SUMMARY

Foreign investment in Vietnam increased dramatically over the past 10 years, as investors became aware of the potential of its market. The high literacy rate, size of the population, and low cost of labor attract manufacturers and sellers of consumer goods. In order to support these industries, Vietnam’s infrastructure and real estate must be further developed from their current states, creating a large market for foreign investment in construction and real estate development.

The U.S. and Vietnam had no commercial relationship from the end of the fighting in 1975 until 1994, when the U.S. lifted its trade embargo. Diplomatic relations were formally established in 1995. Although U.S. firms have been permitted to do business in Vietnam since 1994, the lack of concessionary financing placed the firms at a competitive disadvantage until it became available in 1998, however the full effect has yet to be realized.

Vietnam’s foreign investment laws are quite liberal compared to other developing nations’. The most notable characteristic demonstrating this is that 100% foreign owned companies are permitted. The laws, however, are incomplete. Numerous gaps and contradictions exist, much to the frustration of many foreign investors. While the government is working to correct this, it will take time. Vietnam’s previous centrally planned economic system did not require many of the legal protections and regulations necessary in market economies. Refusing to fully base Vietnam’s legal system on that of other nations, the government is tackling the daunting task of building a full body of commercial law from the ground up.

The business culture of Vietnam is significantly different from the U.S.’s. The values and methods of management are different, as Vietnam is a hierarchical society, whereas the U.S. is individualistic. In addition, the Vietnamese are much more risk averse than their American counterparts. More significantly, Americans do not feel it is important to maintain a personal relationship with business associates, but this is of utmost importance to the Vietnamese. These differences in business cultures can cause misunderstandings and unintentional insults, making
selection of proper personnel who will interact with Vietnamese key to successful business dealings.

Through literature review, interviews, and a survey, this study creates a better understanding of the workings of the Vietnamese economy from an international investor’s perspective. Focusing on U.S. firms in the construction sector, the study attempts to determine what attributes or characteristics successful companies possess. It further explores the limitations experienced by U.S. investors as a result of U.S.-Vietnam government relations.

The study suggests that smaller and privately owned firms tend to be more able to adapt to Vietnam’s business environment and better able to cope with the many difficulties encountered investing in the country. Contrary to the beliefs of many Americans, it also finds that negative prejudices towards U.S. businesses due to the conflict in the 1960’s and 1970’s are essentially nonexistent. However, the late arrival of U.S. firms in the market coupled with their limited ability to offer concessionary financing with their products has significantly limited American firms’ ability to compete in Vietnam.