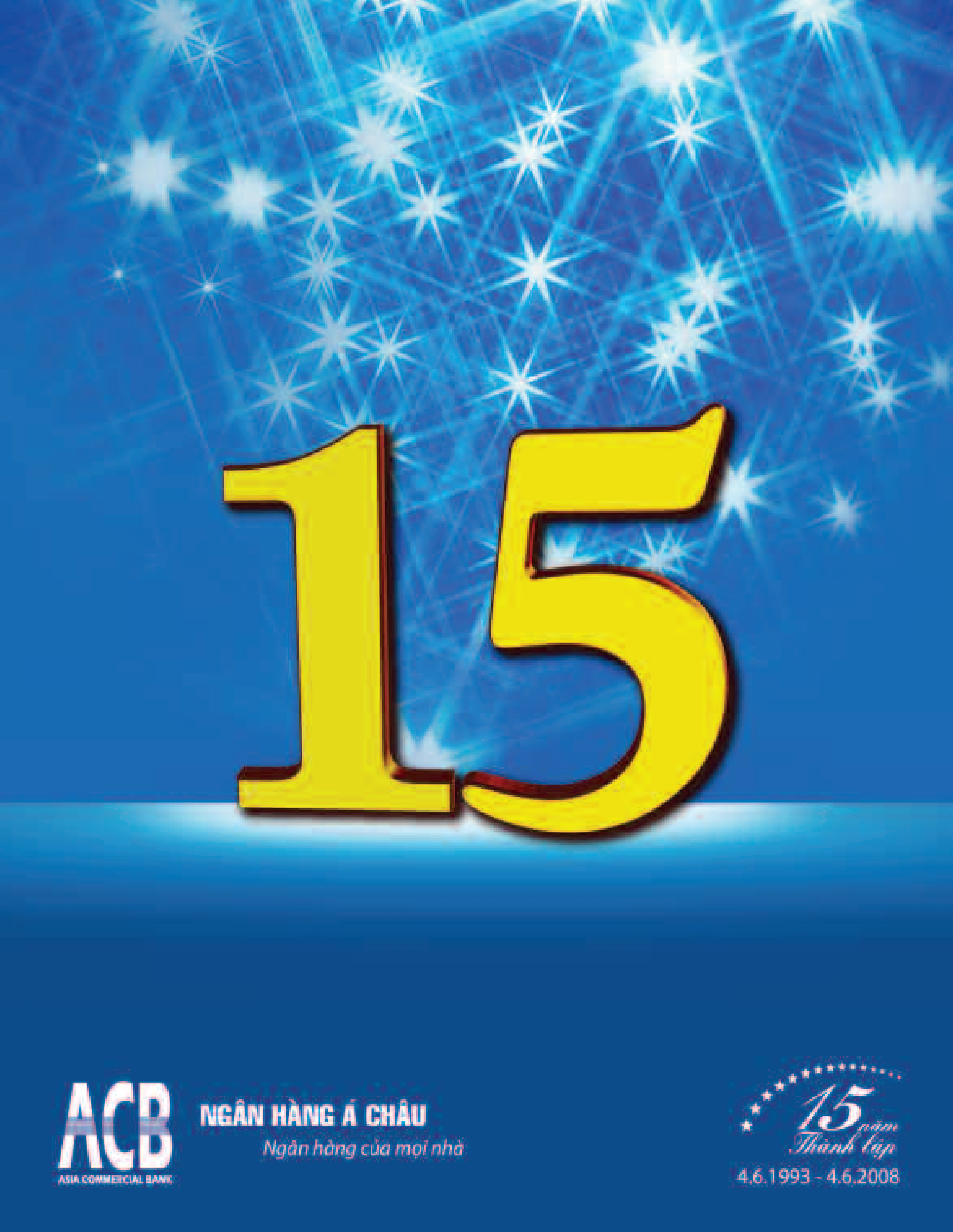
4.3. Strategies to develop the tourism industry labour force

In order to develop the Vietnamese tourism industry, training and education must be provided to upgrade the skill level of its labour force. This will enable Vietnam to compete successfully with other Asian countries and attract high numbers of international tourists.

It is critical that Vietnam improves the level of training in tourism within its tourism centres, colleges and universities. Key areas for improvement include:

1. Training infrastructure
2. Professional qualifications of trainers
3. Reference and study materials documents for training and studying
4. Reasonable training schools arrangement in the regions of the country
5. Partnerships between private and public, Vietnamese and international tourism institutions

Thus the development of tourism training centres through partnerships with international education centres, recruitment of expert tourism trainers and upgrading of training materials should be prioritized.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ACB
ASIA COMMERCIAL BANK
NGÂN HÀNG Á CHÂU
Ngân hàng của mọi nhà
15 năm
Thành lập
4.6.1993 - 4.6.2008

5. Banking Industry

5.1. Overview of the development of Vietnam's banking industry in 2007

Vietnam's banking sector developed in scale and quality in 2007. All commercial banks met minimum demands for safe capital rate (most attaining rates of over 10 or 12%) and recorded high profits, thus strengthening their competitive edge within the Asian region. The structure of the banking system also developed in 2007, with key government credit institutions maintaining their prominence and working alongside loan funds, joint stock credit institutions and foreign banks. Increased networks between credit institutions and commercial banks also contributed to improving financial performance.

In 2007 VietcomBank, the biggest government credit institution in Vietnam was capitalized and the establishment of four new joint stock commercial banks and two new financial companies was approved. This increased the number of non-bank credit institutions in Vietnam to 20 companies with a total charter capital of about 10,000 billion VND.

Charter capital also increased significantly in 2007, with the total charter capital of joint stock commercial banks increasing by 70.55% compared to 2006. Foreign banks in turn developed at a stable rate. In comparison to 2006, the total property of foreign bank branches and foreign investment credit institutions grew by 8% and many of them had plans to increase their operations in Vietnam. Three new 100% foreign investment banks were granted permission to operate.

Due to higher requirements for banking within the economy (mainly due to continuing economic integration), a number of banks were enlarged and numbers of foreign bank branches increased. The banking sector also improved its competitive rates, with total GDP increasing from 31.1% to 124% in 2006.

The increasing competitiveness of Vietnam's banking sector was also demonstrated through the high level of activity in the monetary and capital market and the high rate of new bank branches and agencies. By the end of 2007, joint-stock credit institutions had grown up with 542 branches and 12 subdiary companies.

Banking technologies also improved significantly, impacting positively on the development of modern banking services. Commercial banks began to increasingly offer online web services, e-payment and services through mobile phones. A number of new banking services were also introduced, such as retail banking, investment banking and property management. The ATM network developed and higher levels of credit cards were issued (increasing at a 300% rate since 2003). According to credit card associations, 6.5 million cards were issued in 2007, representing an increase of 43% on 2006. Credit card turnover, including the transfer of cash during the first six months of 2007, reached 30,000 billion VND.

Other banks that introduced new technology included Vietinbank with its e-service VCB Money and VietinBank, which opened an online, overseas national currency exchange channel with the Middle East that was awarded the "Golden Cup ISO" in 2007. This award is provided by the Ministry of Science and Technology to companies who demonstrate excellence in applying high standard technologies. In addition, managing, operating, auditing and supervising activities in the banking sector progressed significantly.

5.2. Current situation of human resources in the Vietnamese Banking sector

Vietnam's banking sector has made significant progess in developing its labour force. A younger generation, educated to a high level with foreign language skills is gradually replacing older staff who were trained prior to Doi Moi. In 2007, the total number of employees within the banking sector was approximately 107,108 persons

Productivity in commercial banking has improved:

1. Average ORA coefficient was over 1.5%. Many commercial banks reached over 4%. Foreign banks reached 2%-3%
2. ROE coefficient increased in most banks in comparison to previous years.

5.3. Difficulties and challenges in developing the labour force within the banking industry

Quantity and quality of human resources

Despite rapid developments in the labour force, the banking sector lacks highly skilled workers (particularly experienced managers). This impact negatively on the ability of banks to operate effectively.

- The shortage of experienced managers is a challenge in light of the need to expand the banking sector and results in low levels of supervision in many bank branches.
- Banking technologies have been improved considerably but still do not meet the level of international banks.
- Different banks have developed at different rates in terms of improving operation and management.

5.4. Proposed solutions

Vietnam's entry into WTO has increased the number of foreign banks operating in the country and transformed the financial environment. Until 2010, there will be no discrimination between foreign banks and competitors inland. Also, foreign bank branches as well as 100% foreign investment banks will be crowded (from April 2007 National Bank allowed 5 foreign banks in Vietnam to enlarge their operation, etc). It is critical for Vietnamese banks to upgrade both their technology and their labour force in order to remain competitive. On the one hand , commercial banks must prepare for human resources (labor attraction policies, training plans, modern technologies and service) as soon as possible. On the other hand, banks must adapt to new technologies more often to apply new skills. Combining strong human resources with modern technology is the key to success.

6. Insurance industry

6.1. Overview of the development of the Vietnamese insurance industry

Vietnam's insurance industry has developed rapidly since the introduction of the market economy 10 years ago, with growth in the number of insurance companies and in the quality of service provided. In 2007, the total profit gained through life insurance was 7,950 billion VND, reflecting a growth rate of 25%.

At present, there are 39 insurance companies operating in the market including 22 none life insurance companies, 8 life insurances companies, 1 reinsurance company and 8 insurance intermediary agencies. With newly established companies becoming more stable and foreign firms increasing their presence, the insurance sector is becoming increasingly competitive.

6.2. Labour force requirements within the insurance industry

According to figures released by the Ministry of Finance a total of 136,000 people were working in the insurance industry in 2007. This included 16,000 people working in insurance companies (3,600 managers and 12,400 specialists) and about 120,000 insurance agents. Despite the relatively high number of workers with university qualifications (70%) employees still lacked key skills, including basic economic knowledge. Most of insurance agents are trained by companies relying much on working experiences rather qualification gained in training

In the context of Vietnam's WTO entry and further integration into global markets, the rapid development of the insurance industry has led to an increase in its labour force. According to experts, the insurance sector is likely to employ about 200,000 workers by 2012. As part of its development strategy, the insurance sector in Vietnam aims to increase insurance profits to 4.2% of total GDP by 2010 and to increase the number of insurance companies to 50. In light of these industry targets, it is clear that the demand for qualified labour will continue to rise in Vietnam's insurance industry and is likely to lead to severe shortages in labour.

- For training: It is estimated that approximately 170,000 people will be working in the insurance industry by 2010, representing an increase of 34,000 workers. This includes an increase of 3,000 managers and specialists and 31,000 insurance agents.
- For retraining and advanced training: At the present, there are around 3,600 cadres in charged of managers in insurance firms, which hold a percentage of 24% of the total human resource of the insurance industry. Around 30% of existing managers (1080 in total) and 15% of 11400 specialists (1170 people) will require further training by 2010.

It is critical that the quality of human resources is developed in order to meet industry demands such as: improving competitiveness, diversifying products and providing new insurance services. A highly qualified labour force can increase the ability of firms to operate on a competitive basis, particularly in the following aspects:

- Regular training and high qualifications will be a factor that creates a strong ability to compete for firms operating business within the country or from abroad.
- Help to develop new and diversified insurance products/ services in response to demands from society
- Support the integration of insurance services into the worldwide market
- Support stable development of the insurance market through maintaining strong professional ethics and specialized knowledge in order to build client confidence.

6.3. Strategies for developing the insurance industry labour force

The rapid development of the insurance industry clearly indicates the pressing need for attracting skilled labour. As noted above, approximately 34,000 people will be needed by the insurance industry in 2010. In light of the limited skill levels of the current labour force (which is mainly attributed to low quality of training), a clear strategy is required to move forward.

Potential strategies include:

- Developing a cohort of highly skilled lecturers who can provide quality training. Universities and insurance companies should work together to combine theoretical and practical aspects of insurance training
- Recruiting national or international insurance specialists to meet short term labour needs
- Improving the quality of training by upgrading insurance text books to international standards and incorporating both practical and theoretical aspects of insurance learning into curricula
- Establishing a long term strategy for human resource development by frequently evaluating factors such as training, job quality and management. This will help to develop recruitment and staff development practices and reduce labour loss risks
- Improving selection and recruitment procedures and promoting careers in the insurance industry
- Establishing more training programmes in insurance. Currently there are only a small number of institutions in Vietnam that offer insurance qualifications, such as the National Economics University, the Academy of Finance and the Foreign Trade University. These institutions are only able to train limited numbers of students in insurance.

HOUSING CONSTRUCTION INVESTMENT JOINT STOCK COMPANY

Address 1: No.152 Nguyen Ngoc Nai Street, Thanh Xuan District, Ha Noi, Vietnam
Tel: 84-4-5665087 Fax:84-4.5665087
Address 2: Quoc Oai Industrial Zone, Hanoi, Vietnam
Tel: 84-343-942990 Fax: 84-343-942990
Email: xdnd-hci@fpt.vn; Kinhdoanh.xdnd@gmail.com
Website: www.xdnd-hci.com.vn

General information

- Housing Construction Investment Joint Stock Company has established in 2000 under the business certificate of Hanoi Authority for Planning and Investment. Housing Construction Investment Joint Stock Company is operating as subsidiary and parent model and completing procedure to be Housing Group.
- Organization structure includes 7 departments, 11 branches, 5 strategy co-oprearation units and retail & wholesale system.
- Registed capital: 50 billion VND.

Legal representative

- Ms. Chau Thi Thu Nga – Chairman of Board and General Director.

Main business activities

- Investment consultant and designing, real estate, producing and business construction material, civil and industrial building, Housing Door and Block brick manufacturing.

Achievement

- Gold cup of Viet brand name, Gold cup award-Vietnam Product of Prestige and Quality, Intellectual Property Association for industrial wood door and Bloc brick products.
- Sole certificate from National Office of Intellectual Property of Vietnam – Ministry of Science and Technology for Housing Door and Block brick products industrial design.
- Gold medal for Housing Door, Block brick and building architecture at No.25 Vu Ngoc Phan Street, Hanoi.
- Vietbuil 2007 Gold Cup in Construction industry.
- Gold medal in Vietbuild 2007 for Housing Door and auto block brick products.
- Top 500 highest of Vietnam’ Brandname and ICHI Japan Group in 2007.

Part IV

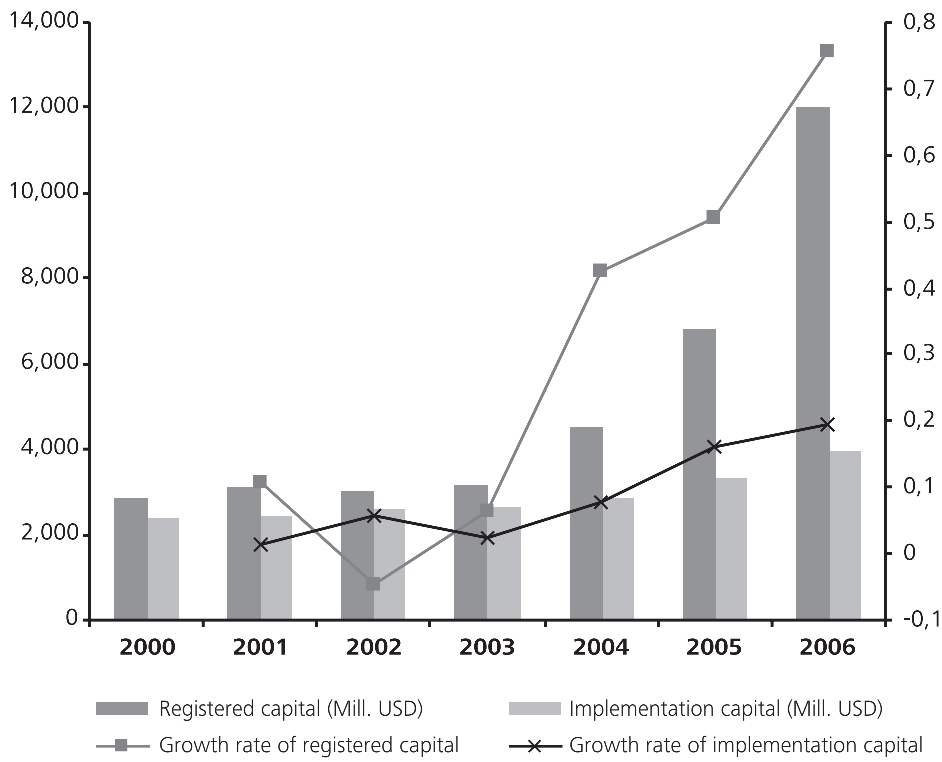
LABOUR AND FOREIGN DIRECT INVESTMENT

1. Foreign Direct Investment in Vietnam

1.1. FDI in Vietnam: registered and implemented capital

The year 2000 marked a recovery in FDI flows to Vietnam after a decline between 1997-1999 due to the Asian Monetary Crisis. The return of high investment flows was mainly a result of actions taken by the Vietnamese government to improve the investment climate and create a more favourable environment for business operations.[11]

Figure 4.1. **FDI trends in Vietnam**



Source: GSO (2007)

11. In 2000, the National Assembly put forward the amended Law on Foreign Investment in Vietnam which aimed to remove the difficulties faced by foreign invested enterprises operating in Vietnam and to improve the investment environment in order to attract more FDI.

Figure 4.1 demonstrates trends in FDI to Vietnam between 2000-2006. Despite a rising annual growth rate of 11% in 2000, Vietnam's competitiveness in attracting FDI inflows was relatively low compared to other ASIAN countries and in 2002 growth rate of registered FDI capital fell to -5%, marking a downward trend in FDI[12].

In 2003, registered FDI capital began to increase at a moderate growth rate of 6%[13], followed by dramatic increases between 2004-2006 with annual growth rates reaching 75% in 2006.

This significant increase was a result not only of the improved business environment[14] but of the continuing international integration of Vietnam's economy. According to the World Investment Report 2006, Vietnam was ranked among the top ten Asian countries in terms of FDI attractiveness.

Despite the dramatic increase of FDI to Vietnam over the past three years, reflecting the enhanced confidence of foreign investors, there are worrying signs regarding the absorption capacity of the economy. Figure 4.1 demonstrates that in contrast to the increasing rate of FDI flows to Vietnam, the rate of implementation of capital (implemented FDI capital to registered FDI capital ratio) continuously decreased between 2000 (85%) and 2006 (33%) in 2002. As demonstrated in figure 4.1, the gap between registered and implemented FDI capital has grown continuously since 2003. Growth rates of implemented FDI capital also fell below registered FDI capital. Even in the strong FDI growth period between 2004-2006, the growth rate of implemented FDI capital was only 8%, 16% and 20% in 2004, 2005 and 2006 respectively, whereas registered FDI capital grew by 43% 50% 75% respectively.

The mismatch between rate of implementation and registration was also revealed in the analysis of Vietnam's investment structure (figure 4.2). Despite decreasing trends between 2000-2006, state investment accounted for more than half of Vietnam's total investment and FDI accounted for less than half of non-state investment. This low ratio of FDI to total investment can be explained by the low FDI implementation rate.

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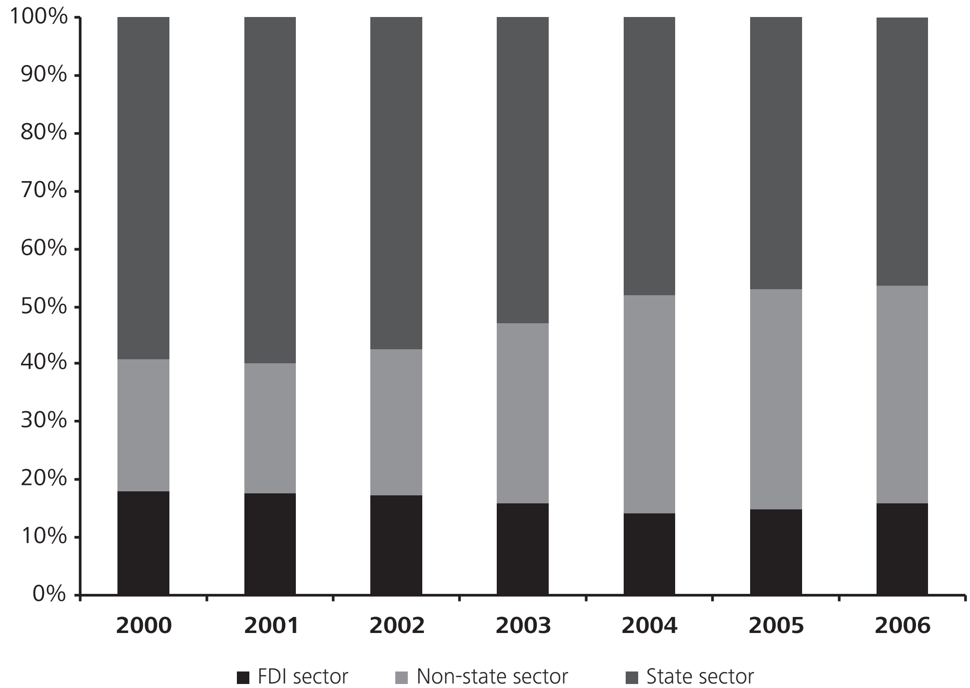
12. The institutional obstacles faced by foreign investors in 2002 included: complicated administrative procedures, corruption, inconsistent policies and mechanisms for FDI, costly infrastructure, high income taxes and rigid recruitment policies (CIEM, 2003).
13. In 2003, numerous policy measures for improving conditions to attract foreign investment were deployed: (i) foreign investors were given more business rights, including the right to choose projects and investment and certain strategic industries such as telecommunications, electricity, banking and insurance were opened up (ii) procedures for granting licenses were simplified (iii) the dual-price policy between domestic firms and foreign firms was abolished (CIEM, 2004).
14. One of the most important institutional improvements in Vietnam's investment climate during this period was the promulgation of the unified Enterprise Law and common Investment Law, which were approved by the National Assembly in late 2005.

Figure 4.2. **Vietnam investment structure (in current prices)**



Source: GSO (2007)

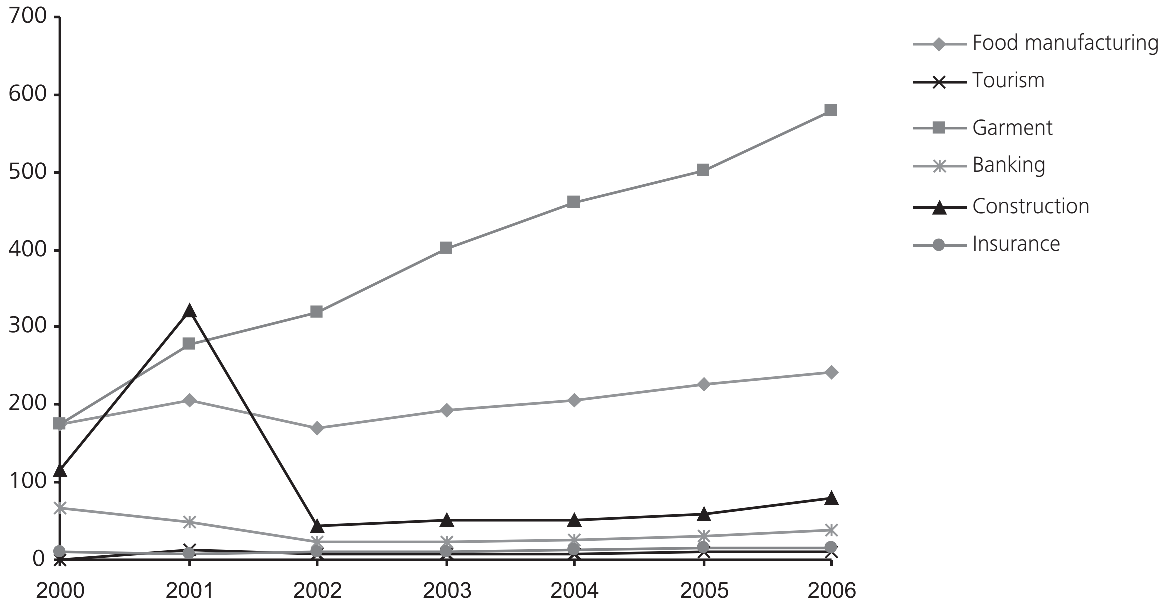
1.2. Trends in business dynamism of FDI firms

A comparative analysis of trends in business dynamism can provide a better view of foreign firm performance in Vietnam.[15]

Business dynamism of foreign firms can be evaluated by the number of firms in each sector. According to the data (figure 4.3), there was a rise in business dynamism of FDI firms, with firms most active in the garment and food processing and services sectors. Within the state sector, the number of SOEs declined as a result of the government's equitization programme.

15. In this study, classification of firms by type of ownership is based on the GSO's classification in "Enterprise census 2000-2006" (appendix 2). Analysis is based on the 6 economic sectors selected in part II of this report and used data from the Enterprise census 2000-2006.

Figure 4.3. **Trends in business dynamism of FDI firms**



Business dynamism of FDI firms was also evaluated on the basis of the proportion of FDI firms in relation to the total number of firms in each sector.

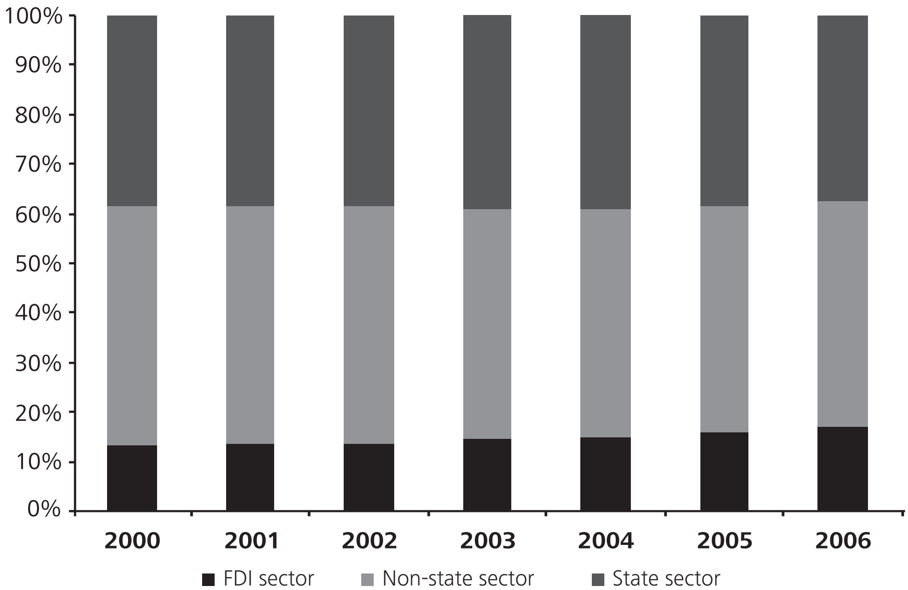
The above analysis indicates that despite a low share of FDI capital in total investment, there was a rise in business dynamism within the FDI sector matching the upward trend in the country's overall economic development.

1.3. The FDI sector continued to maintain its position in the development process of Vietnam

The role of the FDI sector in Vietnam's economic development process can be evaluated on the basis of two indicators (i) the contribution of FDI to GDP and export (ii) the number of new jobs created. This section analyses the former.

As demonstrated in figure 4.4., the FDI sector has became an integral component of Vietnam's economy. During the period between 2000-2006, its share in GDP continued to increase (from 13.27% in 2000 to 17.01% in 2006). Between 2001 and 2002, FDI contributions to GDP grew at the same rate as the economy, and later surpassed it in 2003-2006 (13.99% vs. 8.17% of GDP growth rate in 2006).

Figure 4.4. **Trends in contribution to GDP by ownership (in current prices)**



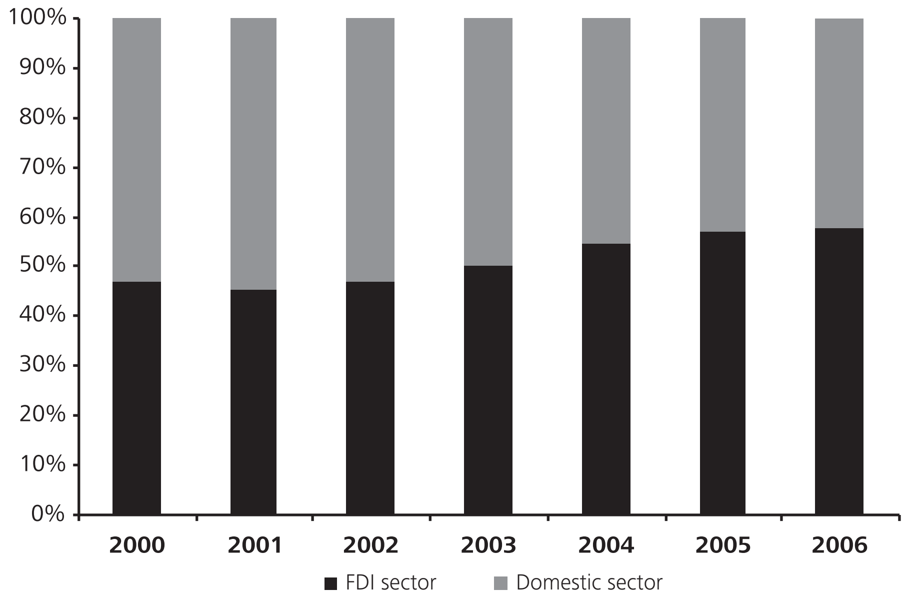
Source: GSO (2005, 2007)

2004 marked a down turn in growth of state sector contributions to GDP and was followed by only moderate growth in 2006 (6.63% vs. 8.17% in GDP growth rate). Around the same time, the non-state sector began to play a bigger role in role in Vietnam's economy with contributions to GDP growing at a higher rate than that of GDP growth (8.24% vs. 8.17%).

The rising contributions to GDP within the FDI sector indicates a high level of performance by firms in contrast to the decline in efficiency of the state sector.

The FDI sector accounted for almost half of total exports in the period between 2000-2003 and its share of exports since 2004 was higher than the combined shares of the state and non-state sector.

Figure 4.5. **FDI's contribution to export (in current prices)**



Source: GSO (2005, 2007)

The growing contribution of FDI to GDP and exports, combined with the increasing number of FDI firms, demonstrates the critical role this sector plays in the Vietnamese economy. The decreasing rate of implemented vs. registered capital however, raises concerns regarding the absorptive capacity of the Vietnamese economy.

In order to attract more FDI capital, Vietnam must not only continue to improve its investment policies, but should develop its labour force. Although there is an abundance of cheap labour in Vietnam, the significant shortage of highly skilled workers may limit FDI and was listed as one of the major constraints facing foreign investors in the ADB Vietnam Development Report in 2006.

2. Demand for labour in the FDI sector

FDI demand for labour is evaluated on the basis of labour indicators for six economic sectors.

2.1. Evaluation of demand for labour in the FDI sector

2.1.1. FDI demand for labour was highest in the manufacturing sector

Employment in the sectors of construction, garment and manufacturing industries attracted high numbers of employees. Within the service sectors, FDI banks were ranked highest in terms of employment, whereas FDI tourist agencies were lowest.

Figure 4.6a. **Employment trends in FDI food processing firms** *(unit: person)*

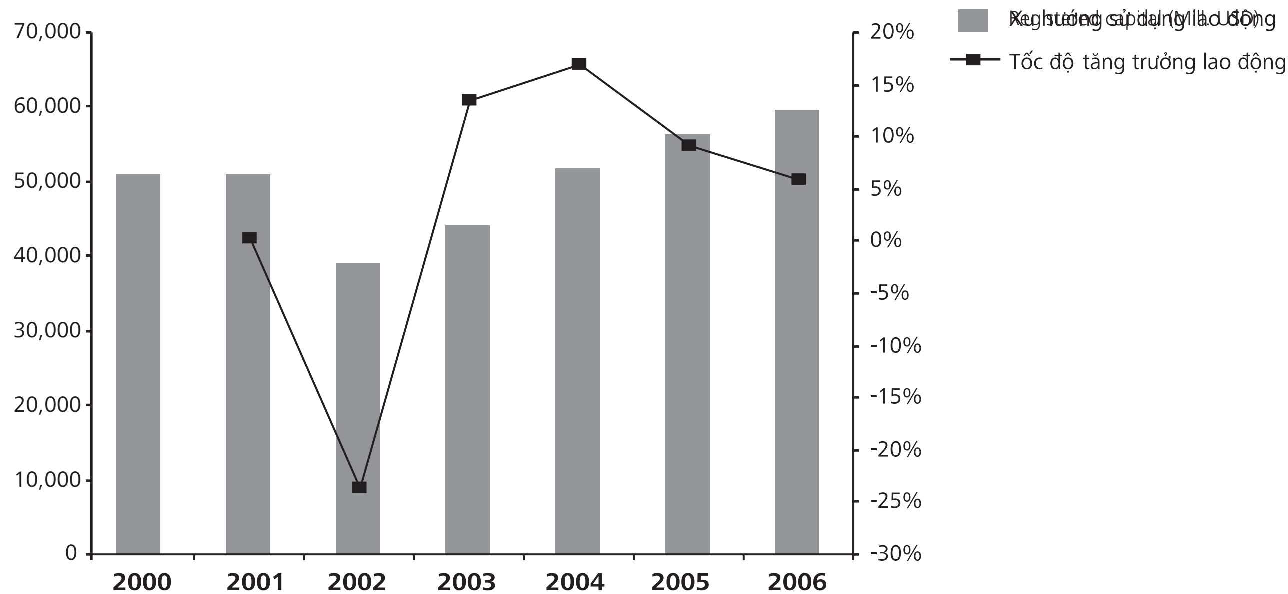
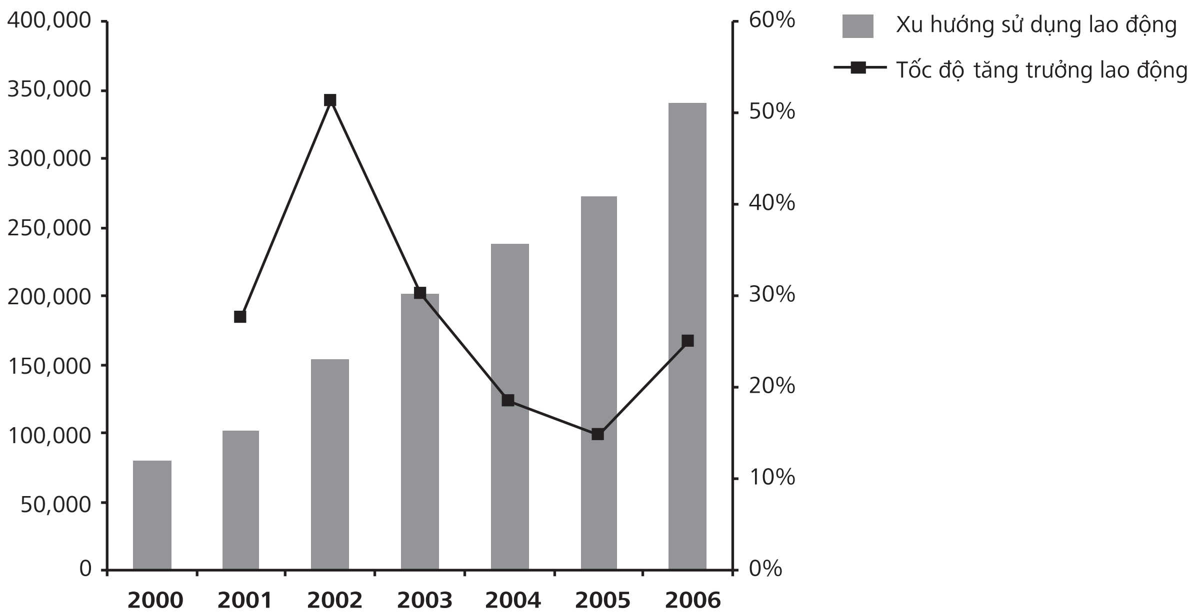


Figure 4.6a demonstrates employment trends in FDI food processing firms. In 2000 both the number of FDI food processing firms and the attached labour force declined significantly. In 2005-2006, despite increasingly high levels of FDI and a growth rate of 10% in firms, employment levels continued to decline.

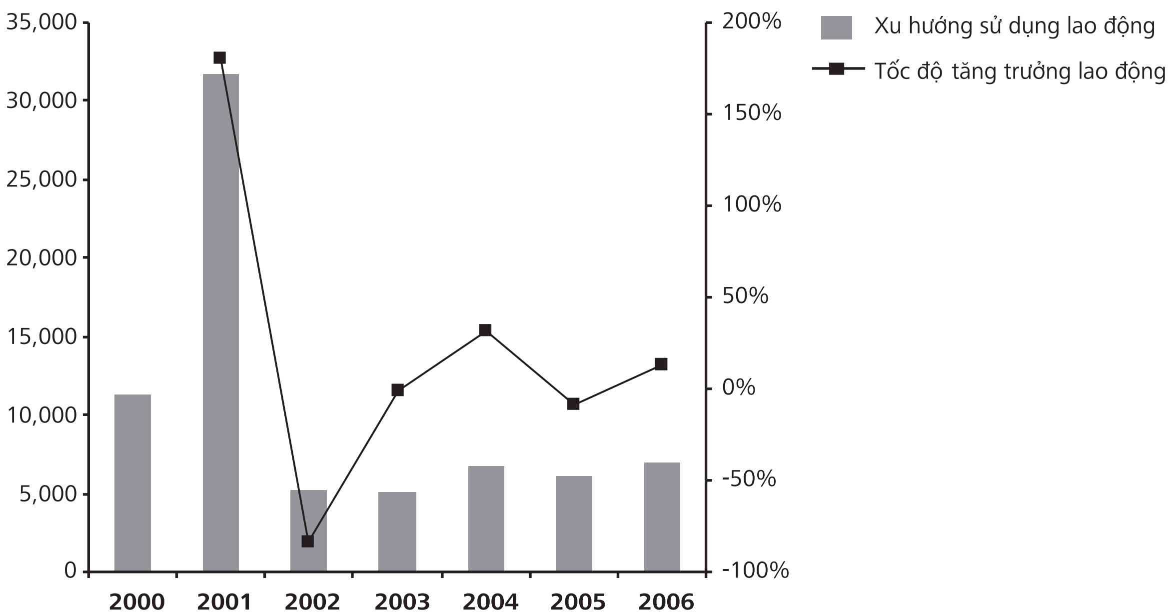
Figure 4.6b demonstrates employment trends in FDI garment firms, which attracted the second highest levels of labour. Along with an increase in the number of firms, employment rates have grown over past years and are likely to continue.

The highest level of employment was recorded in the construction sector. However, the levels of foreign investment in construction were low and with 80 firms, accounted for only 6% of total amount of FDI capital in the garment and food processing sectors in 2006. As demonstrated in figure 4.6 c, there is unlikely to be an increasing demand for labour for FDI firms in the construction industry in the near future.

Figure 4.6b. **Employment trends in FDI garment firms** *(unit: person)*

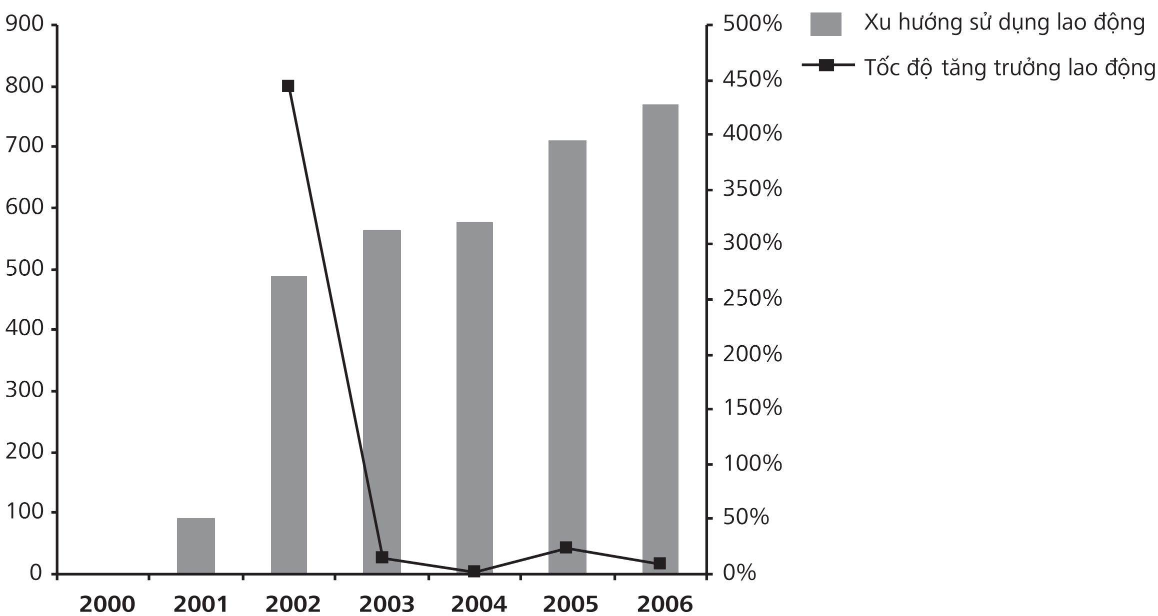


Hình 4.6c. **Employment Trends FDI construction firms** *(unit: person)*



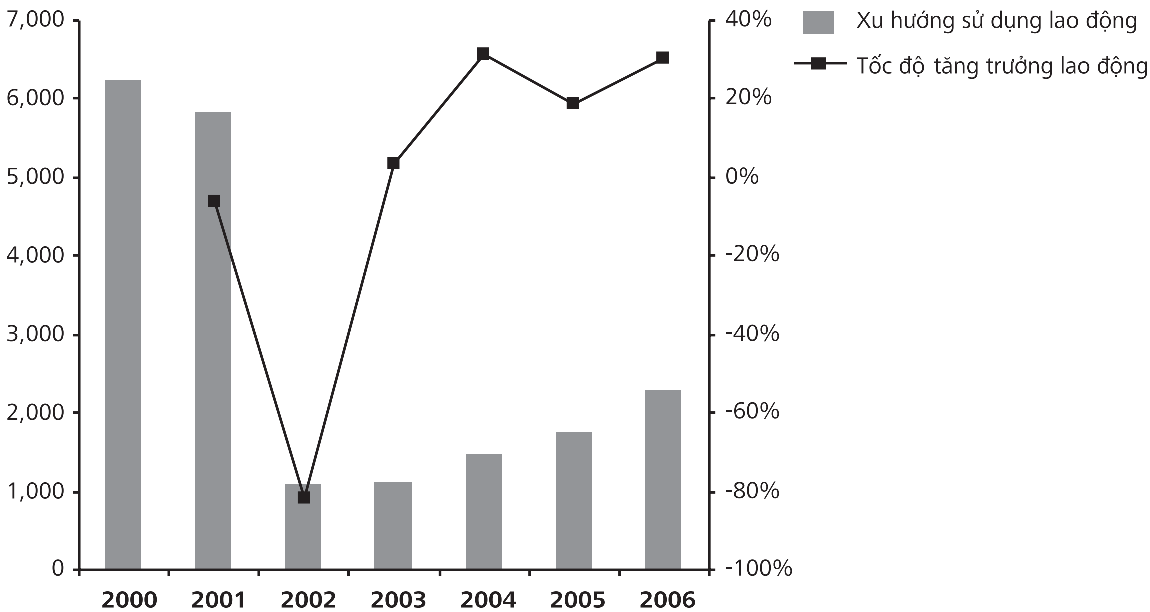
Employment rates in the tourism sector were lowest (Table 4.2), both in terms of the FDI and non-FDI sectors. Employment trends within FDI tourism firms are demonstrated in figure 4.6d and indicate only moderate growth over past years. Together with the unchanging number of FDI firms, this indicates that foreign investors have not found tourism an attractive option, yet. Demand for labour is thus unlikely to increase significantly in coming years.

Figure 4.6d. **Employment trends in FDI tourism firms** *(unit: person)*



Among the service sectors, demand for employment was highest in the banking industry which witnessed growth of 30% in 2006 (figure 4.6e). This increase in the number of employees, together with the increase in FDI banking firms (figure 4.3) and foreign invested capital (Table 4.3) indicate the likelihood for high labour demand in coming years. Due to the advanced technology used, labour skill requirements for the banking industry are likely to be high however, particularly within the FDI sector.

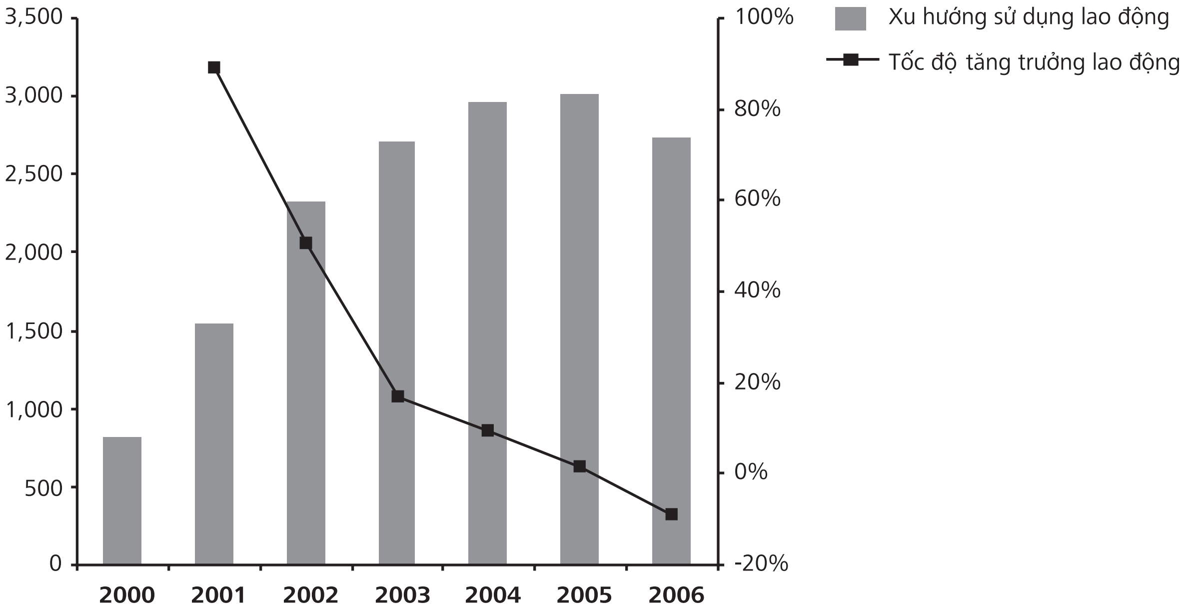
Figure 4.6e. **Employment trends in FDI banking firms** *(unit: person)*



Despite an increase by 300% in FDI between 2005 and 2006 (Table 4.3), the growth rate of employment declined in the insurance sector (figure 4.6f). The share of employment in FDI insurance firms in whole sector's employment was higher than that of state and private firms. This shows that demand for employment of FDI insurance firms would be significant (relative to of state and private sector). Together with increasing in number of FDI insurance firms, the decreasing trend in growth rate of employment as well as total employees in FDI firms are not sufficient for any argument on the (upward or downward) trend of demand for labor of FDI insurance firms.

As indicated in part II, the two service sectors, namely banking and insurance, would have high demand for skilled employment. Therefore, it is high possibility that this decreasing trend in growth rate of employment was resulted from the mismatching in demand and supply of skilled labor for FDI insurance firms.

Figure 4.6f. **Employment trends in FDI insurance firms** *(unit: person)*



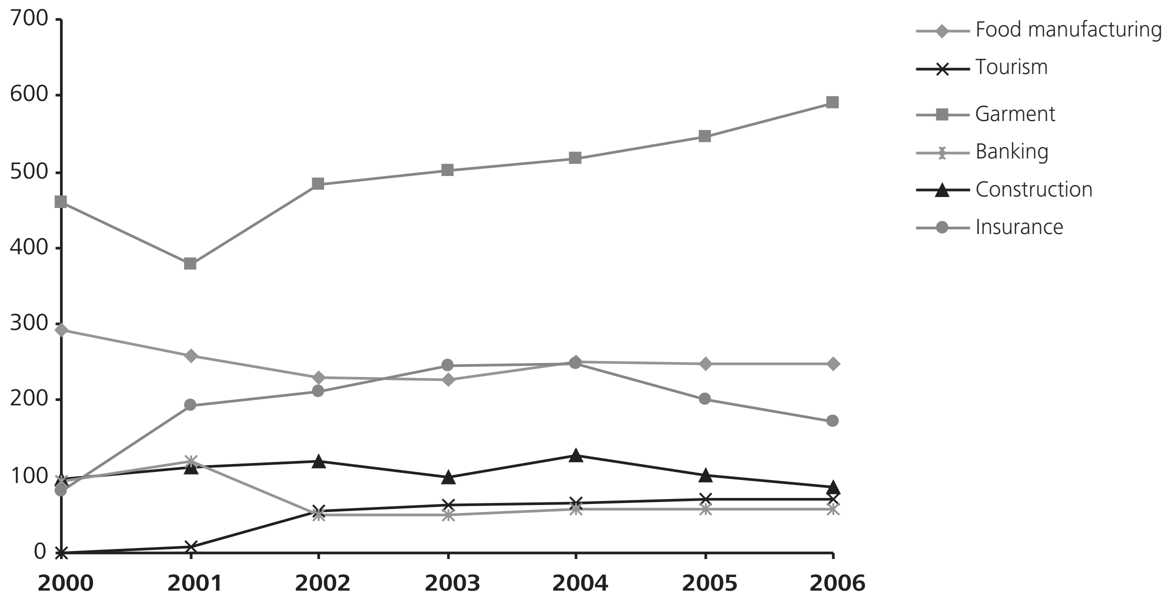
2.1.2. Increase in employment rates within manufacturing sector but decrease in service sectors

This section uses employment rates as the basis for evaluating demands for labour. As demonstrated in figure 4.7, employment rates were highest in the garment sector (600 employees per FDI firm), followed by the food processing sector, with about 250 employees per firm in 2006. The rate of employment growth differed however, with employment rising gradually in the garment industry and resting stable in the food processing industry. These employment trends are closely in line with trends in demand for labour (see section 2.1.1) similarly, high trends matched demands for labour in the insurance industry.

Employment rates grew continuously (although at a moderate pace) within the service sectors of tourism and banking. This combined with increasing business dynamism, makes it likely that demand for labour will increase in upcoming years.

Employment rates continued to fall within FDI firms in the construction industry over recent years. The fact is that share of employment in FDI firms accounted only for 5% of the total sectoral employees .This combined with low levels of FDI to the sector, indicate that the demand for labour is unlikely to increase.

Figure 4.7. **Size of FDI firms** *(unit: person)*

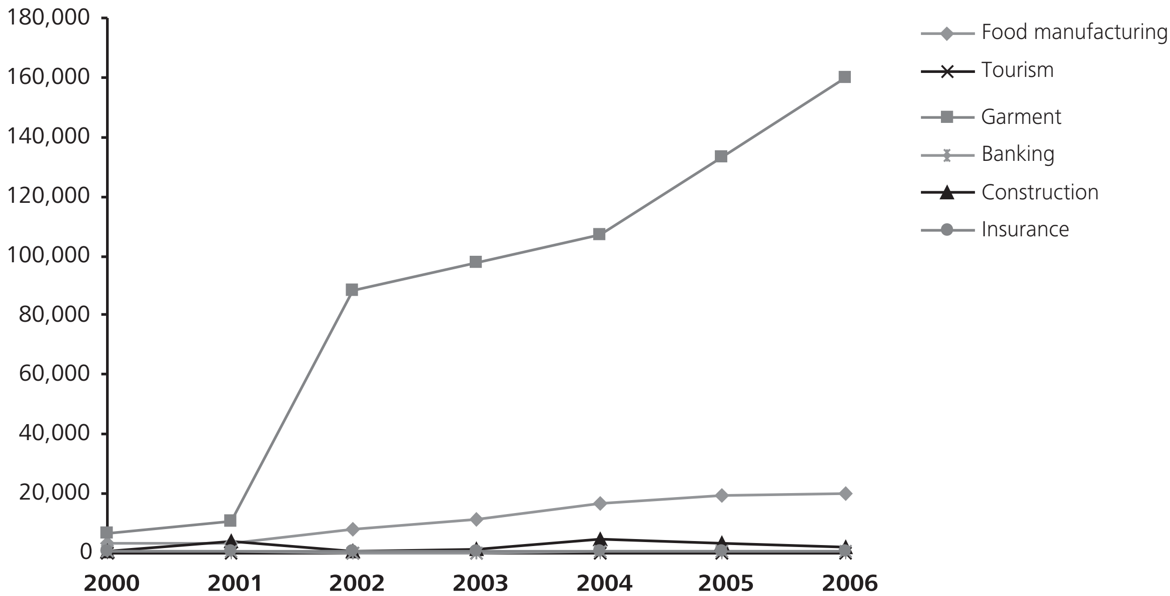


2.1.3. Number of jobs created was highest in FDI garment and food processing firms, and lowest in the construction, tourism and insurance industries

The highest number of new jobs was created by FDI firms in the garment sector (followed at a distance by the food processing sector). Growth rates for new job creation were also highest in these sectors, indicating that demand for labour is likely to grow in coming years.

Similarly, despite the creation of only a moderate number of jobs, there was a significant growth rate in job creation within in FDI banks (100% growth in both 2004 and 2006). Demand for labour is thus likely to grow fast. The number of new jobs opening decreased in the construction (30%), insurance (25%) and tourism (over 100% decrease) FDI sectors in 2006.

Figure 4.8. **Job creation trends in FDI firms** *(unit: job)*



Comparison between FDI and state/non-state sectors indicated the FDI sector's role in job creation:

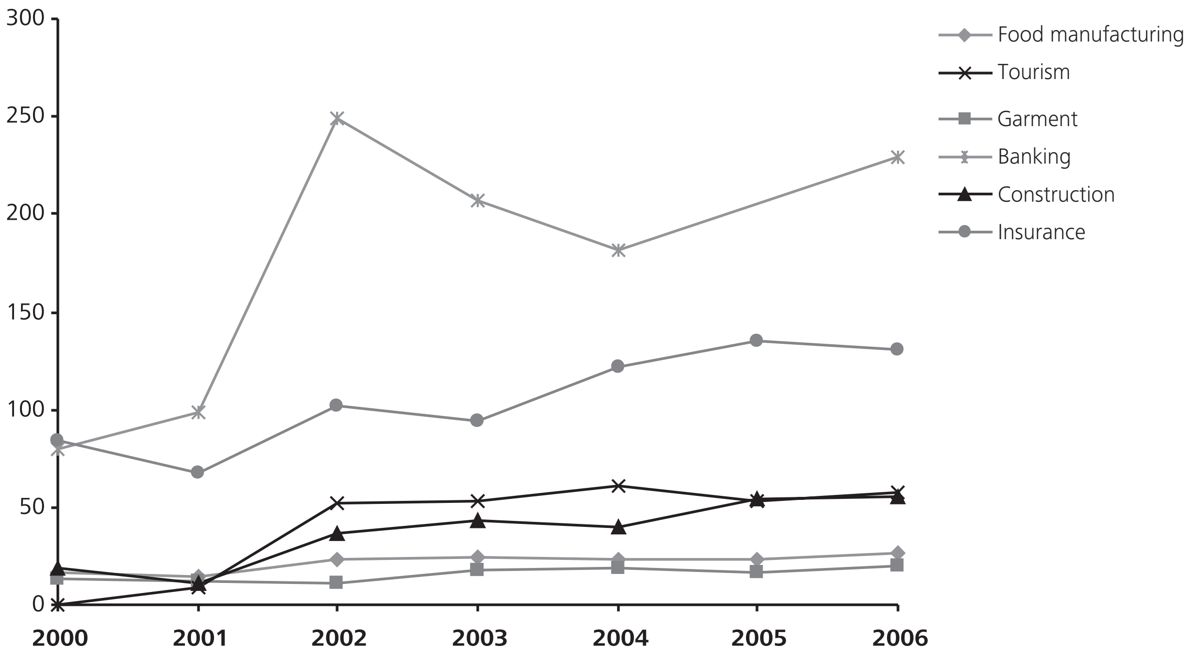
1. Due to the impact of equitization accelerated by the stock market in the last two years the number of jobs created by the state sector decreased over the past two years, thus passing the responsibility for new jobs to
2. The total number of jobs created by the FDI sector was lower than the non-state sector, however both sectors recorded rising rates of new job creation in garment, food processing and banking firms.
3. FDI firms accounted for more than 50% of new jobs in the garment sector. Higher numbers of new jobs were created by state and non state actors than by FDI firms in the construction and tourism sectors. FDI firms created more jobs than non-state firms in the garment industry

2.2. Assessment of demand for qualified labour in FDI sector

This section analyses demand for labour in terms of skill level required.

2.2.1. Compensation to employees is highest in FDI service sectors (banking and insurance)

Figure 4.9. **Trends in compensation to employees in FDI firms** *(unit: VND mill. per year)*



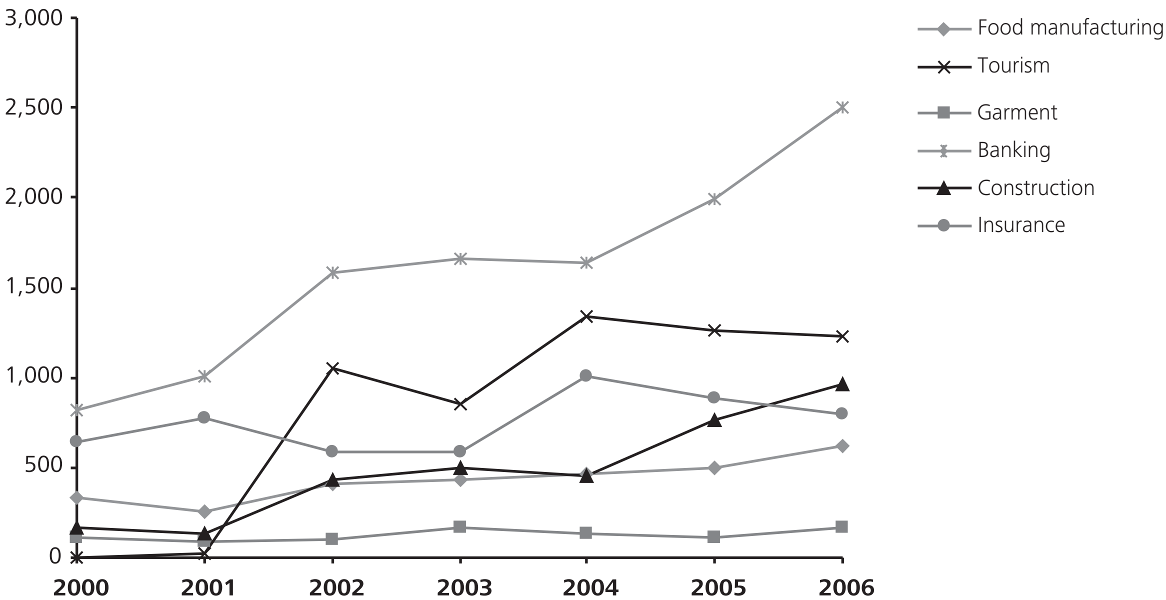
Compensation to employees can be used to calculate labour skill level. Figure 4.9 indicates that the average level of income (per year) was highest within FDI firms in the banking sector (VND 228 mill. per year in 2006), followed by FDI insurance firms (VND 130 mill. per year) and tourism firms (VND 57 mill. per year). Income-levels for FDI firm employees were significantly higher than those of state and non-state firm employees across sectors, indicating a higher demand for skilled labour (income of employees in state firms in banking sector was VND 60 mill. in 2006, insurance: VND 69 mill. and tourism VND 23 mill; In non-state firms of respective sectors income of was VND 17 mill , VND 16 mill. and VND 17 mill.).

The difference in income level of FDI and domestic firms was also high in the construction sector but lower for garment and food processing industries. Income levels however, are growing at a lower rate in the FDI sector indicating that the income gap is likely to diminish.

However, there were not much difference in level of income between FDI and domestic firms in garment and food processing. In construction, income of employees in FDI sector was twice time greater than those in state and three times greater than those in non-state sector.

2.2.2. Productivity was highest within FDI service sectors and lowest within the garment sector

Figure 4.10. **Productivity trends in FDI firms** *(unit: VND mill.)*



Productivity (net operating income per employee) can also be used to evaluate labour skill levels (Table 4.9). Figure 4.10 demonstrates that productivity trends in the FDI sector were highest in the service sectors of banking, tourism and insurance (in descending order). However only the banking sector witnessed an increase in the growth rate of productivity. Productivity was roughly equal for FDI food processing construction firms and lowest for FDI garment firms. This difference between manufacturing and service levels in terms of productivity as well as income level, indicate that the demand for labour is likely to be highest within FDI service industries.

Together with the income level indicator, difference in productivity between service and manufacturing sectors are strong evident for an argument that demand for skilled labor would be higher in FDI firms in service sectors.

Apart from the reason of difference in technological capability, productivity levels were higher in FDI firms than in state and non-state firms, which also indicates a higher level of skilled labour.

2.3. Conclusions

The following conclusions were drawn from the analysis of the demand for labour within the FDI sector:

1. Demand for labour was highest in FDI garment firms. Demand for labour was also high in the food processing sector, however is likely to decrease
2. The tourism sector doesn't attract a high level of FDI and demand for labour is likely to decline over the next few years, but the demand for labour working indirectly in tourism may increase
3. Demand for skilled labour is high and likely to increase, within the service sectors - particularly banking
4. The number of jobs created within FDI insurance firms declined, however the number of employees was relatively high compared to state and non state sectors. Nonetheless the demand for skilled labour is likely to remain high in coming years In general, skill requirements of FDI firms are higher than that of state and non-state firms. This may be the leading constraint for the recruitment of employees in the FDI sector.

3. Supply and demand for labour in the FDI sector

In order to analyse the supply and demand for labour in the FDI sector, data from annual statistical reports (GSO, 2001-2007), from CIEM (2001-2004) and from the 2004 Migration survey 2004 (GSO, 2005b) was used. Analysis of the labour market for the FDI sector was carried out by 6 sectors and 8 geographical regions in Vietnam.

3.1. Supply for labour within the FDI sector

Figure 4.11. **Registered FDI capital by region** *(unit: %)*

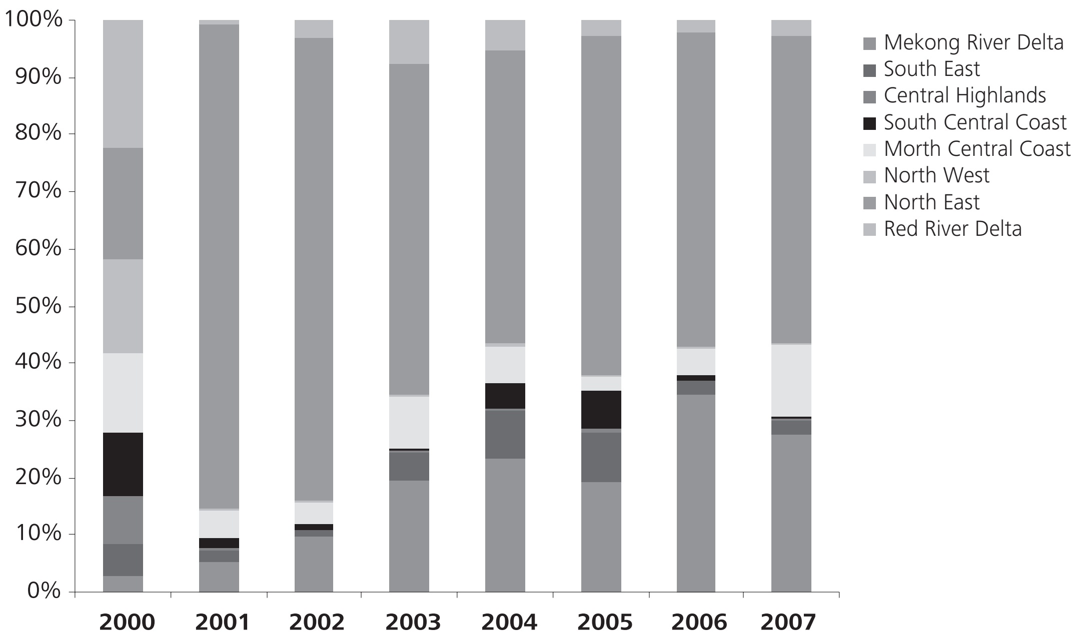


Figure 4.11 demonstrates allocation of registered inflow of FDI capital by region. The Red River Delta, South Central Coast and South East Regions attracted the most FDI capital, with that 50% of total annual FDI directed towards the South East during the period between 2001-2006. This was followed by the Red River Delta, which enjoyed a 30% share of FDI capital in the past two years and the South Central Coast (13% of total FDI capital). Despite the fact that these 3 regions were most successful in attracting FDI, only in South Central Coast and South East Regions, the annual growth rates of FDI capital inflow were higher than that of the whole economy. Whereas in the Red river delta, there was a decline trend in FDI capital inflow.

Data on composition of the labour force by region indicates that regions with high levels of FDI also had high employment growth rates and numbers of employees (GSO, 2007, p. 57). In regions with high levels of FDI capital, there were also high levels of employment in FDI firms (CIEM 2006).

Data indicated that despite high rates of investment, there were high unemployment levels in some regions. In the Red River Delta for example, between 2000-2006, the unemployment rate was higher than the national unemployment rate. According to CIEM, the key cause of this imbalance was the higher demand for labour within developed regions which made it harder for lower skilled workers to find jobs (CIEM, 2006, pp 48-49).

The response of the market to the demand for skilled labour within the FDI sector can be evaluated by examining the labour structure. Table 4.10 demonstrates that regions with the highest rates of FDI capital inflow had the highest rate of unskilled workers, and also experienced high percentages of skilled labour (skilled workers with certificates and higher). The percentage ratio of skilled workers with school or university qualifications was highest in the South East region (46.3% in 2006), followed by the Red River Delta (31.6% in 2006) and South Central Coast (6% in 2006). Worryingly however, there was a sharp decrease in the proportion of skilled workers in the South East Region (with rates falling by -14.9% and -9% in 2003 and 2004 respectively). The Red River Delta, despite a downward trend, still boasted a higher than average growth rate of skilled labour. There was also an increasing trend in the number of skilled workers in the South Central Coastal regions in past years.

In summary, among the 3 regions with the highest levels of FDI capital inflow, only the South Central Coastal region is likely to be able to meet future demands for labour.

3.2. Mobility of skilled labour

GSO data indicates that the highest levels of labour migration are to areas with high inflows of FDI capital e.g. the Red River Delta (including Hanoi) and the South East region (including Ho Chi Minh City). The percentage of skilled labour (college or university qualified) was highest in the Red River Delta and lowest in the South East region (GSO 2004a).

Data on migrant-workers in the FDI sector is demonstrated in Table 4.11. In the south east region, the percentage of migrants working in the FDI sector was quite high (30.9% in Ho Chi Minh City and 52.7% in the South East industrial zones). In Hanoi, however the percentage of migrant-laborers working in FDI sector was only 3.5%. According to the Vietnam Development Report 2006 (ADB and other donors, 2006) ,"qualified workers learn on the job in large companies, especially in foreign ones, and then move into taking jobs with bigger responsibilities in smaller enterprises, or even creating their own" (ADB et al., 2006, p. 51). Hence, the above high in Ratio of migrant-laborers working in FDI sector in Ho Chi Minh City and South east region implies the share of out-migrant-skilled laborers working in FDI sector. This fact should not be ignored by FDI firms.

Data on labour migration by region indicates that the supply of labour (particularly highly skilled workers) in the Red River Delta is insufficient to meet demands in the South East. The majority of workers (75%) from Hanoi migrated within the Red Rival Delta and only 1.2% moved to the South East region. Meanwhile, migration from the South East region to other regions however, was relatively high.

3.3. Conclusions

With the exception of the south central coastal region, regions with high levels of FDI inflow are unlikely to be able to meet future demands for labour – particularly in labour intensive sectors such as garment and food processing and in highly skilled sectors such as banking and insurance. Moreover, migration flows indicate that supplies of labour from the Red River Delta region are insufficient to meet the needs of the FDI sector in the South East region.

4. Conclusions

1. The FDI sector is an integral component of Vietnam's economy. While the rate of registered FDI capital has continued to increase significantly, the gap between registered and implemented FDI capital is widening
2. Analysis of the demand for labour within the FDI sector indicates that skill requirements of FDI firms are higher than those of state and non-state firms. This may limit the ability of the FDI sector to recruit qualified employees.
3. It may be difficult to meet demands for labour in regions with high levels of FDI inflow (Red River Delta and South East regions). The above analysis indicates that Vietnam's limited ability to absorb FDI, due to a shortage in labour, is likely to make Vietnam less attractive to potential investors. In line with this, the government must work to improve the investment climate by developing Vietnam's labour force or otherwise risk losing future foreign investment.

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In 1984, Patent and Trademark Bureau attached to Vietnam Chamber of Commerce & Industry (VCCI), was officially established. It was the first and sole IP agency in Vietnam nominated to assume the lofty task of assisting foreign and domestic enterprises in obtaining protection for Industrial Property objects as well as enforcement of their IP rights in Vietnam. Since then, the Patent and Trademark Bureau has ceaselessly grown up and expanded clients and partners all over the world.

The Patent and Trademark Bureau has changed its name into VCCI Intellectual Property Sole Member Company Limited (VCCI-IP) since February 2007. VCCI-IP now have branches in Ho Chi Minh City and in Japan (VCCI Japan) and we have also been representing our clients in obtaining protection of intellectual property rights in Laos and Cambodia and Myanmar. By now, being one of the leading intellectual property agency in Vietnam, VCCI-IP always ensure quality and skillfulness of our experienced, dynamic and devoted lawyers, consultants and specialists.

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- Licensing, assignment, maintainance and renewal.
- Oppositions, cancellations, litigations.
- Infringement, unfair competition and anti-counterfeiting measures.

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Appendix 1 Total 32 sector of Vietnamese economy

Code	Sectors
1	Agriculture and forestry
2	Fishing
3	Mining and quarrying
4	Manufacture of food products, beverages and tobacco products
5	Manufacture of other non-metallic (glass, porcelain pottery, building materials)
6	Manufacture of paper and paper products
7	Manufacture of wood and wooden products
8	Manufacture of chemicals and chemical products
9	Manufacture of rubber and plastic products
10	Manufacture of motorcycle, motorbike, bicycle
11	Manufacture of engines and other electrical equipment
12	Manufacture of car and transport equipment
13	Electronics
14	Manufacture of metal and metal products
15	Garments
16	Manufacture of wearing apparel dressing and dyeing of fur
17	Publishing, printing
18	Other manufacture and processing
19	Electricity, gas and water supply
20	Construction
21	Trade, repair of motorbikes and household goods
22	Hotels and Restaurants
23	Land transport
24	Water transport
25	Air transport
26	Post and telecommunications
27	Tourism
28	Banking sector (including investment funds and security service companies)
29	Insurance
30	Activities related to real estate business and consultancy
31	Education and training
32	Health and social work, state management, cultural and sporting activities, personal and public service activities and other activities

APPENDIX 2. Statistics Tables

1. Macroeconomics index and business environment

Table 0.1. **Gross domestic product 2007 at constant 1994 price**

	Implement (billion dongs)		2007 as compared with 2006 (%)
	2006	2007 (estimate)	
Total	**425,135**	**461,189**	**108.48**
Agriculture, forestry and fishing	79,505	82,212	103.41
Industry and construction	174,239	192,704	110.60
Service	171,391	186,273	108.68

Source: General Statistics office

Table 0.2. **Industrial output value 2007**

	2007 (estimate) in Billion VND	2007 as compared with 2006 (%)
Total	**574,046**	**117.1**
By economic sector and ownership		
State	137,889	110.3
Central	100,160	113.3
Local	37,729	103
Non-State	211,871	120.9
Foreign invested sector	224,286	118.2
Petroleum and gas	28,765	92.7
Other industry	195,521	123.2
By management level		
Central industry	100,160	113.3
Local industry	249,600	117.8
Local government management	37,729	103.0
Non - State	211,871	120.9
Foreign invested sector	224,286	118.2

Source: General Statistics Office.

Table 0.3. **Total of enterprises register for establishing and total operating enterprise**

(enterprise)

Year	2000	2001	2002	2003	2004	2005	2007
Number of registered enterprises	60,127	79,972	101,507	129,278	166,508	206,464	307,008
Number of operating enterprises	42,288	51,680	62,908	72,012	91,755	113,379	182,890
State owned enterprise	5,759	5,355	5,364	4,845	4,596	4,086	31,776
• Central	2,067	1,997	2,052	1,898	1,967	-	
• Local	3,692	3,358	3,312	2,947	2,629	-	
Non-State enterprise	35,004	44,314	55,236	64,526	84,003	105,596	144,039
• Collective	3,237	3,646	4,104	4,150	5,349	6,335	
• Private	20,548	22,777	24,794	25,653	29,980	35,001	
• Collective name	4	5	24	17	21	37	
• Limited Co.	10,458	16,291	23,485	30,165	40,918	52,549	
• Joint stock Co.	757	1,595	2,829	4,541	7,735	11674	
Foreign investment enterprise	1,525	2,011	2,308	2,641	3,156	3,697	7,075
• 100% foreign capital	854	1,294	1,561	1,869	2,335	2,852	
• Joint venture	671	717	747	772	821	845	

Source: General Statistics Office

Note:

- The Data have been extracted according to the results of the enterprise survey by General Statistics Office that carried out from 2001 to 2005. Number of enterprises is as of December 31st annually.
- The number of registering enterprise does not include non – agricultural sector and foreign investment enterprises.
- Data in 2007 has been extracted from General Census of business and administative unit as of 31/7/2007 by General Statistics Office. Unit: enterprise.

Table 0.4. **Foreign Direct Investment Projects from 1 January 2007 to 22 December 2007 by industries**

	Number of projects (project)	Registered capital (thousand USD)	
		Total	Of which: Charter capital
Total	**1,445**	**17,855,895**	**6,036,508**
By kind of economic activity			
Petroleum	7	1,868,320	668,320
Heavy industry	337	3,477,021	1,208,615
Light industry	441	2,474,304	1,108,211
Food industry	38	243,066	141,101
Construction	87	979,609	236,672
Agriculture and forestry	63	180,540	112,254
Fishing	16	101,931	90,015
Service	301	376,782	165,422
Transport, post office	26	571,250	187,477
Hotel, tourism	48	1,872,796	784,946
Financial, Banking	1	20,000	20,000
Culture, Health, Traning	42	235,734	138,583
Building new urban areas	3	400,000	90,000
Building offices, apartments	28	4,721,042	989,294
Building export processing zone and industrial zone infrastructure	7	333,500	95,600

Source: General Statistics Office.

Table 0.5. **Business environment of Vietnam through the meter in the report of business environment in 2007, 2008 announced by International Finance Corporation (IFC) and World Bank (WB)**

	2007	2008
General rankings	104	91
Starting a business (rankings)	97	97
Procedures (number)	11	11
Time (days)	50	50
Cost (% of income per capita)	44.5	20
Minimum capital (% of income per capita)	0.0	0.0
Dealing with licenses (rankings)	25	63
Procedures (number)	14	13
Time (days)	133	194
Cost (% of income per capita)	56.4	373.6
Employing workers (rankings)	104	84
Difficulty of hiring index (0-100)	0	0
Rigidity of hours index (0-100)	40	40
Difficulty of firing index (0-100)	70	40
Rigidity of employment index (0-100)	37	27
Nonwage labour cost (% of salary)	17	17
Firing cost (weeks of salary)	87	87
Registering property (rankings)	34	38
Procedures (number)	4	4
Time (days)	67	67
Cost (% of property value)	1.2	1.2
Getting credit (rankings)	83	48
Strength of legal rights index (0 – 10)	4	6
Depth of credit information index (0 – 6)	3	3
Public registry coverage (% of adults)	2.7	9.2
Private bureau coverage (% of adults)	0.0	0,0
Protecting investors (rankings)	170	165
Extent of disclosure index (0 - 10)	4	6
Extent of director liability index (0 – 10)	0	0
Ease of shareholder suits index (0 – 10)	2	2
Strength of investor protection index (0 – 10)	2	2.7
Paying tax (rankings)	120	128
Payments (number per year)	32	32
Time (hours per year)	1,050	1,050
Total tax rate (% of profit)	41.6	41.1

	2007	2008
Trading across borders (rankings)	75	63
Documents to export (number)	6	6
Time to export (days)	35	24
Cost to export (USD per container)	701	669
Documents to import (number)	9	8
Time to import (days)	36	23
Cost to import (USD per container)	887	881
Enforcing contracts (rankings)	94	40
Procedures (number)	37	34
Time (days)	295	295
Cost (% of claim)	31	31
Closing a business (rank)	116	121
Time (years)	5.0	5
Cost (% of estate)	15	15
Recovery (cent on the dollar)	18	18

Source: The World Bank - 2006, 2007.

Table 0.6. **Global competitive ability indicator of Vietnam (GCI) 2007**

Ranking (In 131 nations/economy)		Mark (maximum is 7)
GCI 2007-2008	**68**	**4.04**
GCI 2006-2007 (122 countries)	***64***	***4.09***
Group of basic request	77	4.20
1. Institutional organization	70	3.78
2. Infrastructure	89	2.80
3. Stable macroeconomics	51	5.08
4. Education and Health	88	5.14
Improve effect group	71	3.85
5. University and training	93	3.39
6. Effect of good market	72	4.07
7. Effect of labour market	45	4.48
8. Ability of financial market	93	3.83
9. Ready level of technology	86	2.85
10. Market size	32	4.51
Creative and skill group	76	3.51
11. Trade skill	83	3.81
12. Creativity	64	3.22

Source: World Economic Forum 2006, 2007, 2008.

2. The analyse of labour indicators

Table 2.1. **Number of employees in period 2000-2005 by kind of economic activity (*Person*)**

Code	Industry	2000	2001	2002	2003	2004	2005
1	Agriculture and forestry	228,034	220,687	222,839	218,033	218,856	224,420
2	Fishing	36,620	39,440	39,617	30,491	30,768	30,723
3	Mining and quarrying	151,538	126,334	148,048	154,378	152,978	171,549
4	**Manufacture of food products, beverages and tobacco products**	**255,689**	**283,586**	**326,358**	**352,842**	**381,916**	**402,105**
5	Manufacture of other non-metallic (glass, porcelain pottery, building materials)	120,722	141,669	160,671	182,893	204,017	210,774
6	Manufacture of paper and paper products	34,727	37,927	44,286	49,147	55,384	64,083
7	Manufacture of wood and wooden products	93,089	116,575	141,556	180,323	228,255	279,178
8	Manufacture of chemicals and chemical products	62,905	65,290	70,941	74,478	82,252	84,913
9	Manufacture of rubber and plastic products	46,871	53,406	68,895	81,311	99,769	104,464
10	Manufacture of motorcycle, motorbike, bicycle	9,450	2,078	2,753	24,549	31,273	36,112
11	Manufacture of engines and other electrical equipment	64,651	81,101	87,933	102,654	110,490	125,083
12	Manufacture of car and transport equipment	41,124	59,874	76,336	66,798	73,913	81,144
13	Electronics	15,139	15,824	18,707	23,540	25,586	32,344
14	Manufacture of metal and metal products	75,805	80,508	97,073	116,718	139,098	162,719
15	**Garments**	**332,920**	**371,352**	**430,736**	**539,355**	**615,982**	**649,554**
16	Manufacture of wearing apparel dressing and dyeing of fur	279,782	320,210	347,866	422,146	479,449	515,493
17	Publishing, printing	22,066	24,717	28,083	30,520	36,777	41,485
18	Other manufacture and processing	40,895	45,219	56,162	69,029	85,312	94,703
19	Electricity, gas and water supply	89,717	103,701	104,717	113,259	131,364	138,069
20	**Construction**	**465,137**	**584,714**	**728,808**	**795,874**	**842,499**	**951,108**
21	Trade, repair of motobikes and household goods	320,849	353,023	401,938	435,142	479,794	571,399
22	Hotels and Restaurants	58,021	63,117	73,032	80,482	89,077	102,258
23	Land transport	120,890	130,011	144,378	152,509	145,713	145,391
24	Water transport	48,458	57,816	51,367	52,619	56,399	61,707
25	Air transport	784	14,277	7,883	7,972	8,480	9,248
26	Post and telecommunications	86,517	96,902	100,011	104,431	108,717	117,158
27	**Tourist**	**250**	**9,086**	**10,157**	**9,667**	**10,630**	**12,434**
28	**Banking sector (including investment funds and security service companies)**	**12,043**	**59,003**	**63,929**	**69,046**	**77,023**	**84,631**
29	**Insurance**	**584**	**6,417**	**7,466**	**8,339**	**14,192**	**17,711**
30	Activities related to real estate business and consultancy	53,566	73,351	90,019	102,219	130,026	173,889
31	Education and training	1,533	1,208	1,751	2,220	3,614	6,232
32	Health and social work, state management, cultural and sporting activities, personal and public service activities and other activities	32,970	37,064	43,429	49,509	57,150	66,456

Table 2.2. **Growth rate of sectoral employment 2001-2005**

Unit: %

Code	Industry	2001	2002	2003	2004	2005
1	Agriculture and forestry	-0.03	0.01	-0.02	0.00	0.03
2	Fishing	0.08	0.00	-0.23	0.01	0.00
3	Mining and quarrying	-0.17	0.17	0.04	-0.01	0.12
4	**Manufacture of food products, beverages and tobacco products**	**0.11**	**0.15**	**0.08**	**0.08**	**0.05**
5	Manufacture of other non-metallic (glass, porcelain pottery, building materials)	0.17	0.13	0.14	0.12	0.03
6	Manufacture of paper and paper products	0.09	0.17	0.11	0.13	0.16
7	Manufacture of wood and wooden products	0.25	0.21	0.27	0.27	0.22
8	Manufacture of chemicals and chemical products	0.04	0.09	0.05	0.10	0.03
9	Manufacture of rubber and plastic products	0.14	0.29	0.18	0.23	0.05
10	Manufacture of motorcycle, motorbike, bicycle	-0.78	0.33	7.92	0.27	0.15
11	Manufacture of engines and other electrical equipment	0.25	0.08	0.17	0.08	0.13
12	Manufacture of car and transport equipment	0.46	0.27	-0.12	0.11	0.10
13	Electronics	0.05	0.18	0.26	0.09	0.26
14	Manufacture of metal and metal products	0.06	0.21	0.20	0.19	0.17
15	**Garments**	**0.12**	**0.16**	**0.25**	**0.14**	**0.05**
16	Manufacture of wearing apparel dressing and dyeing of fur	0.14	0.09	0.21	0.14	0.08
17	Publishing, printing	0.12	0.14	0.09	0.21	0.13
18	Other manufacture and processing	0.11	0.24	0.23	0.24	0.11
19	Electricity, gas and water supply	0.16	0.01	0.08	0.16	0.05
20	**Construction**	**0.26**	**0.25**	**0.09**	**0.06**	**0.13**
21	Trade, repair of motobikes and household goods	0.10	0.14	0.08	0.10	0.19
22	Hotels and Restaurants	0.09	0.16	0.10	0.11	0.15
23	Land transport	0.08	0.11	0.06	-0.04	0.00
24	Water transport	0.19	-0.11	0.02	0.07	0.09
25	Air transport	17.22	-0.45	0.01	0.06	0.09
26	Post and telecommunications	0.12	0.03	0.04	0.04	0.08
27	**Tourist**	**35.34**	**0.12**	**-0.05**	**0.10**	**0.17**
28	**Banking sector (including investment funds and security service companies)**	**3.90**	**0.08**	**0.08**	**0.12**	**0.10**
29	**Insurance**	**9.99**	**0.16**	**0.12**	**0.70**	**0.25**
30	Activities related to real estate business and consultancy	0.37	0.23	0.14	0.27	0.34
31	Education and training	-0.21	0.45	0.27	0.63	0.72
32	Health and social work, state management, cultural and sporting activities, personal and public service activities and other activities	0.12	0.17	0.14	0.15	0.16

Table 2.3. **Productivity by sector 2000-2005** *Million dongs*

Code	Sectors	2000	2001	2002	2003	2004	2005
1	Agriculture and forestry	35.68	37.47	43.63	52.98	78.23	80.33
2	Fishing	60.83	58.08	55.86	67.83	103.52	101.25
3	Mining and quarrying	332.65	401.76	388.23	471.12	924.83	921.47
4	**Manufacture of food products, beverages and tobacco products**	**268.22**	**280.14**	**299.39**	**332.23**	**361.45**	**424.48**
5	Manufacture of other non-metallic (glass, porcelain pottery, building materials)	153.12	239.52	185.22	202.29	214.76	225.70
6	Manufacture of paper and paper products	208.46	191.26	200.61	221.32	263.70	301.95
7	Manufacture of wood and wooden products	69.16	72.68	104.22	97.86	120.76	133.19
8	Manufacture of chemicals and chemical products	288.29	335.37	390.20	456.85	567.64	656.42
9	Manufacture of rubber and plastic products	212.40	219.07	233.58	276.75	318.02	342.78
10	Manufacture of motorcycle, motorbike, bicycle	960.97	1,395.12	1,472.17	736.65	1,022.93	916.15
11	Manufacture of engines and other electrical equipment	297.68	265.95	275.63	313.77	394.38	435.21
12	Manufacture of car and transport equipment	222.48	385.44	408.56	452.62	485.36	490.50
13	Electronics	451.68	524.82	612.08	614.41	716.13	632.28
14	Manufacture of metal and metal products	200.03	240.33	291.41	346.02	413.65	444.52
15	**Garments**	**72.94**	**74.79**	**83.06**	**83.96**	**88.25**	**105.37**
16	Manufacture of wearing apparel dressing and dyeing of fur	51.43	48.99	54.25	59.91	65.79	70.24
17	Publishing, printing	180.56	200.46	234.65	260.07	291.87	293.47
18	Other manufacture and processing	262.91	270.71	276.68	317.83	356.33	371.93
19	Electricity, gas and water supply	391.22	420.34	513.19	602.22	570.86	682.77
20	**Construction**	**99.44**	**103.40**	**118.39**	**143.57**	**126.46**	**137.39**
21	Trade, repair of motobikes and household goods	1,023.07	1,007.54	1,212.81	1,267.33	1,264.65	1,347.72
22	Hotels and Restaurants	114.65	118.26	132.39	133.69	152.31	165.52
23	Land transport	67.63	68.04	81.16	104.69	132.91	160.02
24	Water transport	186.46	178.63	201.42	240.80	318.06	361.10
25	Air transport	8,633.04	556.57	1,202.67	1,209.85	1,210.16	1,215.12
26	Post and telecommunications	127.80	190.19	219.47	284.45	435.69	385.02
27	**Tourist**	**117.48**	**237.65**	**300.79**	**287.72**	**305.62**	**415.16**
28	**Banking sector (including investment funds and security service companies)**	**1,876.49**	**418.81**	**441.17**	**562.43**	**801.30**	**1,149.59**
29	**Insurance**	**5,741.30**	**811.14**	**577.99**	**1,334.73**	**993.84**	**1,201.28**
30	Activities related to real estate business and consultancy	165.56	174.13	187.38	212.11	227.66	215.25
31	Education and training	119.23	195.66	132.64	144.91	115.21	116.22
32	Health and social work, state management, cultural and sporting activities. personal and public service activities and other activities	95.23	88.24	127.62	74.50	104.81	98.71

Table 2.4. **Sector ranking (by five economic indicators)**

Types of indicators				
(1)	(2)	(3)	(4)	(5)
20	20	27	21	28
15	15	25	25	31
21	21	29	29	29
16	16	10	28	26
4	7	28	3	3
1	4	31	10	8
7	30	30	19	24
5	5	7	8	30
3	14	18	13	25
23	28	9	12	13
19	11	13	14	19
14	9	14	11	17
30	18	12	4	12
26	19	20	27	11
11	22	32	26	10
22	12	15	18	32
9	32	11	24	27
8	26	17	9	1
12	6	16	6	23
18	10	6	17	14
28	23	21	5	22
24	8	22	30	21
32	3	5	22	9
6	17	4	23	5
2	13	19	20	18
17	29	26	7	4
13	24	8	31	6
10	27	24	15	20
29	25	23	2	7
27	31	3	32	15
25	1	1	1	16
31	2	2	16	2

Note:

(1) Ranking by average employment, 2000-2005 (descending)

(2) Ranking by change in employment (2005 vs. 2000, descending)

(3) Ranking by average level of employment growth rate, 2000-2005 (descending)

(4) Ranking by productivity, 2005 (descending)

(5) Ranking by compensation to employees, 2005 (descending)

Table 2.5. **Number of operating enterprises**

(Note: Large enterprise – having more than 200 employees; Small enterprises- having less than 200 employees)

Enterprise unit

Years	2000	2001	2002	2003	2004	2005	2006
	Whole sector						
Sectors							
Manufacture of food products, beverages and tobacco products	3,414	3,613	3,814	3,902	4,219	4,775	4,534
Garments	963	1,324	1,619	1,916	2,397	2,779	3,166
Construction	3,922	6,523	7,896	9,710	12,259	15,240	17,742
Tourism	1	309	363	422	547	740	833
Banking sector (including investment funds and security service companies)	915	1,011	1,026	1,028	1,056	1,077	1,584
Insurance	11	13	18	19	61	56	83
	Large enterprises						
Sectors							
Manufacture of food products, beverages and tobacco products	299	438	387	414	446	466	1,814
Garments	400	468	551	642	707	739	1,315
Construction	610	1,419	918	893	901	939	6,242
Tourism	1	48	16	13	17	18	240
Banking sector (including investment funds and security service companies)	8	17	20	22	25	28	458
Insurance	1	3	7	7	10	12	32
	Small enterprises						
Sectors							
Manufacture of food products, beverages and tobacco products	3,115	3,175	3,427	3,488	3,773	4,309	2,720
Garments	563	856	1,068	1,274	1,690	2,040	1,851
Construction	3,312	5,104	6,978	8,817	11,358	14,301	11,500
Tourism	0	261	347	409	530	722	593
Banking sector (including investment funds and security service companies)	907	994	1,006	1,006	1,031	1,049	1,126
Insurance	10	10	11	12	51	44	51

3. Labour index

Table 2.6. **Number of employees as of 31 December**

Unit: Person

Years	2000	2001	2002	2003	2004	2005	2006
				Whole sectors			
Sectors							
Manufacture of food products, beverages and tobacco products	267,683	286,124	345,821	372,408	400,642	417,154	413,621
Garments	339,567	379,779	508,644	601,341	662,705	688,640	769,753
Construction	456,422	631,235	813,400	857,727	888,314	995,263	913,517
Tourism	242	9,148	10,913	10,191	11,457	13,220	14,663
Banking sector (including investment funds and security service companies)	14,848	63,082	69,607	75,487	42,004	69,839	38,404
Insurance	872	6,853	7,965	8,828	12,394	18,782	7,533

Table 2.7. **Average number of employees per enterprise**

Unit: Person

Years	2000	2001	2002	2003	2004	2005	2006
	Whole sectors						
Sectors							
Manufacture of food products, beverages and tobacco products	78	82	91	95	95	88	130
Garments	353	298	314	314	277	248	290
Construction	116	108	103	88	73	65	74
Tourism	242	33	30	24	21	18	24
Banking sector (including investment funds and security service companies)	16	62	68	73	40	65	33
Insurance	79	527	443	465	207	335	126
	Large enterprises						
Sectors							
Manufacture of food products, beverages and tobacco products	688	697	708	701	695	678	678
Garments	762	802	817	832	818	809	838
Construction	518	591	619	622	595	629	574
Tourism	242	352	332	328	337	337	410
Banking sector (including investment funds and security service companies)	396	3.202	2.835	2.824	1.054	1.935	937
Insurance	352	1.983	1.068	1.206	1.268	1.505	701
	Small enterprises						
Sectors							
Manufacture of food products, beverages and tobacco products	20	20	23	24	25	25	37
Garments	62	51	55	53	50	45	53
Construction	42	36	35	34	32	29	36
Tourism	.	18	16	14	13	12	14
Banking sector (including investment funds and security service companies)	13	12	13	13	14	15	13
Insurance	52	90	45	32	19	16	24

Table 2.8. **Average income per employee**

Million dongs

Years	2000	2001	2002	2003	2004	2005	2006
	Whole sector						
Sectors							
Manufacture of food products, beverages and tobacco products	7.17	7.25	8.16	8.97	9.63	10.89	13.94
Garments	7.97	8.53	8.69	11.47	12.05	12.93	14.84
Construction	9.41	9.34	11.26	13.35	13.51	16.5	18.57
Tourism	7.38	8.52	10.36	11.36	10.74	13.98	17.89
Banking sector (including investment funds and security service companies)	12.06	12.84	15.12	15.8	17.91	43.58	25.97
Insurance	79.52	51.2	73.15	66.11	36.41	48.19	53.62
	Large enterprises						
Sectors							
Manufacture of food products, beverages and tobacco products	11.89	10.84	12.92	14.17	15.02	17.11	19.24
Garments	9.24	9.13	9.54	10.76	12.01	12.89	15.11
Construction	9.87	11.43	12.19	14.61	14.41	17.12	19
Tourism	7.38	12.16	14.62	19.72	19.48	36.24	35.03
Banking sector (including investment funds and security service companies)	23	23.15	25.6	30.13	36.62	45.99	61.15
Insurance	56.33	32.68	52.08	61	60.71	62.28	68.91
	Small enterprises						
Sectors							
Manufacture of food products, beverages and tobacco products	6.72	6.88	7.64	8.36	9	10.23	13.04
Garments	7.07	8.18	8.25	11.83	12.07	12.95	14.73
Construction	9.33	9	11.13	13.23	13.44	16.46	18.54
Tourism		8.31	10.15	11.09	10.51	13.58	17.46
Banking sector (including investment funds and security service companies)	11.96	12.67	14.91	15.49	17.43	43.52	25.19
Insurance	81.83	57.37	86.55	69.09	32.12	44.34	50.92

Table 2.9. **Ratio of number employees having labor contract in total employment as of annual 31 Dec by sector**

Unit: %

Years	2002	2003	2004	2005	2002	2003	2004	2005	2002	2003	2004	2005
	Whole sector				Small enterprises				Large enterprises			
Sectors												
Manufacture of food products, beverages and tobacco products Garments	80	57	70	66	71	75	78	81	83	54	80	82
Construction	86	67	77	79	79	84	86	90	87	66	87	91
Tourism	69	41	70	66	77	81	77	81	68	28	77	81
Banking sector	94	43	91	60	90	94	94	94	97	20	100	94
(including investment funds and security service companies)	85	27	81	68	87	91	95	98	86	18	99	10
Insurance	91	93	60	73	94	96	99	100	93	94	100	100

Table 2.10. **Percentage of insurances (socio and health) in total income**

Unit: %

Years	2000	2001	2002	2003	2004	2005	2006
	Whole sector						
Sectors							
Manufacture of food products, beverages and tobacco products	34	11	10	7	6	6	8
Garments	8	6	6	5	6	5	6
Construction	10	6	5	4	4	3	5
Tourism	9	5	6	4	4	4	5
Banking sector (including investment funds and security service companies)	18	16	14	8	7	3	7
Insurance	11	9	11	11	10	11	13

4. Financial index

Table 2.11. **The Ratio of firms who failed to make a profit**

Unit: %

Years	2000	2001	2002	2003	2004	2005	2006
				Whole sector			
Sectors							
Manufacture of food products, beverages and tobacco products	19	22	21	23	23	28	19
Garments	34	33	37	37	38	38	28
Construction	13	12	15	16	21	24	11
Tourism	0	35	36	47	54	51	33
Banking sector (including investment funds and security service companies)	7	3	2	2	4	1	2
Insurance	55	38	28	21	39	23	22
				Large enterprises			
Sectors							
Manufacture of food products, beverages and tobacco products	24	19	22	28	21	3	5
Garments	29	33	40	36	36	10	21
Construction	7	3	6	7	10	1	1
Tourism	0	0	0	8	18	0	0
Banking sector (including investment funds and security service companies)	13	0	5	0	0	0	0
Insurance	100	33	43	29	20	4	9
				Small enterprises			
Sectors							
Manufacture of food products, beverages and tobacco products	18	23	21	22	23	28	28
Garments	37	33	35	38	39	39	33
Construction	14	14	16	17	21	25	17
Tourism		41	38	49	55	52	46
Banking sector (including investment funds and security service companies)	7	3	2	2	4	1	3
Insurance	50	40	18	17	43	25	29

Analysis of liquidity

Table 2.12. **Current ratio = Current assets/Current liabilities**

Unit: %

Years	2000	2001	2002	2003	2004	2005	2006
				Whole sector			
Sectors							
Manufacture of food products, beverages and tobacco products	11.78	13.99	16.14	12.53	13.98	12.54	29.19
Garments	11.13	9.38	13.16	9.41	14.02	13.19	11.77
Construction	10.99	16.04	23.91	21.23	25.6	17.56	23.4
Tourism	0.53	34.54	32.89	10.03	36.74	10.69	31.22
Banking sector (including investment funds and security service companies)	6.38	9.31	4.83	8.22	3.75	6.1	17.16
Insurance	2.87	1.31	1.84	1.61	2.76	11.52	17.05

Bảng 2.13. **Quick ratio = (Current assets – Inventories)/Current liability**

Unit: %

Years	2000	2001	2002	2003	2004	2005	2006
				Whole sector			
Sectors							
Manufacture of food products, beverages and tobacco products	7.63	6.33	6.12	4.69	4.2	4.43	5.5
Garments	3.4	3.03	4.02	2.78	5.3	4.35	4.09
Construction	4.97	5.2	6.7	7.12	6.82	4.32	6.99
Tourism	0.44	28.51	29.28	7.69	23.03	7.25	28.14
Banking sector (including investment funds and security service companies)	4.2	2.83	2.89	2.24	1.5	1.82	3.62
Insurance	2.87	1.19	1.6	1.28	1.41	14.45	11.95

Analysis of managerial capability

Table 2.14. **Inventory ratio = Inventory/Current liability**

Unit: %

Years	2000	2001	2002	2003	2004	2005	2006
				Whole sector			
Sectors							
Manufacture of food products, beverages and tobacco products	0.15	2.18	2.53	2.04	1.68	1.46	2.42
Garments	0.09	1.29	1.24	1.03	1.27	1.09	1.08
Construction	0.05	1.09	1.8	1.42	1.86	1.42	2.13
Tourism	0.09	0.52	0.73	0.15	1.07	0.12	0.28
Banking sector (including investment funds and security service companies)	0	0.01	0.09	0.04	0.14	0.03	0.22
Insurance	0	0.11	0.1	0	0.01	0	2.64

Table 2.15. **Total asset turnover = Net sales/Total assets**

Unit: %

Years	2000	2001	2002	2003	2004	2005	2006
				Whole sector			
Sectors							
Manufacture of food products, beverages and tobacco products	3.04	2.48	2.08	1.88	1.87	1.75	2.02
Garments	1.31	1.16	1.13	1.19	1.22	1.17	1.3
Construction	1.13	1.03	1.05	1.13	0.89	0.83	0.89
Tourism	1.98	1.67	2.1	1.66	1.68	1.64	1.94
Banking sector (including investment funds and security service companies)	0.29	0.29	0.37	0.32	0.29	0.28	0.23
Insurance	0.39	0.84	1.88	0.37	1.05	0.78	1.47

Analysis of debt situation

Table 2.16. **Ratio of Total Liability to Net Worth = Total liabilities /Net Worth**

Unit: %

Years	2000	2001	2002	2003	2004	2005	2006
	Whole sector						
Sectors							
Manufacture of food products, beverages and tobacco products	0.56	0.68	1.29	1.17	1.19	1.23	1.93
Garments	1.52	1.61	1.91	1.89	1.81	1.73	1.99
Construction	1.99	1.81	2.19	1.83	1.63	1.5	1.83
Tourism	1.11	0.88	1.09	0.58	0.68	0.74	0.9
Banking sector (including investment funds and security service companies)	7.06	6.75	6.97	7.93	7.34	6.69	8.04
Insurance	1.02	1.85	2.68	2.13	2.8	3.36	2.87
	Large enterprises						
Sectors							
Manufacture of food products, beverages and tobacco products	2.55	2.42	2.84	2.52	2.61	3.16	3.35
Garments	2.06	2.29	2.4	2.61	2.52	2.6	2.68
Construction	5.44	5.86	6.69	6.54	6.5	5.82	5.31
Tourism	1.11	1.3	1.81	1.28	1.87	1.84	2.73
Banking sector (including investment funds and security service companies)	9.15	12.27	10.33	12.48	9.97	8.75	9.69
Insurance	1.09	3.96	3.65	4.24	6.11	6.28	11.6
	Small enterprises						
Sectors							
Manufacture of food products, beverages and tobacco products	0.4	0.53	1.07	0.98	1	1.01	1.65
Garments	1.15	1.24	1.63	1.51	1.52	1.42	1.68
Construction	1.37	1.2	1.49	1.3	1.23	1.21	1.55
Tourism	0	0.86	1.04	0.56	0.64	0.72	0.84
Banking sector (including investment funds and security service companies)	7.04	6.67	6.9	7.83	7.28	6.63	8
Insurance	1.01	1.05	2	0.79	1.89	2.33	0.62

Table 2.17. **Debt ratio =Total liabilities /Total assets**

Unit: %

Years	2000	2001	2002	2003	2004	2005	2006
				Whole sector			
Sectors							
Manufacture of food products, beverages and tobacco products	0.2	0.23	0.36	0.35	0.36	0.35	0.43
Garments	0.42	0.42	0.45	0.45	0.46	0.46	0.48
Construction	0.38	0.36	0.42	0.39	0.38	0.4	0.43
Tourism	0.53	0.21	0.27	0.26	0.21	0.27	0.26
Banking sector (including investment funds and security service companies)	0.71	0.74	0.77	0.79	0.76	0.78	0.75
Insurance	0.41	0.65	0.56	0.52	0.46	0.54	0.33
				Large enterprises			
Sectors							
Manufacture of food products, beverages and tobacco products	0.63	0.63	0.63	0.64	0.62	0.63	0.61
Garments	0.53	0.56	0.56	0.58	0.59	0.59	0.6
Construction	0.72	0.73	0.75	0.73	0.74	0.73	0.72
Tourism	0.53	0.53	0.5	0.48	0.52	0.55	0.55
Banking sector (including investment funds and security service companies)	0.84	0.85	0.77	0.8	0.8	0.75	0.83
Insurance	0.52	0.79	0.67	0.78	0.81	0.76	0.61
				Small enterprises			
Sectors							
Manufacture of food products, beverages and tobacco products	0.15	0.19	0.32	0.31	0.32	0.32	0.4
Garments	0.33	0.34	0.38	0.38	0.4	0.41	0.42
Construction	0.32	0.3	0.36	0.35	0.34	0.38	0.4
Tourism	.	0.19	0.25	0.26	0.2	0.27	0.25
Banking sector (including investment funds and security service companies)	0.71	0.74	0.77	0.79	0.76	0.78	0.75
Insurance	0.4	0.6	0.49	0.35	0.37	0.46	0.26

Analysis of profitability

Table 2.18. **Current profit or loss (before taxes) = Current profit and loss/Net operating income**

Unit: %

Years	2000	2001	2002	2003	2004	2005	2006
	Whole sector						
Sectors							
Manufacture of food products, beverages and tobacco products	0	0	-0.13	-0.17	-0.22	-0.11	-0.23
Garments	-0.08	-0.23	-0.19	-0.25	-0.2	-0.32	-1.03
Construction	-0.07	-0.33	-0.09	-0.15	-1.49	-0.33	-2.59
Tourism	0.01	-0.37	-0.1	-0.98	-0.45	-0.36	-1.33
Banking sector (including investment funds and security service companies)	0.17	0.15	0.16	0.07	0	0.14	0.21
Insurance	-0.41	-0.2	-0.23	0.1	-0.05	-0.06	-0.24
	Large enterprises						
Sectors							
Manufacture of food products, beverages and tobacco products	-0.06	-0.04	-0.04	-0.05	0	0	0.01
Garments	-0.02	-0.19	-0.14	-0.11	-0.07	-0.05	-0.09
Construction	0.02	0.02	0.01	0.01	-1.42	0	0.01
Tourism	0.01	0.02	0.02	0.03	0.01	0.02	0.04
Banking sector (including investment funds and security service companies)	0.09	0.1	0.14	0.32	0.16	0.25	0.31
Insurance	-0.25	-0.03	-0.43	-0.02	0.04	0.07	0.02
	Small enterprises						
Sectors							
Manufacture of food products, beverages and tobacco products	0	0	-0.16	-0.2	-0.26	-0.13	-0.33
Garments	-0.12	-0.24	-0.23	-0.33	-0.27	-0.44	-1.53
Construction	-0.09	-0.38	-0.13	-0.18	-1.51	-0.37	-3.09
Tourism		-0.39	-0.12	-1.03	-0.47	-0.37	-1.38
Banking sector (including investment funds and security service companies)	0.17	0.15	0.16	0.06	-0.01	0.13	0.2
Insurance	-0.42	-0.26	0.08	0.26	-0.08	-0.13	-0.34

Table 2.19. **Net worth turnover ratio = Net operating income/Net worth**

Years	2000	2001	2002	2003	2004	2005	2006
	Whole sector						
Sectors							
Manufacture of food products, beverages and tobacco products	4.95	4.49	6.3	5.59	3.92	3.55	5.35
Garments	3.3	2.96	3.45	3.52	3.34	3.03	4.04
Construction	3.09	2.74	4.29	3.6	2.37	2.05	3.07
Tourism	4.18	3.28	5.97	3.31	3.69	3.92	4.85
Banking sector (including investment funds and security service companies)	1.34	1.3	1.81	1.62	1.64	1.26	0.87
Insurance	0.86	2.58	0.84	1.36	2.94	1.96	2.95

Table 2.20. **Receivables turnover ratio = Net operating income/Accounts receivable**

Years	2000	2001	2002	2003	2004	2005	2006
				Whole scetor			
Sectors							
Manufacture of food products. beverages and tobacco products	188.49	220.15	167.81	289.33	77.01	100.87	58.45
Garments	41.29	64.18	64.22	32.79	40.94	41.32	79.17
Construction	32.21	23.27	48.89	46.26	46.19	22.46	38.57
Tourism	16.45	68.1	133.97	55.06	143.13	35.59	162.49
Banking sector (including investment funds and security service companies)	12.88	25.95	19.86	83.52	8.9	13.95	19.27
Insurance	11.09	11.9	3.82	7.21	7.32	4.48	7.32

Table 2.21. **Fixed asset turnover ratio = Net operating income/Fixed assets**

Years	2000	2001	2002	2003	2004	2005	2006
				Whole scetor			
Sectors							
Manufacture of food products. beverages and tobacco products	8.99	8.25	11.62	10.05	7.28	6.49	9.39
Garments	5.64	5.1	5.83	5.32	7.59	7.49	9.5
Construction	9.05	9.17	22.54	26.97	19.28	14.6	26.25
Tourism	2.75	18.59	24.8	20.91	37.01	56.47	64.63
Banking sector (including investment funds and security service companies)	13.7	13	13.89	14.04	17.37	15.87	16.01
Insurance	4.9	5.39	3.75	3.21	7.46	8.26	11.48

Table 2.22. **Merchandise turnover ratio = Net operating income/Inventory**

Years	2000	2001	2002	2003	2004	2005	2006
				Whole scetor			
Sectors							
Manufacture of food products. beverages and tobacco products	463.41	75.43	48.53	37.4	35.12	39.66	23.94
Garments	523.54	20.29	19.56	23.87	22.48	20.13	21.66
Construction	277.71	15.09	14.37	16.65	10.94	8.95	9.02
Tourism	41.96	295.28	103.59	125.18	183.72	160.41	188.83
Banking sector (including investment funds and security service companies)	386.67	120.03	112.48	111.53	79.48	75.49	60.95
Insurance	2,009.23	3,964.3	1,131.87	972.8	848.94	567.35	1,073.42

5. Technological index

Table 2.23. **Fixed asset and long term investment per employee**

Million dongs

Years	2000	2001	2002	2003	2004	2005	2006
	Whole scetor						
Sectors							
Manufacture of food products, beverages and tobacco products	63.18	71.9	79.87	86.73	88.13	89.39	103.05
Garments	49.5	61.45	74.47	64.09	85.33	88.09	73.53
Construction	43.44	44.44	53.46	60.03	75.89	107.58	63.72
Tourism	44.13	50.55	71.34	80.91	72.86	75.87	48.36
Banking sector (including investment funds and security service companies)	124.96	139.67	168.17	275.53	291.62	341.64	623.84
Insurance	318.03	235.37	435.32	683.37	450.46	776.86	135.29
	Large enterprises						
Sectors							
Manufacture of food products, beverages and tobacco products	117.63	78.97	97.95	111.9	101.04	112.49	112.47
Garments	44.7	46.42	45.69	44.16	52.37	56.98	54.89
Construction	31.11	36.59	38.08	43.11	50.68	59.06	55.36
Tourism	44.13	90.02	108.49	125.77	145.41	123.39	66.72
Banking sector (including investment funds and security service companies)	210.69	762.5	645.33	954.75	1.020.5	869.21	2,538.68
Insurance	109.37	2,13.75	569.96	1,068.88	1,364.87	1,915.94	344.1
	Small enterprises						
Sectors							
Manufacture of food products, beverages and tobacco products	57.96	71.18	77.85	83.72	86.59	86.88	101.45
Garments	52.92	69.72	89.98	74.51	99.61	99.8	81.6
Construction	45.71	45.66	55.64	61.88	78.05	110.99	64.36
Tourism		48.41	69.29	79.12	70.42	74.78	47.9
Banking sector (including investment funds and security service companies)	124.21	129.63	158.46	259.77	272.36	327.01	581.32
Insurance	338.89	241.85	349.64	438.04	263.42	386.32	98.44

Table 2.24. **Fixed assets/Total assets**

Unit: %

Years	2000	2001	2002	2003	2004	2005	2006
	Whole sector						
Sectors							
Manufacture of food products, beverages and tobacco products	0.6	0.56	0.54	0.53	0.5	0.48	0.43
Garments	0.52	0.5	0.48	0.48	0.44	0.4	0.39
Construction	0.31	0.31	0.31	0.31	0.29	0.28	0.24
Tourism	0.72	0.35	0.36	0.33	0.29	0.26	0.2
Banking sector (including investment funds and security service companies)	0.06	0.05	0.07	0.07	0.07	0.06	0.09
Insurance	0.23	0.26	0.26	0.32	0.39	0.36	0.22

Table 2.25. **The ratio of firm engaged in R&D activities to total firm in the period of 2000-2004**

Unit: %

Years	2000	2002	2004	2000	2002	2004	2000	2002	2004
	Whole sector			Large enterprises			Small enterprises		
Manufacture of food products, beverages and tobacco products	0.82	0.76	0.73	50	45	45	50	55	39
Garments	2.18	1.24	0.38	90	85	85	10	15	0
Construction	0.48	0.39	0.11	74	61	61	26	39	46
Tourism	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Banking sector (including investment funds and security service companies)	0.66	0.10	0.38	33	0	0	67	100	50
Insurance	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00

Table 2.26. **The ratio of number of firm performed technological changes to total firm**

Unit: %

Years	2000	2002	2004	2000	2002	2004	2000	2002	2004
	Whole sector			Large enterprises			Small enterprises		
Manufacture of food products, beverages and tobacco products	1.49	1.39	0.52	53	51	73	47	49	27
Garments	3.12	1.73	0.46	80	75	100	20	25	0
Construction	0.92	0.58	1.00	53	46	75	47	54	25
Tourism	0.00	0.28	0.00		0			100	
Banking sector (including investment funds and security service companies)	0.33	0.58	0.19	0	33	100	100	67	0
Insurance	0.00	0.00	0.00						

Table 2.27. **Total fund for undertaking R&D**

Million dongs

Years	2000	2001	2002	2003	2004	2005	2006
	Whole sector						
Sectors							
Manufacture of food products, beverages and tobacco products	4,442		2,833		10,945		
Garments	2,118		7,470		3,128		
Construction	1,209		3,658		4,117		
Tourism			0		0		
Banking sector (including investment funds and security service companies)	2,486		8		3,945		
Insurance	0		0		0		

Table 2.28. **The ratio of State budget to R&D expenditure of the total R&D expenditure**

Unit: %

Years	2000			2002			2004		
	Whole sector	Large enterp-rises	Small enterp-rises	Whole sector	Large enterp-rises	Small enterp-rises	Whole sector	Large enterp-rises	Small enterp-rises
Manufacture of food products, beverages and tobacco products	3	62	38	39	53	47	58	98	2
Garments	19	100	0	29	99	1	29	100	0
Construction	0	100	0	13	33	67	26	88	12
Tourism									
Banking sector (including investment funds and security service companies)									
Insurance									

Table 2.29. **Tỷ lệ chi phí cho R&D trong năm từ nguồn vốn doanh nghiệp trên tổng chi phí R&D**

Unit: %

Years	2000			2002			2004		
	Whole sector	Large enterp-rises	Small enterp-rises	Whole sector	Large enterp-rises	Small enterp-rises	Whole sector	Large enterp-rises	Small enterp-rises
Manufacture of food products, beverages and tobacco products	94	93	7	57	73	27	40	71	29
Garments	75	73	27	62	99	1	54	100	0
Construction	42	62	38	86	88	12	70	74	26
Tourism									
Banking sector (including investment funds and security service companies)	7	82	18	100	0	100	100	99	1
Insurance									

Table 2.30. **Expenditure for technological change**

Million VND

Years	2000	2001	2002	2003	2004	2005	2006
				Toàn ngành			
Sectors							
Manufacture of food products, beverages and tobacco products	91,414		93,086		42,489		
Garments	20,.515		141,222		8.362		
Construction	56,185		74.883		9,179		
Tourism			47		0		
Banking sector (including investment funds and security service companies)	67		28,452		15,066		
Insurance	0		0		0		

Table 2.31. **The ratio of State budget to technological change expenditure of the total technological change expenditure**

Unit: %

Years	2000			2002			2004		
	Whole sector	Large enterp-rises	Small enterp-rises	Whole sector	Large enterp-rises	Small enterp-rises	Whole sector	Large enterp-rises	Small enterp-rises
Manufacture of food products, beverages and tobacco products	2	100	0	2	85	15	8	90	10
Garments	0	86	14	16	100	0	4	100	0
Construction	2	33	67	1	41	59	1	100	0
Tourism									
Banking sector (including investment funds and security service companies)									
Insurance									

Table 2.32. **The ratio of net worth to technological change expenditure of the total technological change expenditure**

Unit: %

Years	2000			2002			2004		
	Whole sector	**Large enterp-rises**	**Small enterp-rises**	**Whole sector**	**Large enterp-rises**	**Small enterp-rises**	**Whole sector**	**Large enterp-rises**	**Small enterp-rises**
Manufacture of food products, beverages and tobacco products	54	94	6	94	61	6	31	99	1
Garments	35	95	5	19	98	5	86	100	0
Construction	22	69	31	57	70	31	40	98	2
Tourism				100	0				
Banking sector (including investment funds and security service companies)	100	0	100	58	84	100	100	100	0
Insurance									

Table 2.33. **Ratio of scientific staff in total employment**

Unit: %

Years	2002	2003	2004
Manufacture of food products, beverages and tobacco products	7	7	7
Garments	4	3	4
Construction	10	9	10
Tourism	19	8	30
Banking sector (including investment funds and security service companies)	31	10	78
Insurance	85	26	68

Table 2.34. **Ratio of scientific staff who had bachelor degree in total scientific staff**

Unit: %

Years	2002	2003	2004
Manufacture of food products, beverages and tobacco products	1	1	2
Garments	1	1	1
Construction	1	1	1
Tourism	0	1	1
Banking sector (including investment funds and security service companies)	3	3	3
Insurance	2	2	2

6. Access to market

Table 2.35. **Ratio firms with INTERNET access in total firms**

Unit: %

Sectors	Whole sector			
Years	**2002**	**2003**	**2004**	**2005**
Manufacture of food products, beverages and tobacco products	19	18	22	25
Garments	51	48	53	53
Construction	16	16	19	24
Tourism	64	37	46	63
Banking sector (including investment funds and security service companies)	11	13	16	22
Insurance	78	79	61	75

Table 2.36. **Ratio of firms using their own WEBSITE in total firm**

Unit: %

Sectors	Whole sector			
Years	**2002**	**2003**	**2004**	**2005**
Manufacture of food products, beverages and tobacco products	3	3	4	5
Garments	6	5	6	7
Construction	1	1	1	2
Tourism	20	10	15	23
Banking sector (including investment funds and security service companies)	4	4	6	7
Insurance	56	47	28	38

Table 2.37. **Ratio of firms undertaking e-commerce in total firm**

Unit: %

Years	2004			2005		
	Whole sector	**Large enterprises**	**Small enterprises**	**Whole sector**	**Large enterprises**	**Small enterprises**
Manufacture of food products, beverages and tobacco products	0,95	65	35	0,98	51	49
Garments	1.71	71	29	1.84	76	24
Construction	0.21	27	73	0.22	33	67
Tourism	1.28	0	100	1.76	23	77
Banking sector (including investment funds and security service companies)	0.19	50	50	0.56	33	67
Insurance	0.00			1.79	0	100

7. Labour and Human resources

Table 3.2. **Demands and training plans for textile and garment industry in period 2007 - 2020**

Unit: person

Object of training	2007-2010		2011-2015		2016-2020	
	Number	Average/ year	Number	Average/ year	Number	Average/ year
Demand training						
Management	3,000	750	4,280	860	4,800	960
Professional skill	16,000	4,000	22,500	4,500	25,400	5,080
Economic marketing	8,000	2,000	11,000	2,200	12,500	2,500
Technical design	8,000	2,000	11,500	2,300	12,900	2,580
Skill labour	270,000	67,500	357,800	71,600	430,000	86,000
Training for improving, updating knowledge						
Management	8,400	2,100	11,600	2,320	16,200	3,240
Professional skill	34,300	8,580	47,270	9,450	65,900	13,200
Economic marketing	14,700	3,680	20,270	4,050	28,250	5,650
Technical design	19,600	4,900	27,000	5,400	37,650	7,550
Skill labour	131,500	32,800	180,000	36,000	253,000	50,600

Table 3.5. **Dự báo yêu cầu về nguồn nhân lực du lịch**

Unit: person

No	Target	Report and forecast according to year		
		Year 2005	**Year 2010**	**Year 2015**
1	Number of direct tourism employees	234,096	333,396	503,202
	Classified according to standard training			
2	Masters	482	966	2,804
3	Bachelors	29,844	45,818	71,570
4	Intermediate	35,966	49,276	75,716
5	Elementary	42,364	69,710	102,862
6	Primary (Vocational education, short-term training)	125,440	167,626	250,250
	Classified according to kind of labour			
7	Management staff of state management office	1,572	2,658	3,110
8	Management staff at enterprises (chief and deputy of beureau and higher)	15,676	22,670	33,156
9	Professional labours	216,848	308,068	466,936
	1-Receptionists	19,258	25,776	36,114
	2-Room attendants	27,640	37,710	65,318
	3-Bar-tenders	36,406	56,400	82,432
	4-Kitchen attendants	23,536	24,746	41,768
	5-Tour guides + With certified + No certified	5,104 2,854	12,666	28,450
	6-Travelesr, tourism agents	8,092	17,636	28,674
	7-Other labours	93,958	133,134	184,180
	Classified according to kind of economic activity			
10	Hotels, restaurants	115,050	168,830	240,070
11	Travellers, drivers	31,036	46,093	63,762
12	Other services	88,010	118,473	199,370

Note: Estimate from Tourism Department's report.

8. Labour in foreign investment enterprise

Table 4.1. **Percentage of number of FDI firm in total firm by sector**

Unit: %

Years	2000	2001	2002	2003	2004	2005	2006
Sectors							
Manufacture of food products, beverages and tobacco products	5	6	4	5	5	5	5
Garments	18	21	20	21	19	18	18
Construction	3	5	1	1	0	0	0
Tourism	0	5	2	2	2	1	1
Banking sector (including investment funds and security service companies)	7	5	2	2	2	3	2
Insurance	91	62	61	58	20	27	19

Table 4.2. **Number of employees in FDI firm as of annual 31 December**

Unit: person

Years	2000	2001	2002	2003	2004	2005	2006
Sectors							
Manufacture of food products, beverages and tobacco products	50,867	51,029	38,942	44,157	51,619	56,296	59,557
Garments	79,926	102,064	154,322	200,816	238,071	273,056	341,060
Construction	11,298	31,699	5,177	5,096	6,679	6,115	6,933
Tourism		90	490	563	576	711	769
Banking sector (including investment funds and security service companies)	6,239	5,845	1,082	1,119	1,471	1,743	2,272
Insurance	815	1,541	2,320	2,711	2,968	3,013	2,738

Table 4.3. **Growth of legal capital in FDI firm as of annual 31 Dec**

Unit: %

Years	2003	2004	2005	2006
Sectors				
Manufacture of food products, beverages and tobacco products	24	16	-12	27
Garments	-9	157	-39	39
Construction	-39	-11	-2	151
Tourism	-5	3	6	4
Banking sector (including investment funds and security service companies)	-19	87	-16	15
Insurance	35	1	24	221

Table 4.4. **Percentage of number employees working in FDI firm in total number of employees by sector**

Unit: %

Years	2000	2001	2002	2003	2004	2005	2006
Sectors							
Manufacture of food products, beverages and tobacco products	19	18	11	12	13	13	14
Garments	24	27	30	33	36	40	44
Construction	2	5	1	1	1	1	1
Tourism		1	4	6	5	5	5
Banking sector (including investment funds and security service companies)	42	9	2	1	4	2	6
Insurance	93	22	29	31	24	16	36

Table 4.5. **Average number of employees per FDI firm**

Unit: person

Years	2000	2001	2002	2003	2004	2005	2006
Sectors							
Manufacture of food products, beverages and tobacco products	292.34	259.03	230.43	227.61	251.80	248.00	247.12
Garments	459.34	378.01	483.77	500.79	516.42	545.02	589.05
Construction	97.40	113.21	120.4	99.92	128.44	101.92	86.66
Tourism		9.00	54.44	62.56	64.00	71.10	69.91
Banking sector (including investment funds and security service companies)	94.53	119.29	49.18	50.86	56.58	58.10	58.26
Insurance	81.50	192.63	210.91	246.45	247.33	200.87	171.13

Table 4.6. **Number of employees are recuited in FDI firms as of annual 31 Dec**

Unit: person

Years	2000	2001	2002	2003	2004	2005	2006
Sectors							
Manufacture of food products, beverages and tobacco products	3,072	3,199	8,150	11,551	16,445	19,327	19,798
Garments	6,829	10,422	88,275	97,615	107,259	133,156	160,171
Construction	532	3,712	829	1,418	4,460	3,122	2,074
Tourism		10	104	79	60	163	76
Banking sector (including investment funds and security service companies)	340	695	144	182	354	381	768
Insurance	587	821	867	812	609	505	402

Table 4.7. **Average number of employees are recruited per FDI firm as of annual 31 Dec**

Unit: person

Years	2000	2001	2002	2003	2004	2005	2006
Sectors							
Manufacture of food products, beverages and tobacco products	18.51	17.67	58.21	70.01	93.44	95.68	93.83
Garments	39.7	43.97	303.35	260.31	248.28	287.59	291.75
Construction	5.17	15.4	25.91	32.98	101.36	60.04	30.06
Tourism		2.00	14.86	9.88	7.50	20.38	7.60
Banking sector (including investment funds and security service companies)	5.23	14.18	7.20	9.10	14.16	13.61	19.69
Insurance	58.7	136.83	86.7	73.82	50.75	38.85	25.13

Table 4.8. **Average income per one employee in FDI firm per year**

Unit: Million VNDn

Years	2000	2001	2002	2003	2004	2005	2006
Sectors							
Manufacture of food products, beverages and tobacco products	16.27	13.98	23.08	24.01	23.55	23.32	26.76
Garments	13.09	11.68	11.27	17.8	18.97	16.76	19.85
Construction	18.53	11	36.75	43.1	40.04	54.13	55.57
Tourism		8.93	52.3	53.25	61.17	53.35	57.03
Banking sector (including investment funds and security service companies)	79.16	98.66	248.91	206.69	181.52	972.6	228.6
Insurance	84.17	67.17	102.3	93.61	121.74	134.96	130.18

Table 4.9. **Turnover per employee in FDI firm**

Unit: Million VNDn

Years	2000	2001	2002	2003	2004	2005	2006
Sectors							
Manufacture of food products, beverages and tobacco products	329.47	252.82	409.07	432.92	464.54	497.99	617.85
Garments	114.42	88.47	97.88	160.87	129.71	115.37	170.97
Construction	170.25	133.84	428.18	494.63	453.43	768.39	965.36
Tourism		27.09	1,054.71	855.55	1,336.95	1,259.03	1,231.13
Banking sector (including investment funds and security service companies)	815.46	1,011.5	1,587	1,658.03	1,640.39	1,988.63	2.505
Insurance	645.13	773.74	591.57	585.92	1,003.12	882.07	795.88

Table 4.10.

Structure of labour according to professional skill

Unit: %

Region	2000				2001				2002				2003			2004		
	Without professi-onal qualification	Professional qualification			Without professi-onal qualification	Professional qualification			Without professi-onal qualification	Professional qualification			Without professi-onal qualification	Professional qualification		Without professi-onal qualification	Professional qualification	
		Primary, apprentices, technical worker have not degree	Techical workers have technical secondary degree	Colledge, university and higher		Primary, apprentices, technical worker have not degree	Techical workers have technical secondary degree	Colledge, university and higher		Primary, apprentices, technical worker have not degree	Techical workers have technical secondary degree	Colledge, university and higher		Primary, apprentices, technical worker have not degree	Techical workers have technical secondary degree, Colledge, university and higher		Primary, apprentices, technical worker have not degree	Techical workers have technical secondary degree, Colledge, university and higher
Whole country	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100
Red River Delta	25.9	30.6	31.7	29.1	26.2	20.0	32.9	32.7	26.4	32.1	20.0	32.9	26.6	29.0	28.6	25.6	30.9	31.6
North East	9.1	5.0	8.4	5.0	9.2	3.4	7.8	5.0	9.3	4.3	5.6	5.2	8.6	3.5	6.5	8.4	3.4	6.5
North West	1.0	0.3	0.6	0.3	1.2	0.2	0.7	0.4	1.1	0.3	0.4	0.4	1.2	0.2	0.5	1.2	0.2	0.6
North Central Coast	6.0	4.5	5.0	2.8	6.1	2.4	5.0	2.7	5.8	6.6	3.0	2.9	6.0	2.5	3.6	5.6	2.3	3.6
South Central Coast	8.0	8.7	4.7	6.5	8.3	6.4	5.7	5.7	8.2	7.9	4.0	6.5	7.9	6.3	5.4	7.5	7.3	6.0
Central Highlands	4.1	3.3	2.3	2.9	3.7	1.6	2.2	1.7	3.7	1.8	1.7	1.9	3.5	1.4	2.0	3.6	1.4	2.2
South East	37.7	42.1	43.0	50.5	36.9	62.6	41.1	49.0	37.1	42.0	62.7	47.3	37.7	52.7	50.6	39.9	50.6	46.3
Mekong River Delta	8.4	5.6	4.2	3.0	8.4	3.4	4.6	2.6	8.5	5.1	2.5	2.7	8.4	4.4	2.9	8.3	4.0	3.2

Table.11. **Distribution percentage of kind of economic activity by residence, migration**

	Ha Noi		North East economic zone		Central Highlands		Ho Chi Minh City		South East economic zone		Total	
Whole Country	**Migra-tion**	**Không di cư**	**Non Migra-tion**	**Non Migra-tion**	**Migra-tion**	**Non Migra-tion**	**Migra-tion**	**Non Migra-tion**	**Migra-tion**	**Non Migra-tion**	**Migra-tion**	**Non Migra-tion**
State	33.6	41.8	20	31.9	2.2	4.8	5.7	11.5	5.8	12.7	13.1	19.8
Collective	1.1	1	0.7	0.9	0.1	0.1	0.7	0.4	0.3	0	0.6	0.5
Household	35.5	44.1	46.4	61	94.4	93	35.1	50.9	27.2	60.7	48.2	63.2
Private	26.3	1.1	16.5	3.7	2.4	1.5	27.4	20	13.8	7.1	17	8.3
Foreign investment sector	3.5	1.8	15.8	1.8	0.5	0	30.9	17	52.7	19	20.8	7.8
Non definition	0	0.1	0.6	0.7	0.3	0.6	0.2	0.1	0.2	0.6	0.3	0.4
Total	100	100	100	100	100	100	100	100	100	100	100	100

Source: The 2004 Vietnam migration survey (GSO, 2004a).

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TS. NGUYỄN DUY HÙNG
Chịu trách nhiệm nội dung
TS. LÊ MINH NGHĨA

Biên tập nội dung: TS. ĐỖ QUANG DŨNG
TRẦN THỊ THANH PHIỆT
Thiết kế, sản xuất: HAKI
Sửa bản in: THANH PHIỆT
Đọc sách mẫu: THANH PHIỆT

In 5.000 cuốn, khổ 20,5x26,5cm
Số đăng ký kế hoạch xuất bản: 415-2008/CXB/24-67/NXBCTQG
Quyết định xuất bản số: 2270-QĐ/NXBCTQGST, ngày 11-6-2008.
In xong và nộp lưu chiểu tháng 6 năm 2008

Mã số $\frac{\text{3.34(V)8}}{\text{CTQG-2008}}$