

**Report and Statistical Abstract**

**of**

**UNIDO/DSI**

**Industrial Competitiveness Field Survey  
April, 1998**

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## Executive Summary

This report is a background study towards drafting the UNIDO/DSI study of competitiveness in Vietnam. The purpose of this report is therefore to present the results from a competitiveness enterprise survey, and to highlight the main findings relevant to the issue.

The survey was designed and conducted by the Department of Strategy Institute (DSI), of the Vietnamese Ministry of Planning and Investment (MPI), with advice from UNIDO. The sample was focused largely on Ho Chi Minh City and Hanoi, and the provinces immediately surrounding these - although Danang and Haiphong were also surveyed. Some coffee processing enterprises from Dac Lac were also included. Most of the enterprises in the chosen sample were either local or central state enterprises, although care was taken to ensure that reasonable numbers of non-state sector enterprises were included.

Of the original sample of 245 enterprises, 174 returned completed questionnaires. Due to quality problems, however, the final sample for analysis was 146 enterprises, of which 70 percent were from Hanoi or Ho Chi Minh City. The survey therefore, while stretching across Vietnam, focused almost exclusively on the three "Growth Areas", and indeed mostly on Vietnam's industrial centres, Hanoi, Ho Chi Minh City and Haiphong City. The four industry sectors chosen to study: electronics, mechanical engineering, foodstuff and textiles, were divided into subsectors where applicable. State enterprises were 77 percent of the final sample.

Table 1: Profile of Enterprises surveyed by sub-sectors  
(numbers of enterprises)

	Coffee	Rice	Seafood	Fruit and Veg.	Textile	Garments	Bicycles	Agricultural Machinery	Auto. Parts	Electronics	Total
Dac Lac	5	0	0	0	0	0	0	0	0	0	5
Danang	0	0	2	0	2	3	1	0	1	0	9
Dong Nai	1	0	0	2	3	3	0	1	2	0	12
Binh Duong	0	0	0	1	0	2	0	0	0	0	3
Hanoi	1	3	1	1	8	4	7	5	7	15	52
Ha Tai	0	0	0	0	0	0	0	1	0	0	1
Hai Phong	0	1	2	0	1	2	1	0	1	0	8
Ho Chi Minh	0	5	7	5	10	6	1	4	1	11	50
Long An	0	0	0	0	3	0	0	0	0	0	3
Ninh Binh	0	0	0	1	0	0	0	0	0	0	1
Thuan An	0	0	0	1	0	0	0	0	1	0	2
<b>Total</b>	<b>7</b>	<b>9</b>	<b>12</b>	<b>11</b>	<b>27</b>	<b>20</b>	<b>10</b>	<b>11</b>	<b>13</b>	<b>26</b>	<b>146</b>

The tables in this report present the survey findings broken down by the eleven subsectors and by forms of ownership. For ease of analysis and presentation, the forms of ownership have been consolidated into three as follows:

SOE = State-owned central and state-owned local enterprises (111)

JV = Joint venture enterprises (10)

Other = Cooperatives, private and "other" enterprises (25)

In the period 1992-97 manufacturing grew at a very high rate for the coffee industry, for rice, seafood and the garments industry. From 1992 to 1994 there were advances in the technology and methods used to produce coffee and seafood, which allowed them to grow at very high rates.

Most enterprises reported this data about their main pieces of machinery. Not surprisingly, the oldest machines were in mechanical engineering, in particular for bicycle and agricultural machinery production. The average age of main agricultural machinery in these enterprises was more than 21 years. Main machinery for rice production was also very old, averaging almost 16 years. Garments used the newest machines, while electronics, coffee and seafood production all used relatively new machines as they are reasonably new industries.

Most main machines were imported, particularly in textile and garments enterprises, although 17 percent of all main agricultural machinery machines were made locally. Almost one-third of joint ventures reported second-hand main machinery. Of course, this does not necessarily imply inefficiencies in these enterprises. Obsolete but labour intensive technology can often be the most competitive and efficient choice for Vietnam.

The mechanical engineering enterprises, agricultural machinery, bicycle and automobile parts manufacture, reported the weakest relative technology results - even when only compared to other competitors in Vietnam. All industries and forms of industries thought their technology to be at least as good as the average of their Vietnamese counterparts.

Joint ventures were notably confident about their technology, and on average reported that it was similar to world standards and competition. Interestingly however, joint ventures said they were only operating at about 38 percent of their potential capacity. This may be true but may reflect the sample selected rather than the joint-venture sector as a whole. In some joint ventures, such as car parts operations and fruit and vegetable production, little capacity is utilised. Coffee, textiles and garments stated that they had very high utilisation of their technological capacity, while the standard of their technology was average. These industries employ between 83 and 89 percent of their maximum capacity.

Over three-quarters of state enterprises reported that they planned to invest in increased production capacity during 1988-1999. This was despite an average one-third under-utilisation of the existing capacity. This apparent contradiction may reflect ongoing price distortions, such as under-priced and hence rationed capital for investment.

Domestic and foreign newspapers and magazines were the most commonly cited source for information about technologies. More than 100 enterprises also said that they utilised exhibitions, and domestic and foreign suppliers and customers to learn about new technologies. All of these channels of information were anticipated to remain of importance in the future.

Quite high totals of enterprises reported learning about technology through the Vietnam Chamber of Commerce and Industry (VCCI), and from the General Corporations. They thought that the VCCI will become slightly more important in the future.

In March 1998, only 19 enterprises reported foreign sales agents as a source of technology information, although they thought this might become more important in the future (56). Policies to encourage visits to Vietnam by foreign company representatives, or to establish representative offices, can make this a more

important avenue for technology transfer. A mere nine enterprises reported using e-mail or the Internet, yet 78 enterprises reported that they planned using this mechanism in the future.

Slightly more than half of the surveyed enterprises reported that they subcontracted out some of their production activities. While this practice was prevalent across all sectors, it was particularly evident in the textiles and garments subsectors where 55 and 85 percent subcontracted respectively (65 percent of state enterprises sub-contracted). The scale of subcontracting was varied across all sectors, and ranged from 5 to 19 percent of the value of total production.

Almost one-half of the enterprises explained some reasons as to why their export performance was not as good as they would like. "Unstable demand" was the most common problem, which 46 percent of enterprises reported - followed closely by limited "access to foreign buyers" (44 percent). While unstable demand may be an inevitable consequence of linking to international markets, enterprise complaints about poor access to foreign buyers is cause for policy concern. Between 15 and 33 enterprises each cited the other reasons for a constrained export performance. These included English language and "exporting skills", which would indicate that further capacity building in these areas may be warranted.

Information about which countries the enterprises are exporting to in 1997 was provided by 94 enterprises. Many of the remaining 52 enterprises were not exporting. Agricultural machinery, automobile parts assembly and bicycle assembly all have very low exports. Only four textile and garments enterprises reported no exports in 1997. The main export destinations for textiles and garments were Japan and Germany, with South Korea and Taiwan also important. Japan was also important for foodstuffs, as was the USA, Russia and Singapore. Four of the eleven electronics enterprises reporting exports were sending their goods to Singapore, which was probably assembly operations for re-export.

For domestic sales, irregular contracts dominate business activity. In fact, it is only in the sale of rice, coffee and to a lesser extent textiles, that long term regular contracts are significant. These reflect quotas and a gradual increase in the quantity and quality of foodstuff exports. Irregular contracts are less common for exporting. While around half of the domestic sales were made through irregular contracts, the number is only around 38 percent for export sales.

After-sales services, in some form or other, were provided by almost two thirds of the enterprises, these mostly came from the mechanical engineering and electronics enterprises. The limitations of foodstuff enterprises to provide after sales service is understandable. The failure of 30 and 60 percent of garments and textiles enterprises to provide the service, coupled with their limited guarantees is indicative of their employment in subcontract operations. Only 62 percent of state enterprises offered after-sales services.

The enterprises surveyed considered their products to be "somewhat higher" in quality to the Vietnamese average, and even marginally better than average compared to imports. The foodstuff producers thought particularly highly of their products. Certainly, the survey shows no pervasive lack of confidence in the quality of products produced - even in the mechanical engineering sector with its antiquated technology.

A surprising 69 percent of both state and non-state enterprises surveyed reported that they have their own capacity to "research and develop (R&D) new products or to make major improvement to existing products". Most enterprises across the nine subsectors reported this capacity, particularly those in textiles and garments

(both 80 percent), where product changes are relatively frequent and those in mechanical engineering industries.

Slightly over one-half of the enterprises said that they maintained contacts with external R&D institutions. The quality of R&D services being provided to the Vietnamese enterprises was generally considered good. The non-state sector, however, was more impressed with the quality of its R&D services (score 1.5), than was the state sector (1.8).

Increased competition from imports was cited as a reason for change by 65 (44 percent) enterprises, including 82 percent of agricultural machinery production, and 70 percent of textile enterprises (probably a reference to competition from other international suppliers rather than imports to Vietnam as such). Trade, it would seem, is an important stimulus for change and innovation. Cooperation with Vietnamese or foreign enterprises was a reason cited by some enterprises - most of which were state enterprises.

The financial data suffered from weak and missing data reported by enterprises. Consequently, calculations of labour and capital productivity, and value added, are of dubious value. We have taken this data as far as we can in this report, although firm conclusions from these indicators are probably not warranted.

Overall the survey found that the majority of firms are unhappy with unstable quantities of supply, and a good number of them are concerned with the quality and quantity of inputs. This is perhaps an area that needs to be looked into.

With regard to the taxes paid by enterprises, it is interesting to note the high amounts paid in import taxes. The bicycle and agricultural machinery enterprises are both paying 74 percent of their entire tax bills in import taxes. The implications of Vietnam joining the ASEAN and lowering such barriers will have an impact on enterprises such as these. It will most likely encourage them to import more of their inputs. The proportions of taxation contributions from the total sales was markedly higher for the automobile parts (13.8 percent), the agricultural machinery (15 percent) and to a lesser extent (6.1 percent) the electronics industry.

Employment details showed that at least 80 percent of employees were employed on a full time basis. Despite having high numbers of full time employees there was no trend for firms to have a lower ratio of unskilled to skilled workers in 1997 than in 1994. There was very little difference between the wages of the skilled and unskilled workers. This explains the inability of many state enterprises to attract skilled workers.

Overall, 37 percent of enterprises stated that they had surplus workers. While most of these enterprises said that the problem was due to a shortage of raw materials, most stated that the easiest solution would be to retrench the workers.

Management of the enterprises surveyed are all relatively new to the companies, and are mostly aged between 40 and 55. The youngest managers are in the younger or more innovative industries, coffee and fruit and vegetables. These are also a couple of the most experimental of the industries, they are more willing to undertake research and development.

The enterprises surveyed indicate that there is still very little reliance upon financial institutions to provide capital for production. The vast majority of capital and financing of production, even for JVs was derived from the enterprises own retained funds. The highest dependency on financial institutions for lending money

was the garment industry with 44.2 percent of funds borrowed from banks. Government budget support also plays an important role for fruit and vegetable and garment enterprises.

It is evident that private enterprises and smuggling represent the greatest sources of competition for all subsectors. The overall feeling is that competition is moderate at least. Less than half of the enterprises reported having excess stocks, and the reasons that they gave for these levels was predominantly that there was no access to good sales channels, there was also concern that the price was “too high”.

On the whole there were very optimistic responses from enterprises surveyed concerning regulatory controls. Some of the factors that businesses had little difficulty with included business registration; developing a new product that is similar to the present one; obtaining bank loans at commercial rates; making domestic sales; satisfying the requirements of laws and regulations; purchasing raw materials; and recruiting employees. It is interesting that the enterprises had little difficulty obtaining loans at the commercial rates, when all along they have stated that one of the biggest obstacles to becoming more competitive was obtaining approval to get financing.

Assistance from government was reported to be very limited. The most assistance was provided for access to bank loans, and this was only for 4 percent of the enterprises. As expected government provided twice as much assistance to SOEs than to private and joint venture enterprises. Enterprises also reported that they had good quality physical infrastructure available to them.

The most helpful organisation to be a member of is evidently the General Corporations. The advantage most cited is that they gain information about technologies and markets. General Corporations are also very helpful for sharing technology.

Despite the numerous difficulties that have arisen in the collection of accurate data for this survey, there is a good amount of useful information in it. There is an overall feeling that the product quality of the enterprises surveyed was good. There is a great deal of optimism about services provided for and by the enterprises surveyed. This is in spite of the many reasons given as to why the competitiveness of the firms is “limited”.

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## **Introduction and Methodology**

This report is a background study towards drafting the UNIDO/DSI study of competitiveness in Vietnam. The purpose of this report is therefore to present the results from a competitiveness enterprise survey, and to highlight the main findings relevant to the issue.

The survey was designed and conducted by the Department of Strategy Institute (DSI), of the Vietnamese Ministry of Planning and Investment (MPI), with advice from UNIDO. A UNIDO consultant drafted an initial questionnaire. It was then reviewed and considerably expanded by the consultant. A DSI workshop reviewed the second draft and made changes accordingly. The questionnaire was not pilot tested. The final questionnaire was 22 pages in length (see appendix A).

A non-random sample of 245 enterprises was selected. DSI chose a non-random sample because existing sampling frames, such as published books or CD-ROMs listing enterprises, were incomplete. They also wanted to rely on their four designated Sector Experts to select a representative sample of enterprises. DSI directed the Sector Experts to select enterprises that were exporting, or had potential to export, as this was a priority policy concern.

The sample was focused largely on Ho Chi Minh City and Hanoi, and the provinces immediately surrounding these - although Danang and Haiphong were also surveyed. Some coffee processing enterprises from Dac Lac were also included. Most of the enterprises in the chosen sample were either local or central state enterprises, although care was taken to ensure that reasonable numbers of non-state sector enterprises were included.

The survey was conducted by holding workshops in Ho Chi Minh City, Hanoi, and Danang. Representatives of the selected enterprises were invited to these workshops, where the questionnaire was distributed and explained. Participants were asked to complete the questions over the following week, and a designated DSI person maintained contact to try and ensure that they did so. After more than one month later, 174 of the original sample of 245 enterprises had returned their questionnaires. The quality of some of the returned questionnaires was so poor that they were rejected, and the final sample for analysis was 146 questionnaires (see Table 1).

The "workshop approach" to implementing this long questionnaire, although cost effective, has caused many data quality problems. Such in-depth questionnaires typically require interviewing, with cross-checking of answers and follow-up mechanisms to ensure quality. There was no immediate checking for resubmitting of questionnaires. This has meant that answers to some questions were either wrong or absent. Much time was therefore required to evaluate the data from individual questionnaires, and to identify and correct reporting and other errors.

Nevertheless, despite data quality concerns, there is a great deal of useful and interesting information in the following chapters. The data provide insight into the conditions and constraints of the industrial sector in Vietnam. Many of the survey findings have important policy implications, and highlight areas in need of reform to enhance Vietnam's future industrial competitiveness.

## Chapter 1: Enterprise Details

Of the 146 enterprises surveyed, 70 percent were from Hanoi or Ho Chi Minh City. The survey therefore, while stretching across Vietnam, focused almost exclusively on the three "Growth Areas", and indeed mostly on Vietnam's industrial centres, Hanoi, Ho Chi Minh City and Haiphong City. The four sectors, electronics, mechanical engineering, foodstuff and textiles, were divided into subsectors where applicable. Electronics remained as one subsector with 26 questionnaires; engineering was divided into automobile parts, bicycles, and agricultural machinery production; for foodstuff there were a large number of questionnaires answered and it could be split into coffee, rice, seafood, and fruit and vegetables; while textiles was divided into garments and textiles. The largest number of questionnaires for any one subsector was 27 for fruit and vegetables, while the smallest was 7 for coffee production.

**Table 1: Profile of Enterprises surveyed by sectors and legal status**

(numbers of enterprises)

	Coffee	Rice	Seafood	Fruit and Veg.	Textile	Garments	Bicycles	Agricultural Machinery	Automobile Parts	Electronics	Total
Dac Lac	5	0	0	0	0	0	0	0	0	0	5
Danang	0	0	2	0	2	3	1	0	1	0	9
Dong Nai	1	0	0	2	3	3	0	1	2	0	12
Binh Duong	0	0	0	1	0	2	0	0	0	0	3
Hanoi	1	3	1	1	8	4	7	5	7	15	52
Ha Tai	0	0	0	0	0	0	0	1	0	0	1
Hai Phong	0	1	2	0	1	2	1	0	1	0	8
Ho Chi Minh	0	5	7	5	10	6	1	4	1	11	50
Long An	0	0	0	0	3	0	0	0	0	0	3
Ninh Binh	0	0	0	1	0	0	0	0	0	0	1
Thuan An	0	0	0	1	0	0	0	0	1	0	2
<b>Total</b>	<b>7</b>	<b>9</b>	<b>12</b>	<b>11</b>	<b>27</b>	<b>20</b>	<b>10</b>	<b>11</b>	<b>13</b>	<b>26</b>	<b>146</b>

	JV	Other	SOE	Grand Total
Danang	0	0	9	9
Dac Lac	0	0	5	5
Dong Nai	2	5	5	12
Binh Duong	1	2	0	3
Hanoi	4	5	43	52
Ha Tay	0	0	1	1
Hai Phong	0	0	8	8
Long An	0	2	1	3
Ninh Binh	0	0	1	1
Ho Chi Minh	3	9	38	50
Than An	0	2	0	2
<b>Total</b>	<b>10</b>	<b>25</b>	<b>111</b>	<b>146</b>

State enterprises were more likely to complete their questionnaires, and consequently these ended up making 77 percent of the final sample. However, there was at least 1 private and JV enterprise that completed surveys in each large sector (Table 2). Thus, although they could not be included in every subsector and are not statistically representative, the modest sample of non-state enterprises does provide some insight into the issues of competitiveness facing these sectors, which can be followed up through more detailed case studies.

**Table 2: Legal Status by Sectors of Surveyed Enterprises**

(numbers of enterprises)

Status	Coffee	Rice	Seafood	Fruit and Veg.	Textile	Garments	Bicycles	Agricultural Machinery	Automobile Parts	Electronics	Total
JV	0	0	1	2	0	1	0	3	0	3	10
SOE	7	7	8	7	20	16	10	7	10	19	111
Other	0	2	3	2	7	3	0	3	1	4	25
<b>Total</b>	<b>7</b>	<b>9</b>	<b>12</b>	<b>11</b>	<b>27</b>	<b>20</b>	<b>10</b>	<b>13</b>	<b>11</b>	<b>26</b>	<b>145</b>

## Chapter 2: Manufacturing and Machinery

The following tables in this report present the survey findings broken down by the eleven subsectors and by forms of ownership. For ease of analysis and presentation, the forms of ownership have been consolidated into three as follows:

- SOE = State-owned central and state-owned local enterprises (111)
- JV = Joint venture enterprises (10)
- Other = Cooperatives, private and “other” enterprises (25)

In the period 1992-97 manufacturing grew at a very high rate for the coffee industry, for rice, seafood and the garments industry. Automobile parts experienced negative growth, due to a reduction of subsidies for that industry, while fruit and vegetables scarcely grew as a result of the emphasis for agricultural production being shifted to rice and coffee production. From 1992 to 1994 there were advances in the technology and methods used to produce coffee and seafood, which allowed them to grow at very high rates. These advances meant that the greatest rate of growth in this period happened between 1992 and 1994.

**Table 3: Manufacturing growth, 1992 – 1997**

(Aggregate average sectoral growth over time periods)

Sector	1992-94	1994-96	1996-97
Coffee	103%	46%	64%
Rice	42%	29%	10%
Seafood	123%	17%	23%
Fruit and Veg	-2%	-18%	22%
Textiles	11%	11%	20%
Garments	59%	32%	16%
Bicycles	42%	-1%	24%
Automobile Parts	6%	-29%	-33%
Agricultural Machinery	28%	20%	-2%
Electronics	24%	15%	13%

Status	1992-94	1994-96	1996-97
JV		51%	-19%
SOE	39%	16%	21%
Other	20%	16%	8%

Joint ventures experienced very sporadic growth in the period, perhaps as a result the tendency for the rules to change, which also made it difficult for them to obtain accurate information on which to base their targets. They had the highest rate of growth in the 1994-96 period, but the greatest decrease in growth from 1996-97. All other industries, government and non-government, grew at a comparatively steady rate.

Table 4 provides information about the most important, and second-most important machines and equipment in the enterprises. Most enterprises reported this data - 90 percent for main machines, and 83 percent for second main machines. The results in Table 4 are the average answers across subsectors and forms of ownership.

Not surprisingly, the oldest machines were in mechanical engineering, in particular for bicycle and agricultural machinery production. The average age of main agricultural machinery in these enterprises was more than 21 years. Main machinery for rice production was also very old, averaging almost 16 years. Garments used the newest machines, while electronics, coffee and seafood production all used relatively new machines as they are reasonably new industries.

Most main machines were imported, particularly in textile and garments enterprises, although 17 percent of all main agricultural machinery machines were made locally. Most main machinery for bicycles and rice was made locally, as these are both relatively old and well established industries in Vietnam, 66 percent of bicycle machinery and 57 percent of rice machinery was made locally. At the same time, all rice and bicycle machinery was bought new as was most garment machinery, while overall around 15 percent of main machinery was imported. Almost one-third of joint ventures reported second-hand main machinery. Of course, this does not necessarily imply inefficiencies in these enterprises. Obsolete but labour intensive technology can often be the most competitive and efficient choice for Vietnam. The data for second most important machinery and equipment confirmed that for the main pieces. Less of the second most important machinery, however was bought new, around four fifths overall.

**Table 4: Main machines and equipment of surveyed enterprises**

Main equipment items:

	Number of reported main machines	Average age of main machines (years)	% of imported main machines	% of main machines bought new
JV	10	4.9	90%	70%
Other	20	4.5	85%	85%
SOE	102	12.4	84%	89%
Coffee	6	5.0	67%	83%
Rice	7	15.6	43%	100%
Seafood	12	8.8	100%	92%
Fruit and Veg.	11	11.2	91%	91%
Textiles	26	11.7	96%	85%
Garments	20	4.7	100%	95%
Bicycles	9	21.4	33%	100%
Automobile	8	10.7	88%	63%
Parts				
Agricultural Machinery	10	21.5	100%	70%
Electronics	23	6.6	78%	87%

second main equipment items:

	Number of reported second main machines	Average age of second main machines (years)	% of imported second main machines	% of main second machines bought new
JV	9	4.5	89%	78%
Other	20	4.4	100%	85%
SOE	96	12.0	88%	80%
Coffee	5	9.0	40%	60%
Rice	5	10.2	80%	40%
Seafood	11	9.0	100%	91%
Fruit and Veg	11	9.0	82%	82%
Textiles	26	11.3	96%	88%
Garments	20	4.7	95%	95%
Bicycles	9	21.9	78%	100%
Automobile Parts	7	10.4	86%	57%
Agricultural Machinery	10	21.3	100%	40%
Electronics	21	5.7	90%	86%

### ***Chapter 3: Technology and Information***

The results about the technology questions confirm the trends noted in Table 4 above. The “technology compared to” question in Table 5 is an average index of the responses from enterprises, which ranged as follows:

1. Advanced
2. Higher than average
3. Average
4. Lower than average
5. Much lower than average

Thus, an average less than three means that the enterprises in this group thought their technology above their domestic or international competitors overall. An average over three indicated a perceived weakness in their technological capacity. It is therefore to be expected that the index numbers for technology were lower when comparison was made to other Vietnamese competitors, and higher when compared to international standards.

The mechanical engineering enterprises, agricultural machinery, bicycle and automobile parts manufacture, reported the weakest relative technology results (i.e. the highest numbers) - even when only compared to other competitors in Vietnam. All industries and forms of industries thought their technology to be at least as good as the average of their Vietnamese counterparts.

Joint ventures were notably confident about their technology, and on average reported that it was similar to world standards and competition. Interestingly however, joint ventures said they were only operating at about 38 percent of their potential capacity. This may be true but may reflect the sample selected rather than the joint-venture sector as a whole. In some joint ventures, such as car parts operations and fruit and vegetable production, little capacity is utilised. Coffee, textiles and garments stated that they had very high utilisation of their technological capacity, while the standard of their technology was average. These industries employ between 83 and 89 percent of their maximum capacity.

Over three-quarters of state enterprises reported that they planned to invest in increased production capacity during 1988-1999. This was despite an average one-third under-utilisation of the existing capacity. This apparent contradiction may reflect ongoing price distortions, such as under-priced and hence rationed capital for investment.

Not surprisingly, JVs plan the highest proportion of expansions, while it is the bicycle industry that plans the greatest amount of capacity expansions. This is interesting as the bicycle industry claims to be under utilising its capacity by 43 percent.

**Table 5 : Technology and Capacity**

	Technology compared to :		Underutilised Capacity %	Number of enterprises investing in 1998 - 1999	Capacity Expansion Planned %
	1. Vietnamese competitors	2. International standards			
Coffee	2.1	3.8	11%	6	56%
Rice	2.4	3.6	25%	4	25%
Seafood	2.6	3.6	27%	8	49%
Fruit and Veg	2.5	3.4	70%	8	67%
Bicycles	2.3	3.8	43%	8	97%
Textiles	2.2	3.5	17%	24	37%
Garments	2.2	3.3	17%	18	36%
Automobile Parts	2.5	3.7	66%	8	48%
Agricultural Machinery	2.6	4.2	35%	10	46%
Electronics	2.2	3.4	40%	16	50%
JV	2.3	3.2	62%	4	53%
Other	1.9	3.1	35%	19	46%
SOE	2.4	3.7	29%	87	49%

Domestic and foreign newspapers and magazines were the most commonly cited source for information about technologies used in March 1998 (Table 6.1). More than 100 enterprises also said that they utilised exhibitions, and domestic and foreign suppliers and customers to learn about new technologies. All of these channels of information were anticipated to remain of importance in the future.

Quite high totals of enterprises reported learning about technology through the Vietnam Chamber of Commerce and Industry (VCCI), and from the General Corporations. When considering the future refer to tables 6.2, they thought that it most likely that the VCCI will become slightly more important in this regard, while the number planning to use the General Corporations fell from 74 enterprises to 65.

In March 1998, only 19 enterprises reported foreign sales agents as a source of technology information, although they thought this might become more important in the future (56). Policies to encourage visits to Vietnam by foreign company representatives, or to establish representative offices, can make this a more important avenue for technology transfer. A mere nine enterprises reported using e-mail or the Internet, yet 78 enterprises reported that they planned using this mechanism in the future. Of this, 61 intending users were state enterprises (42 percent of sample).

**Table 6.1: Relative use of information sources used today by industry sectors**

	( number of positive answers)										
	Coffee	Rice	Seafood	Fruit and Veg.	Textiles	Garments	Bicycles	Auto. Parts	Agricultural Machinery	Electronics	Total
Vietnamese newspapers & magazines	5	7	12	8	24	17	8	9	9	23	122
Foreign newspaper & magazines	1	2	7	2	15	12	4	5	4	20	72
Internet and e-mail	2	0	0	1	2	0	0	1	0	3	9
VCCI	5	4	6	5	17	17	7	7	5	11	84
General Corporations	2	3	6	4	16	11	5	7	7	13	74
Exhibitions and trade fairs	3	5	8	7	24	15	9	8	9	23	111
Foreign suppliers	3	4	9	6	17	14	6	6	3	23	91
Foreign customers	5	5	9	4	17	12	8	10	10	14	94
Local customers	3	4	10	4	20	19	6	4	6	13	89
From your competitors	0	0	0	0	0	0	0	0	0	0	0
Foreign sales agents	1	0	2	0	5	4	2	1	0	4	19
International science and research Organizations	1	1	5	3	15	9	6	3	6	13	62
Joint venture partners	2	1	4	1	9	5	3	8	3	15	51
Other	0	0	0	0	1	2	1	1	0	2	7

	JV	Other	SOE	Total
Vietnamese newspapers & magazines	6	21	95	122
Foreign newspaper & magazines	5	15	52	72
Internet and e-mail	0	4	5	9
VCCI	3	13	68	84
General Corporations	4	7	63	74
Exhibitions and trade fairs	6	19	86	111
Foreign suppliers	9	19	63	91
Foreign customers	5	16	73	94
Local customers	5	16	68	89
From your competitors	0	0	0	0
Foreign sales agents	2	5	12	19
International science and research	1	6	55	62
Organizations				
Joint venture partners	7	4	40	51
Other	0	0	7	7

**Table 6.2: Relative use of information planned to use in future by industry sectors**

(number of positive answers)

	Coffee	Rice	Seafood	Fruit and Veg.	Textiles	Garments	Bicycles	Auto. Parts	Agricultural Machinery	Electronics	Total
Vietnamese newspapers & magazines	3	7	9	4	17	13	5	5	6	17	86
Foreign newspaper & magazines	2	5	9	4	19	12	5	3	7	16	82
Internet and e-mail	3	3	9	4	17	10	2	5	4	21	78
VCCI	3	4	6	5	16	18	7	5	5	17	86
General Corporations	1	2	5	4	14	12	4	5	6	12	65
Exhibitions and trade fairs	3	6	7	6	18	17	7	4	7	17	92
Foreign suppliers	3	6	9	4	16	16	7	7	5	19	92
Foreign customers	3	4	8	2	14	13	6	7	9	15	81
Local customers	3	5	9	5	17	18	5	3	8	16	89
From your competitors	1	4	3	5	15	10	3	6	6	10	63
Foreign sales agents	2	3	2	3	12	11	5	3	3	12	56
International science and research	3	4	5	2	14	15	6	3	7	12	71
Organizations											
Joint venture partners	2	4	3	3	7	11	4	5	7	13	59
Other	0	0	0	0	2	2	0	1	0	2	7

	JV	SOE	Other	Total
Vietnamese newspapers & magazines	4	66	16	86
Foreign newspaper & magazines	3	66	13	82
Internet and e-mail	5	61	12	78
VCCI	3	70	13	86
General Corporations	4	56	5	65
Exhibitions and trade fairs	5	73	14	92
Foreign suppliers	7	71	14	92
Foreign customers	5	63	13	81
Local customers	4	72	13	89
From your competitors	2	52	9	63
Foreign sales agents	2	48	6	56
International science and research	2	61	8	71
Organizations				
Joint venture partners	6	50	3	59
Other	0	7	0	7

Slightly more than half of the surveyed enterprises reported that they subcontracted out some of their production activities. While this practice was prevalent across all sectors, it was particularly evident in the textiles and garments subsectors where 55 and 85 percent subcontracted respectively (65 percent of state enterprises sub-contracted).

The scale of subcontracting was varied across all sectors, and ranged from 5 to 19 percent of the value of total production. A surprisingly high number of enterprises were planning to increase or decrease subcontracting activity in the near future, including half of the state enterprises.

**Table 7: Subcontracting**

	Number of enterprises using subcontracting	% of businesses that are subcontracted	Number of enterprises planning no change in subcontracting
Coffee	3	15%	6
Rice	4	18%	7
Seafood	9	15%	7
Fruit and Veg	3	5%	6
Textiles	15	9%	14
Garments	17	11%	4
Bicycles	8	19%	5
Automobile Parts	5	5%	8
Agricultural Machinery	6	11%	3
Electronics	14	15%	18
JV	5	14%	6
SOE	72	12%	56
Other	7	17%	16

## Chapter 4: Marketing and Exporting

Table 8 shows aggregate data about sales by sectors and forms of ownership over time. This data suffered from many problems of incomplete reporting and errors. Consequently, we have excluded all those that did not provide data for all years, or those that contained obvious mistakes or inconsistencies. The data is therefore useful as an indicator of growth trends over time, and changing relative shares of domestic and export sales, but not to indicate the relative size of each sector.

**Table 8: Total Sales**

(millions of current dong)

	1992		1994		1996		1997	
	Local	Export	Local	Export	Local	Export	Local	Export
Coffee	51,157	55,83,770	7,004	45,548,396	35,093	48,576,483	65,064	117,295,751
Rice	68,142	2,25,000	221,808	236,000	473,895	25,562,808	462,481	18,470,434
Seafood	2,037	111,57,712	135,619	38,416,366	243,142	87,311,728	384,583	104,201,708
Fruit and Veg	27,718	137,10,000	31,157	8,472,700	3,209,615	12,342,588	4,613,893	14,144,771
Textiles	776,225	217,26,741	964,229	39,092,500	9,355,305	65,196,480	14,992,861	126,594,829
Garments	18,614	365,24,682	40,023	77,216,347	76,843	115,255,411	95,164	149,462,350
Bicycles	15,050	7,74,055	62,092	6,731,515	83,172	8,775,197	65,866	2,100,000
Automobile Parts	7,574	0	24,194	0	82,102	86,400	115,769	14,000
Agricultural Machinery	49,539	76,500	63,957	323,195	105,799	1,202,966	128,926	2,051,348
Electronics	272,084	0	1,010,015	100,000	2,157,556	10,736,305	2,238,338	10,377,403
JV	0	0	7,427	105,000	3,600,580	9,212,919	5,285,283	15,241,771
SOE	1,225,010	89,688,460	2,425,168	210,791,057	4,142,103	330,885,115	4,067,140	451,581,425
Other	63,130	90,000	127,503	5,240,962	8,079,840	34,948,330	13,810,521	77,889,397
<b>Total</b>	<b>1,288,140</b>	<b>89,778,460</b>	<b>2,560,098</b>	<b>216,137,019</b>	<b>15,822,522</b>	<b>375,046,365</b>	<b>23,162,944</b>	<b>544,712,593</b>

Some enterprise-specific data about prices for output are shown in Table 9. This is just a small selection of the products that are available in the enterprises surveyed. The price of enterprise products was sometimes cited as higher than that for average domestic producers and exports. This may reflect quality differences in the products. Some data about illegal import prices was provided. This shows an average smuggled price of about 20 percent less than the official import price.

**Table 9: Prices of outputs**

Sector	Status	Unit of measurement	Product	Ex-factory price for domestic market VND	FOB export price USD	Average retail price of domestic competitors VND	Price of competing legally imported product USD	Price of competing illegally imported product USD
Textiles	SOE	One garments	T-shirt	16,000	2	18,000	2.2	1.4
Textiles	SOE	Metres	Cloth	25,000	2	24,000	25,000	20,000
Garments	SOE	One garments	Jacket	150,000	17	200,000		
Garments	SOE	One garments	Man's shirt	850,00	6.5	75,000		
Rice	SOE	Kg	Rice paper	7,500	0.7	8,500		
Seafood	Other	Kg	Shrimp	80,000	10	85,000		
Fruit and Veg	SOE	Kg	Malt	3,750	328	3,800	400	
Coffee	SOE	1000 kg	Coffee beans	19,000,000	1,550			
Bicycles	SOE	One product	Bicycle part	21,000		23,000		24,000
Auto. Parts	JV	One product	Hijet jumbo car 1300CC	97,500,000	7,000	1.3E+08	5,900	
Electronic	JV	One product	Colour television	4,500,000	400	3,900,000		

**Table 10: Export Capacity**

Sector	Product	Unit	1992				1996			
			Production volume	of International standard	of National standard	Actual exported volume	Production volume	Of International standard	of National standard	Actual exported volume
Coffee	Coffee beans	1000kg	2,000	2,000		200	800	800		800
Coffee	Export coffee beans	1000kg	12,051	10,889	1,162	10,792	22,856	22,563	203	22,432
Rice	Rice paper	1000kg	270	250	20	250	560	546	14	546
Rice	Ground rice	1000kg	33,463		33		1,686		1,686	
Seafood	Export shrimp	1000kg	166.5	140	26.5	140	253	215	38	213.5
Fruit and Veg	Peanuts	1000kg	129	129	129	129	475	475	475	475
Fruit and Veg	Salted cucumber	1000kg	293.1		293.1	281.4	640.7		640.7	617.4
Textiles	Thick cloth	1000 metres	700	200	500		800	300	500	
Textiles	T-shirts	1000 Shirts	2,000	1,000	1,000	300	800	500	300	270
Textiles	Wool shirts	1000 shirts	189	150	39	150	337	316	21	316
Textiles	Cotton thread	1000kg	900		900		1,100		1,100	
Textiles	Cotton socks	Million pair	0.22	0.22		0.2	1.95	1.95		1.85
Textile	polyester and cotton thread: Ne 45s/1	1000kg	3,033		3,033		4,782		4,782	
Textiles	thread	1000kg	6,285	3,771	5,970		8,585	5,151	8,156	
Textiles	jeans, KT, silk, calico,	Million metres	4,330	0.159	4.171	0.159	6.051	0.214	5.837	0.214
Textiles	Thread cotton T/C	1000kg	3,154				4,315			
Textiles	Acrylic 100% thread	Kg	107,435		107,435		117,446		117,446	
Garments	Jacket 2 or 3 layer	one jacket	160,000		160,000	160,000	210,000		210,000	210,000
Garments	Jacket 2 or 3 layer	one jacket	150,000	148,000	2,000	148,000	310,000	290,000	2,000	290,000
Garments	Jacket 2 or 3 layer	1000 jackets	276	276		276	399.3	399.3		399.3
Garments	Jacket 2 or 3 layer	1000 jackets	324	322	2	322	1,089	1,078	11	1,078
Garments	Jacket (1 ,2 or 3 layer , with animal fur)	1000 jackets	100	95		95	381	400		400
Garments	embroidery	USD	100,000				434,000	400,000		
Garment	Jacket (1 ,2 or 3 layer)	one jacket	300,000				450,278			
Garment	Work clothes	one jacket	1,200			990	2,200			1,990

			Production volume	of Inter- national standard	of National standard	Actual exported volume	Production volume	Of Inter- national standard	of National standard	Actual exported volume
Garment	Leather jackets	1000 Jackets	40	40		40	160	160		160
Bicycles	Bicycle parts	one product	2,400	2,400	2,400	2,400	31,300	31,300	31,300	31,300
Bicycles	Bicycle parts	one product	35,710		35,710		37,771		37,771	
Bicycles	Bicycle parts	one product	170,021	10,205		10,205	387,063	51,671		51,671
Agr. Machinery	15 horse power motor	one product	810	810	810	218	3,500	3,500	3,500	1,997

The detail about the standard of production volume over time was very weak. Some results are shown in Table 10. Almost one-half of the enterprises, however, took the opportunity to cite some reasons as to why their export performance was not as good as they would like (Table 11). “Unstable demand” was the most common problem, which 46 percent of enterprises reported - followed closely by “access to foreign buyers” (44 percent). While unstable demand may be an inevitable consequence of linking to international markets, enterprise complaints about poor access to foreign buyers is cause for policy concern.

Most of those enterprises citing insufficient quotas were in textiles and garments (almost half in textiles and three quarters in garments). This is probably related to export quotas for the European Union (EU) market. Similarly, most enterprises citing “export regulation” as a problem were in textiles and garments, and this is probably also related to EU quotas.

Between 15 and 33 enterprises each cited the other reasons for a constrained export performance. These included English language and “exporting skills”, which would indicate that further capacity building in these areas may be warranted.

**Table 11: Export Capacity Problems**

(number of enterprises stating these as reasons for exports being less than export capacity)

	Coffee	Rice	Seafood	Fruit and Veg	Bicycles	Auto. Parts	Agricultural Machinery	Garments	Textiles	Elect- ronics	Total
Total	7	9	12	11	10	13	11	20	27	26	146
Unstable demand	0	5	9	5	5	3	5	12	17	7	68
No quota or insufficient quota	0	2	0	0	3	0	0	15	12	1	33
No or limited access to buyers in foreign countries	0	5	7	5	5	4	4	12	12	10	64
Higher profits from domestic sales	0	1	1	0	0	1	2	0	7	0	12
Small or no profits in exporting	2	1	5	2	3	2	2	2	7	2	28
Exporting regulation	3	1	4	0	1	0	0	10	6	0	25
Limited exporting skills	2	2	1	2	3	2	1	4	8	4	29
Limited proficiency in English	2	0	1	1	2	0	1	3	4	1	15
Other reason	2	1	4	0	1	2	1	2	0	1	14

By form of ownership:

	JV	SOE	Other	Total
Total	10	111	25	146
Unstable demand	3	51	14	68
No quota or insufficient quota	0	28	5	33
No or limited access to buyers in foreign countries	4	53	7	64
Higher profits from domestic sales	0	9	3	12
Small or no profits in exporting	1	21	6	28
Exporting regulation	0	19	6	25
Limited exporting skills	1	26	2	29
Limited proficiency in English	0	15	0	15
Other reason	0	7	7	14

Information about which countries the enterprises are exporting to in 1997 was provided by 94 enterprises. Many of the remaining 52 enterprises were not exporting. Agricultural machinery, automobile parts assembly and bicycle assembly all have very low exports. This may be expected of the generally older and technologically backward mechanical engineering enterprises. That most of the electrical enterprises are exporting suggests that many of these are conducting import-substitution activities for the domestic market (such as television assembly).

Only four textile and garments enterprises reported no exports in 1997. The main export destinations for textiles and garments were Japan and Germany, with South Korea and Taiwan also important. Japan was also important for foodstuffs, as was the USA, Russia and Singapore. Four of the eleven electronics enterprises reporting exports were sending their goods to Singapore, which was probably assembly operations for re-export.

**Table 12: Export destinations** (First and second main export destinations in 1997 by sector)

Country	Coffee		Rice		Seafood		Fruit and Veg		Textiles		Garments		Bicycles		Auto. Parts		Agr. Machinery		Electronics		Total	
	1st	2nd	1st	2 <sup>nd</sup>	1st	2nd	1st	2nd	1st	2nd	1st	2nd	1st	2nd	1st	2nd	1st	2nd	1st	2nd	1st	2nd
Taiwan	0	0	0	0	0	0	2	2	3	2	3	3	1	1	0	0	0	0	1	1	10	9
Germany	0	0	0	0	0	0	1	1	5	5	5	5	1	0	0	0	0	0	1	1	13	12
Canada	0	0	0	0	0	0	0	0	1	1	0	0	0	0	0	0	0	0	0	0	1	1
Europe	0	0	0	0	1	1	0	0	0	0	4	4	1	0	0	0	0	0	0	0	6	5
Russia	0	0	2	1	0	0	2	2	0	0	0	0	1	1	0	0	0	0	0	0	5	4
CIS	0	0	0	0	0	0	0	0	1	1	0	0	0	0	0	0	0	0	0	0	1	1
Korea	0	0	0	0	0	0	0	0	3	3	2	2	0	0	1	0	0	0	0	0	6	5
Holland	0	0	0	0	0	0	0	0	1	0	0	0	0	0	0	0	0	0	0	0	1	0
Hong Kong	0	0	0	0	2	2	0	0	1	1	0	0	0	0	0	0	0	0	1	1	4	4
Indonesia	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	1	1	0	0	1	1
Iraq	0	0	1	1	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	1	1
Malaysia	0	0	1	1	0	0	0	0	0	0	0	0	0	0	0	0	0	0	1	1	2	2
America	6	6	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	6	6
Burma	0	0	0	0	0	0	0	0	0	0	0	0	0	0	1	1	0	0	0	0	1	1
Japan	0	0	0	0	8	8	2	2	7	7	5	4	0	0	1	1	0	0	1	1	24	23
Australia	0	0	0	0	0	0	1	1	1	1	0	0	0	0	0	0	0	0	0	0	2	2
France	0	0	0	0	0	0	0	0	1	0	0	0	0	0	0	0	1	0	1	0	3	0
Singapore	1	1	0	0	0	0	1	1	0	0	0	0	0	0	0	0	0	0	4	3	6	5
Thailand	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	1	1	0	0	1	1
Czech Rep	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
China	0	0	0	0	0	0	0	0	1	1	0	0	0	0	0	0	0	0	1	1	2	2
Grand Total	7	7	4	3	11	11	9	9	25	22	19	18	4	2	3	2	3	2	11	9	96	85

**By form of enterprise ownership:**

Country	JV		SOE		Other		Total	
	1st	2 <sup>nd</sup>	1st	2nd	1st	2nd	1st	2nd
Taiwan	0	0	5	5	5	4	10	9
Germany	0	0	12	11	1	1	13	12
Canada	0	0	0	0	1	1	1	1
Europe	0	0	5	4	1	1	6	5
Russia	0	0	4	3	1	1	5	4
CIS	0	0	1	1	0	0	1	1
Korea	0	0	4	3	2	2	6	5
Holland	0	0	1	0	0	0	1	0
Hong Kong	0	0	3	3	1	1	4	4
Indonesia	0	0	1	1	0	0	1	1
Iraq	0	0	1	1	0	0	1	1
Malaysia	1	1	1	1	0	0	2	2
America	0	0	6	6	0	0	6	6
Burma	1	1	0	0	0	0	1	1
Japan	2	2	17	17	5	4	24	23
Australia	0	0	1	1	1	1	2	2
France	1	0	2	0	0	0	3	0
Singapore	1	1	4	4	1	0	6	5
Thailand	0	0	1	1	0	0	1	1
Czech Republic	0	0	0	0	0	0	0	0
China	0	0	2	2	0	0	2	2
Grand Total	6	5	71	64	19	16	96	85

Table 13 shows the distribution of products, both on the international and domestic markets. The highest proportions of domestic sales and of export sales for all forms of enterprises and most enterprises were made by directly selling to the customers. The exceptions to this were agricultural machinery that used private trading companies for half of its sales and the sale of rice, which was done through both state and private trading companies. On the international market bicycles were sold primarily directly from the enterprise to the consumer.

**Table 13: Distribution of Domestic and Export Sales**

	Direct sales to consumers		State trading company		Private trading company		Other	
	Domestic sales	Export sales	Domestic sales	Export sales	Domestic sales	Export sales	Domestic sales	Export sales
JV	73%	66%	7%	14%	20%	0%	0%	20%
Other	48%	70%	12%	0%	34%	23%	6%	8%
SOE	62%	62%	14%	17%	19%	13%	6%	8%
Coffee	60%	94%	7%	1%	33%	4%	0%	0%
Rice	51%	23%	29%	33%	19%	43%	2%	0%
Seafood	60%	68%	20%	22%	20%	9%	0%	0%
Fruit and Veg	58%	53%	15%	44%	17%	1%	10%	1%
Textile	42%	58%	21%	10%	33%	20%	4%	11%
Garments	76%	65%	3%	6%	6%	11%	16%	18%
Bicycles	48%	100%	17%	0%	25%	0%	11%	0%
Automobile Parts	84%	70%	9%	0%	7%	30%	0%	0%
Agricultural Machinery	71%	25%	7%	25%	18%	50%	5%	0%
Electronics	67%	83%	6%	0%	24%	0%	4%	17%

## ***Chapter 5: Contracts and Quality Issues***

Table 14 shows the type of contractual output arrangements under which the enterprises operate. For domestic sales, irregular contracts dominate, in fact it is only in the sale of rice, coffee and to a lesser extent textiles, that long term regular contracts are more significant. These reflect quotas and a gradual increase in the quantity and quality reliability of foodstuff exports.

Subcontracted production was important in the textile and garments sector, and even more so for electronics goods exports, this was probably a result of the assembly operations in Singapore, where the electronics goods are sent for final assembly.

Irregular contracts are less frequently for exporting. They are very important for automobile parts and rice and significant for coffee exports. This is an indication that these are relatively newly established markets and it is likely that this will change in the future as they can establish more permanent contracts

or subcontracts. While around half of the domestic sales were made through irregular contracts, the number is only around 38 percent for export sales.

Irregular contracts, for both domestic and export sales, were the main form of sales for private enterprises. These were generally smaller enterprises, and outside of regular systems of supply and export. Joint ventures and state enterprises showed a similar pattern of reliance on irregular, long-term, and subcontracts.

**Table 14: Contractual Agreement with Main Customers**

	Under subcontracts to other manufactures		Long term regular contracts		Irregular contracts	
	Domestic sales	Export sales	Domestic sales	Export sales	Domestic sales	Export sales
Coffee	0%	0%	64%	29%	36%	71%
Rice	13%	0%	58%	0%	30%	100%
Seafood	5%	4%	38%	38%	58%	58%
Fruit and Veg	1%	9%	45%	72%	54%	19%
Textiles	12%	36%	46%	40%	42%	24%
Garments	28%	68%	17%	24%	55%	8%
Bicycles	3%	50%	38%	0%	59%	50%
Automobile Parts	9%	0%	27%	0%	64%	100%
Agricultural Machinery	26%	5%	15%	35%	59%	60%
Electronics	18%	52%	25%	6%	57%	42%
JV	7%	30%	28%	29%	65%	41%
SOE	15%	32%	37%	35%	48%	33%
Other	6%	35%	27%	27%	67%	38%

Table 15 presents the results from questions about after sales service and product quality. Only 19 enterprises reported that they provided no written guarantee of product reliability and quality. Of these, three were garment and six were textile enterprises. All ten joint-venture enterprises said they gave such guarantees.

After-sales services, in some form or other, were provided by almost two thirds of the enterprises, these mostly came from the mechanical engineering and electronics enterprises. The limitations of foodstuff enterprises to provide after sales service is understandable. The failure of 30 and 60 percent of garments and textiles enterprises to provide the service, coupled with their limited guarantees is indicative of their employment of subcontract operations. Only 62 percent of state enterprises offered this service.

Enterprises rated the quality of their products relative to domestic competitors and imports as follows:

1. Much higher quality
2. Somewhat higher
3. About the same
4. Somewhat lower
5. Much lower

The averages of these answers are presented in Table 15. The enterprises surveyed considered their products to be “somewhat higher” in quality to the Vietnamese average, and even marginally better than average compared to imports. The foodstuff producers thought particularly highly of their products, but that the import comparison number is less than the domestic producer’s comparison may be due to data errors. Certainly, the survey shows no pervasive lack of confidence in the quality of products produced - even in the mechanical engineering sector with its antiquated technology. The quality averages were remarkably similar across forms of enterprise ownership.

Enterprises were also asked to give an indication of constraints on their product quality. Half of all surveyed enterprises cited old technology and the low quality of material inputs for their problems. Understandably, the largest problems with regard to lack of technology were in seafood, bicycles and agricultural machinery. While 44 enterprises said they suffered from a lack of skilled workers, only 7 (27 percent) of electrical enterprises said this was a problem - which suggests relatively simple assembly operations. Weak organisation was a quality-related problem in 32 enterprises, half of which were in the textile and garments sector. Joint ventures reported almost no problems constraining their product quality.

**Table 15: Product Quality and Services**

(numbers of enterprises)

	Coffee	Rice	Seafood	Fruit and Veg	Textiles	Garments	Bicycles	Auto. Parts	Agricultural Machinery	Electronics	Total
Total	7	9	12	11	27	20	10	13	11	26	146
Of which :											
1. Provide quality	7	6	11	10	21	17	9	12	11	25	129
2. Provide after sales	1	4	0	6	16	6	10	11	10	25	89
Product quality index,											
1. Vietnamese	2.4	2.5	2.3	2.3	2.2	1.8	1.9	2.6	2.1	1.8	-0.1
2. Imported products	3.0	3.5	3.5	3.3	3.2	2.4	3.1	3.4	3.5	3.1	-0.1
Quality problems ( numbers of enterprises citing these as problems )											
1. Old technology	3	2	11	4	18	6	7	4	10	8	73
2. Weak organization	0	0	4	1	10	7	2	2	3	3	32
3. Lack of	1	0	4	3	10	5	3	3	8	7	44
4. Low quality of	3	5	9	2	17	9	4	4	4	10	67
5. Other reasons	0	1	0	0	1	3	2	0	2	2	11

By form of enterprise ownership:

	JV	SOE	Other	Total
Total	10	111	25	146
Of which :				0
1.Provider quality guarantee	10	102	17	129
2. Provide after sales services	7	69	13	89
Product quality index, compared to :				0
1. Vietnamese competition	2.2	2.2	2.0	-0.1
2. Imported products	2.8	3.2	3.0	-0.1
Quality problems				
1. Old technology	2	65	6	73
2. Weak organization	0	25	7	32
3. Lack of appropriately skilled workers	0	39	5	44
4. Low quality of material and inputs	1	55	11	67
5. Other reasons	0	10	1	11

Old technology is the main reason why the quality of the products is insufficient compared to competitors products. The low quality of materials and inputs is also a factor that contributes to this deficit. The concern about old technology leads to an investigation of the research and development that is taking place. High proportions of enterprises also provided quality guarantees.

A surprising 69 percent of both state and non-state enterprises surveyed reported that they have their own capacity to “research and develop (R&D) new products or to make major improvement to existing products”. Most enterprises across the nine subsectors reported this capacity, particularly those in textiles and garments (both 80 percent), where product changes are relatively frequent and those in mechanical engineering industries.

Slightly over one-half of the enterprises said that they maintained contacts with external R&D institutions. The most commonly mentioned were state R&D organisations and the General Corporations - both of which provided such services also to non-state enterprises. Only 31 enterprises reported contacts with foreign R&D institutions (14 were in textiles and garments); which meant that only 19 percent of state, and 25 percent of non-state enterprises had such contacts. This is possibly an area for more attention, with a view to developing policies to foster exchanges between Vietnamese organisations and foreign R&D institutions.

## Chapter 6: Research and Development

The quality of R&D services being provided to the Vietnamese enterprises was generally considered good. This is reflected in the averages produced from the following ranking scores:

1. High quality of services provided
2. Medium quality
3. Low quality

The non-state sector, however, was more impressed with the quality of its R&D services (score 1.5), than was the state sector (1.8).

**Table 16: Research and Development (R&D)**

(numbers of enterprises)

	Coffee	Rice	Seafood	Fruit and Veg	Textiles	Garments	Bicycles	Auto. Parts	Agricultural Machinery	Electronics	Total
Total enterprises	7	9	12	11	27	20	10	13	11	26	146
of which :											
Number with own R&D capacity	3	4	6	9	22	16	6	10	8	16	100
Number with external R&D contacts	4	4	7	6	16	8	7	6	6	17	81
These being :	1	2	2	3	11	5	5	4	2	8	43
1. Universities											
2. General Corptns.	2	1	4	5	12	8	7	4	5	7	55
3. Other state	1	2	4	3	12	6	7	5	5	5	50
4. Foreign	1	1	3	2	9	5	1	1	0	8	31
5. Other	0	1	1	0	4	0	1	3	1	5	16
Index of R&D service quality	1.7	2.4	1.7	1.7	1.7	1.9	1.7	1.3	1.6	1.7	

By form of enterprise ownership:

	JV	SOE	Other	Total
Total enterprises	10	111	25	146
of which :				
Number with own R&D capacity	6	77	17	100
Number with contract to external R&D institutions	8	62	11	81
These being :				
1. Universities	1	37	5	43
2. General corporations	3	48	4	55
3. Other state	2	44	4	50
4. Foreign	3	22	6	31
5. Other	3	10	3	16
Index of R&D service quality	1.5	1.8	1.5	

The majority of enterprises introduced new products in the previous two years across all sectors. Foodstuff enterprises were the least innovative, as may be expected, there were no new products tried in the coffee industry and rice was also very low, with less than half of the enterprises having tried new products since 1996. Agricultural machinery and the fruit and vegetable enterprises were very experimental with new products, as were electronics, garments and textiles, and the mechanical engineering enterprises. The disappointment was in automobile parts construction, where a relatively small number of enterprises had tried new products. Only 70 percent of joint-ventures had introduced new products, compared to 77 percent of state enterprises, although this is probably because the joint ventures are themselves very new.

The main reasons for the changes were increased domestic competition, requests from major customers, and “response to changing consumer demands” - the last two factors overlapping somewhat. The majority of enterprises reported these reasons for change, more than half of whom attributed it to being their most important reason for the change, these include fruit and fruit and vegetables, textiles, garments, bicycles and automobile parts. The results across forms of enterprises ownership were generally similar.

Increased competition from imports was cited as a reason for change by 65 (44 percent) enterprises, including 82 percent of agricultural machinery production, and 70 percent of textile enterprises (probably a reference to competition from other international suppliers rather than imports to Vietnam as such). Cooperation with Vietnamese or foreign enterprises was a reason cited by some enterprises - most of which were state enterprises. Such “cooperation” did not seem to be a feature of the non-state sector, although it was much less important than the stimulus for change from domestic and foreign competition.

The introduction of the new products was generally considered to be “successful” as indicated by the reported averages from the following:

1. unsuccessful new product
2. fairly successful
3. successful
4. too early to tell

**Table 17: New Products**

	Coffee	Rice	Seafood	Fruit and Veg	Textiles	Garments	Bicycles	Auto. Parts	Agricultural Machinery	Electronics	Total
Total	7	9	12	11	27	20	10	13	11	26	146
% with new products since 1996	0%	44%	67%	91%	81%	80%	80%	62%	91%	85%	
Reasons for product innovations (number of enterprises)											
1. Domestic competition	1	5	6	7	18	13	8	9	7	18	92
2. Import competition	0	2	0	4	17	7	7	7	7	14	65
3. Major customers	1	4	8	6	21	14	7	9	9	13	92
4. Response to changing consumer demands	0	3	8	9	22	15	7	8	8	18	98
5. Cooperation with other Vietnamese enterprises or individuals	0	1	1	4	7	2	5	1	2	5	28
6. Cooperation with foreign enterprises or individuals	0	0	1	1	9	4	1	1	1	7	25
7. Other	0	1	1	0	0	0	0	0	2	1	5
Index of innovation success	4.0	2.4	2.8	3.2	2.9	2.6	2.6	2.8	2.8	2.9	0.2

	Coffee	Rice	Seafood	Fruit and Veg	Textiles	Garments	Bicycles	Auto. Parts	Agricultural Machinery	Electronics	Total
Reasons for product improvement (number of enterprises)	2	5	7	8	23	17	7	8	9	19	105
1. Domestic competition											
2. Import competition	2	2	1	4	19	10	7	7	9	14	75
3. Major customers	4	4	10	8	23	15	7	9	7	19	106
4. Response to changing consumer demands	4	4	9	10	24	18	7	8	9	22	115
5. Cooperation with other Vietnamese enterprises or individuals	0	1	1	2	5	4	4	2	2	4	25
6. Cooperation with foreign enterprises or individuals	0	0	1	0	7	5	1	1	1	8	24
7. Other	0	0	1	1	0	0	0	0	2	0	4

---

By form of enterprises ownership:

	JV	SOE	Other	Grand Total
Total	10	111	25	146
% with new products since 1996	70%	77%	64%	
Reasons for product innovations (number of enterprises)	6	75	11	92
1. Domestic competition				
2. Import competition	5	51	9	65
3. Major customers	4	75	13	92
4. Response to changing consumer demands	5	77	16	98
5. Cooperation with other Vietnamese enterprises or individuals	2	23	3	28
6. Cooperation with foreign enterprises or individuals	3	19	3	25
7. Other	0	5	0	5
Index of innovation success	2.7	2.8	3.1	0.2
Reasons for product improvement(number of enterprises)	8	82	15	105
1. Domestic competition				
2. Import competition	4	61	10	75
3. Major customers	8	81	17	106
4. Response to changing consumer demands	7	88	20	115
5. Cooperation with other Vietnamese enterprises or individuals	1	20	4	25
6. Cooperation with foreign enterprises or individuals	2	19	3	24
7. Other	1	3	0	4

Sources of information about exporting were fairly similar in importance across sectors and forms of ownership. The VCCI stood out as the most commonly used source of such information in March 1998, with 100 (59 percent) enterprises reporting to use it. The General Corporations were also frequently used as an information conduit, particularly for the machine engineering enterprises. Vietnamese export companies were important information sources for 26 of the 52 food processing enterprises, and almost all textile and garments enterprises noted that their foreign customers were the main source of their export information.

**Table 18: Information sources for Exporting**

(percentages of positive answers, by sectors)

for present day

	Coffee	Rice	Seafood	Fruit and Veg	Textiles	Garments	Bicycles	Automobile Parts	Agricultural Machinery	Electronics
Foreign newspapers & magazines	29%	22%	58%	55%	59%	50%	30%	38%	36%	73%
VCCI	71%	44%	75%	64%	67%	85%	70%	38%	45%	54%
General corporation	14%	67%	58%	45%	63%	40%	80%	31%	36%	46%
Vietnam embassy trade officials	0%	33%	0%	0%	11%	30%	10%	0%	27%	8%
Vietnamese export companies	43%	67%	75%	36%	44%	45%	50%	8%	18%	27%
Foreign suppliers	29%	33%	25%	45%	59%	65%	30%	31%	18%	69%
Foreign customers	71%	67%	100%	55%	85%	95%	60%	23%	64%	38%
Foreign sales agents	0%	33%	8%	18%	26%	30%	10%	8%	27%	31%
Joint venture partners	14%	11%	8%	27%	15%	30%	20%	46%	27%	42%
Other sources	14%	11%	0%	0%	4%	0%	0%	0%	0%	4%

	JV	SOE	Other
Count of Sector	10	111	25
Foreign newspapers & magazines	60%	50%	52%
VCCI	40%	68%	44%
General corporation	40%	56%	24%
Vietnam embassy trade officials	0%	14%	12%
Vietnamese export companies	30%	42%	32%
Foreign suppliers	30%	50%	44%
Foreign customers	60%	67%	68%
Foreign sales agents	0%	22%	32%
Joint venture partners	90%	24%	8%
Other sources	0%	4%	0%

for future

	Coffee	Rice	Seafood	Fruit and Veg	Textiles	Garments	Bicycles	Automobile Parts	Agricultural Machinery	Electronics
Count of Sector	7	9	12	11	27	20	10	13	11	26
Foreign newspapers & magazines	57%	22%	83%	27%	70%	70%	50%	15%	55%	65%
VCCI	71%	44%	83%	36%	63%	80%	70%	23%	55%	50%
General corporation	43%	44%	50%	27%	56%	40%	80%	23%	45%	46%
Vietnam embassy trade officials	43%	22%	25%	18%	37%	45%	40%	8%	55%	23%
Vietnamese export companies	29%	56%	75%	36%	48%	50%	60%	15%	55%	35%
Foreign suppliers	29%	22%	58%	27%	56%	70%	60%	15%	45%	58%
Foreign customers	57%	56%	92%	45%	70%	80%	70%	15%	64%	50%
Foreign sales agents	14%	33%	25%	18%	44%	40%	60%	15%	45%	35%
Joint venture partners	14%	22%	17%	18%	33%	30%	60%	23%	36%	42%
Other sources	14%	0%	8%	9%	4%	5%	0%	0%	9%	4%

## ***Chapter 7: Costs and Productivity***

Table 19 shows the measures of productivity, in which there are a number of technical errors. Firstly, of the firms that answered the questionnaires the textiles and garments firms were production firms, while the foodstuff firms were for the most part, packaging the produce and exporting it or selling on the domestic market. Most enterprises were at different stages of production. It would only be accurate to compare different enterprises that are at the same stage of production.

Second, the labour and capital productivity indicators would be more accurate if raw materials were subtracted from total sales. This cannot be done as the information given by the firms is inaccurate as no firms were willing to divulge this kind of information accurately. In some cases the raw materials exceed total sales.

Furthermore the wage bill is vastly different from the labour costs for a firm, therefore any information about wages should be treated cautiously.

The labour productivity indicators have a very wide range because they do not take account of the workers in the field for the food production or the stage of production that the enterprise is at. Rice and fruit and vegetable production for example were very high, this was mainly due to the nature of these enterprises, which is as a distributor of rice or fruit and vegetables rather than as a producer.

The merits of the electronics companies also cannot be accurately assessed as they are mostly producing parts of the final product that is assembled elsewhere. Agricultural machinery's labour productivity also looks to be accurate and it is less than those for textiles and garments. This could be attributed to the textiles and garment enterprises giving high priority to research and development. These enterprises also had a relatively younger stock of machinery and most of the machinery was imported.

The labour productivity of JVs is remarkably higher than that for other forms of enterprises. This could be a result of these enterprises having higher quality machinery. It could also be a result of the JVs ability to attract better labour skills.

Capital productivity is unreasonable for the fruit and vegetable enterprises, this could be due to either an underestimation of their capital, or due to the nature of these enterprises. There is only a limited amount of capital needed to export local produce.

Agricultural machinery and the production of automobile parts, both have very low capital productivities, but understandably so. These are both machinery intensive subsectors and have indicated that they do not have an abundance of modern machinery, or research and development. Poor capital productivity is not necessarily a problem in Vietnam as it usually allows for more employment. Electronics would be expected to have a high capital productivity, as is seen in Table 19: Capital productivity.

**Table 19: Measures of efficiency**

Labour productivity by sectors

	Coffee	Rice	Seafood	Fruit and Veg	Textiles	Garments	Bicycles	Automobile Parts	Agricultural Machinery	Electronics
Labour productivity (million dong)	696	1,215	498	1,556	72	74	154	115	47	696
Total sales 96 (million dong)	666,587	806,211	1,378,195	3,370,069	10,202,859	15,751,63	197,250	8,3225	121,438	2,297,128
Export share of sales	78%	62%	88%	59%	42%	96%	74%	2%	28%	42%
Wage bill as a % of sales	1.3%	0.5%	0.3%	0.8%	1.4%	2.2%	0.7%	2.2%	1.6%	1.0%
Average worker salary (1000dong)	700	668	610	698	792	723	479	813	677	1,089

Labour productivity: For Status

	JV	SOE	Other
Labour productivity (million dong)	2579	352	167
Total sales 96 (million dong)	3,720,347	8,443,610	8,534,168
Export share of sales	30%	68%	72%
Wage bill as a % of sales	0.1%	1.2%	2.3%
Average worker salary (1000dong)	1229	683	926

Capital productivity: For sector

	Coffee	Rice	Seafood	Fruit and Veg	Textiles	Garments	Bicycles	Auto. Parts	Agr. Machinery	Electronics	Total
Total sales 96	666,587	806,211	1,378,195	3,370,069	10,202,859	1,575,163	197,250	83,225	121,438	2,297,128	1,604,529
Capital	453,056	179,934	410,717	122,106	3,280,214	349,482	60,123	859,060	190,934	1,063,582	470,241
Capital Productivity	147%	448%	336%	2760%	311%	451%	328%	10%	64%	216%	300%

Capital productivity: For Status

	JV	SOE	Other	Total
Total sales 96	3,720,347	8,443,610	8,534,168	20,698,125
Capital	1,242,357	3,628,142	2,098,711	6,969,210
Capital Productivity	299%	233%	407%	300%

Proportions of costs: For sector

	Raw Materials (Million VND)	Contribution to Government (Million VND)	Total Sales 96 (Million VND)	Number of Employees	Raw Materials as % total sales	Contribution to Government as % total sales	Contribution to government per employee (Million VND)
Coffee	98,366	24,620	666,587	2,199	14.8%	3.7%	11
Rice	234,590	26,857	806,211	1,708	29.1%	3.3%	16
Seafood	644,766	29,177	1,378,195	5,853	46.8%	2.1%	5
Fruit and Veg	29,451	18,725	3,370,069	1,851	0.9%	0.6%	10
Textiles	1,339,101	114,602	10,202,859	30,874	13.1%	1.1%	4
Garments	201,896	14,656	1,575,163	23,270	12.8%	0.9%	1
Bicycles	12,294	11,769	197,250	1,270	6.2%	6.0%	9
Auto	43,927	11,461	83,225	2,012	52.8%	13.8%	6
Agricultural Machinery	105,163	18,199	121,438	3,019	86.6%	15.0%	6
Electronics	1,000,748	140,303	2,297,128	4,713	43.6%	6.1%	30

### Distribution of running costs: For sector

	Total costs Million VND	Running costs including fuel and power	Fees and tax cost	Wage bill	Raw material
Coffee	231,213	46.2%	10.6%	0.6%	42.5%
Rice	464,910	43.6%	5.8%	0.2%	50.5%
Seafood	768,178	12.0%	3.8%	0.3%	83.9%
Fruit and Veg	95,855	48.5%	19.5%	1.2%	30.7%
Textiles	2,419,068	38.9%	4.7%	1.0%	55.4%
Garments	546,720	57.4%	2.7%	3.0%	36.9%
Bicycles	30,532	20.1%	38.5%	1.1%	40.3%
Auto	79,087	29.2%	14.5%	0.8%	55.5%
Agricultural Machinery	152,143	17.7%	12.0%	1.2%	69.1%
Electronics	1,313,961	12.8%	10.7%	0.4%	76.2%

### Value Added: For sector

	Total Sales 1996 Million VND	Total costs Million VND	Value added Million VND	Number of workers	Value added/worker Million VND
Coffee	666,587	231,213	435,374	2,199	198
Rice	806,211	464,910	341,301	1,708	200
Seafood	1,378,195	768,178	610,017	5,853	104
Fruit and Veg	3,370,069	95,855	3,274,214	1,851	1,769
Textiles	10,202,859	2,419,068	7,783,791	30,874	252
Garments	1,575,163	546,720	1,028,443	23,270	44
Bicycles	197,250	30,532	166,718	1,270	131
Auto	83,225	79,087	4,138	2,012	2
Agricultural Machinery	121,438	152,143	-30,705	3,019	-10
Electronics	2,297,128	1,313,961	983,167	4,713	209

The proportion of raw materials to total sales was very low for the fruit and vegetable industry (0.9 percent). This is indicative of there being little need for raw materials to export and distribute the products, but does not explain why such a large number of raw materials are needed to sell rice (29.1 percent).

The proportions of taxation contributions from the total sales was markedly higher for the automobile parts (13.8 percent), the agricultural machinery (15 percent) and to a lesser extent (6.1 percent) the electronics industry. This is also the case in the table showing the distribution of costs within the firm, where the automobile parts industry paid a far greater amount of tax .

Power costs given in the survey are very large and any data derived from them should be treated with some caution. Similarly, expect that wage bills under represent the actual situation.

The highest value added (refer to Table 19: Value Added) was seen in the fruit and vegetable industry. This is a result of these enterprises being similar to trading companies and therefore requiring little input to produce a large output, unless the previous stage of production is included in the equation. The negative value added for the agricultural machinery enterprises is a result of the questionnaires being completed in such a way as to avoid tax and is clearly incorrect. Again the textiles and garments industries data is the closest to accurate. The value added for textiles was very high, as was the value added per capita, this reflects the high productivity of labour in these enterprises and indicates that they may be more efficient than garment enterprises.

When we look at the input costs as a percentage of total sales, we can safely assume that those that exceed 100 percent are inaccurate, refer to Table 20. Given that the electronics enterprises appear to have the highest input costs per unit of sales, at 53 percent, it is interesting that they also were one of the most confident about the quality and quantity of their inputs. Electronics does not face the problems of high or variable prices of inputs as do the fruit and vegetable or bicycle enterprises.

It is conceivable that there will always be a certain level of uncertainty in the foodstuff industry when it comes to purchasing inputs. The fact, however, that a large number of bicycle enterprises mentioned they had problems with unstable prices (80 percent), high prices (70 percent) and unstable quality (40 percent) is cause for concern.

While JVs pay nine percent of their total sales for inputs, SOEs pay 36 and co-operatives and private companies pay 53 percent. This is perhaps more indicative of tax evasion efforts than of outstanding cost cutting efforts by the JVs. It is worth noting though that JVs were more pleased than others with the quality and quantity of inputs, while they were the least pleased with unstable quantities and the seasonal nature of supply.

Overall the survey found that the majority of firms are unhappy with unstable quantities of supply and a good number of them are concerned with the quality and quantity of inputs, their variable quantity and high prices. This is perhaps an area that needs to be looked into.

**Table 20: Material inputs**

	Coffee	Rice	Seafood	Fruit and Veg	Textiles	Garments	Bicycles	Auto. Parts	Agricultural Machinery	Electronics
Number of enterprises	7	9	12	11	27	20	10	13	11	26
Raw material	98,366	234,590	644,766	29,451	1,339,101	201,896	12,294	43,927	105,163	1,000,748
Sales 97	620,028	1,009,66	1,299,430	4,707,760	3,254,431	1,750,727	81,360	11,595	99,410	1,873,244
Input cost as % of sales	16%	232%	50%	1%	41%	12%	15%	38%	106%	53%
% of Positive Answers										
quantity and quality	43%	33%	25%	36%	56%	35%	40%	46%	27%	50%
high prices	0%	44%	75%	64%	63%	25%	70%	54%	73%	50%
unstable quantities	29%	33%	83%	55%	33%	40%	80%	46%	64%	35%
unstable quality	29%	56%	75%	36%	52%	25%	40%	23%	55%	35%
seasonal nature of supply	29%	33%	83%	64%	15%	30%	30%	8%	18%	15%
restrictions on importing	0%	11%	8%	9%	33%	25%	50%	31%	18%	19%
restrictions on access to foreign exchange	0%	11%	25%	27%	30%	35%	20%	54%	0%	27%
not allowed to choose other domestic suppliers	0%	0%	0%	18%	7%	5%	0%	8%	9%	4%
poor transportation arrangements	0%	11%	50%	27%	11%	5%	30%	23%	0%	8%
other, specify	14%	0%	8%	9%	7%	10%	0%	0%	18%	12%

Data	JV	SOE	Other
Number of enterprises	10	111	25
Raw material	519,886	2,615,191	575,224
Sales 97	5,481,536	7,337,552	1,084,218
Input cost as % of sales	9%	36%	53%
% of Positive Answers			
quantity and quality	30%	40%	56%
high prices	30%	56%	48%
unstable quantities	70%	48%	32%
unstable quality	40%	43%	36%
seasonal nature of supply	60%	30%	12%
restrictions on importing	20%	22%	28%
restrictions on access to foreign exchange	30%	21%	48%
not allowed to choose other domestic suppliers	10%	5%	4%
poor transportation arrangements	20%	15%	12%
other, specify	0%	9%	8%

A large proportion of enterprises cited the shortage of good quality, reliable inputs as a limitation of the quality of their products. The main causes of this include high prices of inputs, unstable quality and quantity to be a problem. This is an area that needs further investigation.

The following input tables are to be analysed tentatively as it is unlikely that enterprises gave the correct details about their input expenses, in particular power costs.

**Table 21: Average shares of Operational Costs**

For sector (as a % of total)

	Coffee	Rice	Seafood	Fruit and Veg	Textiles	Garments	Bicycles	Auto. Parts	Agricultural Machinery	Electronics
Power	8.9%	7.0%	41.3%	12.9%	27.0%	25.0%	39.8%	5.8%	27.5%	11.0%
Fuel	9.7%	18.2%	4.3%	14.1%	23.3%	7.7%	8.4%	2.5%	14.7%	4.4%
Advertising/marketing	5.7%	5.1%	2.0%	13.3%	2.5%	1.4%	4.2%	25.5%	1.8%	11.0%
Research & development	0.0%	0.0%	0.2%	2.7%	0.3%	0.1%	1.1%	4.6%	0.7%	5.3%
Transportation	7.5%	20.3%	12.3%	12.6%	17.4%	3.9%	1.1%	15.2%	0.0%	3.9%
Maintenance and repair	4.3%	5.9%	5.7%	6.8%	5.4%	6.7%	8.5%	1.1%	4.6%	4.6%
Consultants	0.0%	0.0%	0.1%	0.1%	0.2%	0.2%	0.2%	6.8%	0.1%	2.3%
Labour recruitment	0.0%	0.1%	0.1%	4.0%	0.0%	0.5%	0.0%	0.7%	0.0%	6.8%
Training	0.5%	0.2%	0.2%	0.7%	0.4%	1.6%	0.9%	1.4%	0.4%	2.7%
All insurance costs	6.4%	2.7%	1.7%	7.0%	3.2%	18.5%	26.9%	8.5%	12.5%	4.8%
Communications	2.8%	1.1%	2.9%	6.1%	1.2%	5.4%	0.8%	5.5%	2.9%	8.9%
Renters and leases of land, building	0.4%	9.8%	3.1%	11.1%	3.6%	8.9%	3.3%	7.3%	6.3%	18.2%
Agricultural Machinery										
Interest payments on loans	54.0%	29.6%	26.2%	8.8%	15.6%	20.0%	4.8%	15.1%	28.5%	16.3%
Number of enterprises that answered	7	9	12	11	27	20	10	13	11	26
Total (million Dong per enterprise)	10,712	42,408	50,693	22,370	607,413	62,692	2,854	15,737	23,673	98,063

With regard to the taxes paid by enterprises, it is interesting to note the high amounts paid in import taxes. The bicycle and agricultural machinery enterprises are both paying 74 percent of their entire tax bills in import taxes. The implications of Vietnam joining the ASEAN and lowering such barriers will have an impact on enterprises such as these. It will most likely encourage them to import more of their inputs.

**Table 22: Fees and Taxes**

For Sector (as a % of total)

	Coffee	Rice	Seafood	Fruit and Veg	Textiles	Garments	Bicycles	Auto. Parts	Agricultural Machinery	Electronics
Turnover tax	36%	63%	28%	41%	63%	12%	12%	20%	16%	46%
Profit tax	30%	18%	5%	24%	10%	41%	1%	3%	4%	6%
Property tax	5%	4%	2%	3%	6%	17%	4%	1%	2%	2%
Import tax	24%	13%	48%	13%	11%	19%	74%	61%	74%	43%
License and registration fees	0%	0%	9%	1%	0%	3%	7%	4%	0%	0%
Other	5%	2%	8%	18%	10%	8%	2%	11%	4%	2%
Total contribution to Government	24,620	26,857	29,177	18,725	114,602	14,656	11,769	11,461	18,199	140,303

For Status (as a % of total)

	JV	SOE	Other
Turnover tax	46%	42%	63%
Profit tax	3%	15%	6%
Property tax	2%	5%	2%
Import tax	43%	29%	26%
License and registration fees	1%	2%	0%
Other	5%	7%	3%
Total contribution to Government	100,109	265,237	45,023

## Chapter 8: Employment, Management and Remuneration

Employment details in Table 23 indicate that the except for some seasonal employment in the foodstuffs enterprises, at least 80 percent of employees were employed on a full time basis. Despite having high numbers of full time employees there was no trend for firms to have a lower ratio of unskilled to skilled workers in 1997 than in 1994. This ratio increased for JVs between 1994 and 1997, as it did for SOEs. The ratio of unskilled to skilled workers decreased markedly for co-operatives and private companies, although they were still worse in 1997 than they ever were for JVs or SOEs in this period.

**Table 23: Employment (as a % of total)**

	Number of enterprises that answered 1994	Full time Employees 1994	Average per enterprise in 1994	Number of enterprises that answered in 1997	Full time Employees 1997	Average full time employees per enterprise 1997	Part time Employees 1994	Average part time employees per enterprise in 1994	Part time Employees 1997	Average part time employees per enterprise in 1997	Average of Unskilled/Skilled workers in 1994	Average of Unskilled/Skilled workers in 1997
Coffee	4	2,122	88%	4	2,199	80%	600	12%	822	20%	0.2	0.2
Rice	6	1,218	98%	9	1,708	85%	74	2%	820	15%	1.3	1.5
Seafood	10	5,514	66%	12	5,853	66%	4,647	34%	4,503	34%	3.7	2.3
Fruit and Veg	8	1,582	76%	11	1,851	72%	1,320	24%	1,914	28%	0.6	0.7
Textiles	21	27,477	99%	24	30,874	95%	435	1%	1,098	5%	0.2	1.8
Garments	12	11,656	100%	19	23,270	97%	0	0%	807	3%	0.2	0.9
Automobile Parts	9	1,385	97%	13	2,012	92%	52	3%	182	8%	0.1	0.2
Bicycles	7	734	96%	10	1,270	100%	50	4%	0	0%	0.0	1.5
Agricultural Machinery	7	2,273	83%	10	3,019	86%	1,055	17%	925	14%	0.2	0.2
Electronics	17	3,944	91%	24	4,713	89%	358	9%	278	11%	1.1	1.4
JV	4	585	73%	10	3,754	90%	60	27%	145	10%	0.0	0.4
SOE	86	54,962	91%	103	67,550	89%	8,342	9%	10,340	11%	0.6	0.9
Other	11	2,358	92%	23	5,465	82%	189	8%	864	18%	3.4	2.6

**Table 24a: Average salaries per enterprise**

(average of salaries paid to skilled and unskilled workers)

	Managers	Other administrative	Skilled workers	Unskilled workers
Coffee	879	800	700	550
Rice	1,088	642	622	410
Seafood	2,143	670	640	510
Fruit and Veg	1,376	675	698	434
Textiles	2,312	760	1,058	541
Garments	2,515	654	1,251	547
Bicycles	1,139	440	520	434
Automobile parts	1,983	950	813	509
Agricultural machinery	936	700	677	506
Electronics	2,276	1,085	1,314	656
JV	4,400	1,664	1,612	876
SOE	1,494	654	858	474
Other	2,647	824	951	587
Average of all	1,886	765	909	526

**Table 24b: Total and average salaries per worker**

Sector	Total wage bill	Total wage bill per enterprise for unskilled workers	Total salary for skilled workers	Number of Skilled workers	Average Salary for skilled worker	Total wage bill per enterprise for unskilled workers	Total salary for unskilled workers	Unskilled workers	Average Salary for unskilled worker
Coffee	213,579	207,636	1,453,450	2,133	681	5,943	41,600	77	540
Rice	62,404	59,248	533,231	668	798	3,156	28,400	1,229	23
Seafood	140,107	100,604	1,207,250	2,975	406	39,503	474,040	1,159	409
Fruit and Veg	139,295	118,555	1,304,104	2,002	651	20,740	228,140	485	470
Textiles	838,217	747,369	20,178,977	23,751	850	90,848	2,452,905	5,317	461
Garments	473,246	400,679	8,013,577	10,149	790	72,567	1,451,348	2,812	516
Bicycles	23,936	15,816	158,160	578	274	8,120	81,200	359	226
Automobile parts	52,428	46,995	516,949	1,019	507	5,433	59,762	137	436
Agricultural machinery	150,535	137,169	1,783,195	2,690	663	13,366	173,754	320	543
Electronics	146,527	108,976	2,833,386	2,348	1,207	37,551	976,328	1,303	749
JV	72,915	62,925	629,246	352	1,788	9,990	99,898	134	746
SOE	365,174	325,634	36,145,360	45,697	791	39,540	4,388,916	9,817	447
Other	107,454	48,307	1207,673	2,264	533	59,147	1,478,663	3,247	455
Total	301,026	260,153	37,982,279	48,313	786	40,873	5,967,478	13,198	452

Table 24a gives an indication of the average salary that an enterprise pays its workers, this is derived as an average of the skilled and unskilled wages and does not take account of the proportions of workers in each area. Table 24b shows the average salary per worker per month, and is divided by the industries as a means of comparison. These different ways of calculating the average salary illustrate the limitations of the salary structure to reward skilled workers. There is very little differential between the wages of the skilled and unskilled workers. This explains the inability of many enterprises to attract skilled workers. Often one of the factors in their favour is the lack of alternative places for skilled workers to find work. The low incomes for skilled workers are subsidised by the extra bonuses that they are paid. Enterprises rarely keep records of these extra payments, and if they do are unwilling to have them printed. Reported wages are the amounts that the government rules firms should pay.

Table 24b also gives an indication of the total wage bills in each enterprise. These are calculated as an average for the enterprise, and are derived in various ways as the surveys were very difficult to understand in this area. Some companies quoted in dollars, some in dong, some for the averages and some for the total wage bill. Few enterprises defined the form they reported the wage bill in. According to the table, the textiles enterprises have by far the largest wage bill. This is interesting as in many other ways throughout this report they appear to be one of the most efficient enterprises. The garments industry also had a high wage bill per enterprise.

The coffee industry has a relatively high wage bill, this is indicative of the stage of production that the enterprises surveyed are at, as the numerous unskilled workers used to produce coffee are not taken into account. For this reason the total wage bill for unskilled and for skilled workers are included in the table. It is interesting that 96 percent of the workers in the coffee industry are skilled workers, and therefore 97 percent of the wage bill is paid to skilled workers.

Social insurance payments and health insurance payments are compulsory for state employees. The labour code that was released by the Ministry of Labour, Invalids and Social Affairs in January 1995, stipulates that employers must establish a reserve fund to pay as a loss of employment allowance, and that this must be paid in a timely manner. The amounts to be paid are also stipulated by the government. It is interesting that the employees of joint ventures contribute 28 percent of their wages to social insurance, higher than for either SOEs or co-operatives and private enterprises (as per Table 25), and that they pay exactly the same proportion of their income for health insurance (2.1 percent).

**Table 25 : The Social Safety Net**

For Sector

	Coffee	Rice	Seafood	Fruit and Veg	Textiles	Garments	Bicycles	Auto. Parts	Agricultural Machinery	Electronics
Number of enterprises paying social insurance	7	8	12	11	27	20	10	12	11	26
Reported average % of base salary	15%	16%	17%	15%	20%	28%	14%	17%	16%	17%
Number of enterprises paying health insurance	7	8	12	11	23	19	9	11	11	25
Reported average % of base salary	2.3%	3.0%	2.2%	2.2%	2.4%	3.0%	2.2%	2.4%	3.2%	2.5%

For Status

	JV	SOE	Other
Number of enterprises paying social insurance	10	110	24
Reported average % of base salary	28%	18%	15%
Number of enterprises paying health insurance	10	106	20
Reported average % of base salary	2.1%	2.1%	2.1%

The majority of enterprises cited a shortage of skilled workers as a problem, 72 percent of enterprises stated that this was a problem and 9 percent said this was a severe problem. The most predominant reasons for this is that they are simply not available, and that if they are available their wage demands are too high. 42 percent of enterprises cited the insufficient supply of skilled workers as the reason for their not having enough of them in their company, while 38 percent said wage demands were too high.

**Table 26 : Skilled Workers**

(number of positive answers) For Sector

	Coffee	Rice	Seafood	Fruit and Veg	Textiles	Garments	Bicycles	Auto. Parts	Agr. Machinery	Electronics	Total
Total	7	9	12	11	27	20	10	13	11	26	146
Number of enterprises with skilled worker shortages											0
1. Severe shortages	0	1	2	0	3	0	1	0	1	6	14
2. Some Problems	4	6	8	10	19	17	9	9	7	16	105
3. No shortage	2	2	2	1	3	3	0	4	3	4	24
Reasons for shortages											0
1. Not available	1	2	4	4	19	7	7	4	5	9	62
2. Too high wage demands	2	2	2	3	11	10	8	3	6	9	56
3. Employee and family demands	0	0	0	1	3	4	2	0	1	4	15
4. Government policies	1	1	0	1	5	5	1	0	3	9	26
5. No company training available	1	3	4	5	6	7	3	3	1	7	40
6. Other	0	1	2	0	4	0	0	2	2	0	11

JVs were just as likely to have surplus labour as state enterprises, but overall only 37 percent of enterprises stated that they had surplus workers, which is a positive sign and perhaps there are less than would have been expected. While most of these enterprises said that the problem was due to a shortage of raw materials, most stated that the easiest solution would be to retrench the workers.

**Table 27: Surplus Workers**

(number of positive answers) For Sector

	Coffee	Rice	Seafood	Fruit and Veg	Textiles	Garments	Bicycles	Automobile Parts	Agricultural Machinery	Electronics	Total
Number of enterprises with surplus workers	1	5	3	4	11	3	5	4	4	14	54
Average wage bill share of surplus workers	5.00%	5.00%	9.50%	25.40%	6.64%	1.90%	5.33%	8.25%	10.00%	10.61%	
Reasons for surplus workers :											0
1. Below capacity operation	0	4	1	3	9	3	7	5	3	13	48
2. Lack of raw material	0	3	2	3	15	4	5	5	6	16	59
3. Shortage of fuel or power	0	3	2	2	14	4	6	4	6	16	57
4. Retraining of unskilled worker not available	1	3	1	2	12	4	5	3	5	13	49
5. No funds to retrench them	0	7	2	4	12	4	7	3	2	12	53
6. Unable to dismiss them	1	5	2	4	12	2	7	2	3	14	52
7. Other	0	2	3	3	2	3	0	2	1	8	24
Plans to solve the surplus worker problem:											0
1. Dismiss them	0	6	3	2	10	4	8	6	5	15	59
2. Raise capacity utilization	1	6	1	2	11	3	6	4	3	12	49
3. Reduce shortage of raw materials, fuel or power	1	5	4	2	12	2	6	3	6	15	56
4. Allow the workers to leave temporarily and receive wage at insurance level	0	6	1	2	11	4	7	4	3	13	51
5. Retired and retrenched workers	0	6	1	4	9	3	6	4	4	11	48
6. Send workers on retraining courses	0	3	1	2	12	3	7	2	4	15	49
7. Other solutions	0	1	2	3	5	2	0	2	0	7	22

## For Status

	JV	SOE	Other	Total
Number of enterprises with surplus workers	3	46	5	54
Average wage bill share where surplus workers	7.0%	9.8%	8.0%	
Reasons for surplus workers				
1. Below capacity operation	2	40	6	48
2. Lack of raw material	0	50	9	59
3. Shortage of fuel or power	0	49	8	57
4. Retraining of unskilled worker not available	0	40	9	49
5. No funds to retrench them	0	47	6	53
6. Unable to dismiss them	1	44	7	52
7. Other	2	19	3	24
Plans to solve the surplus worker problem				
1. Dismiss them	0	52	7	59
2. Raise capacity utilization	1	41	7	49
3. Reduce shortage of raw materials, fuel or power	0	47	9	56
4. Allow the workers to leave temporarily and receive wage at insurance level	0	45	6	51
5. Retire and retrench the workers	1	44	3	48
6. Send workers on retraining courses	0	42	7	49
7. Other solution	2	17	3	22

The survey shows that performance linked pay is very common, 80 percent of workers (Table 28) in the enterprises were paid according to their performance. The highest priority for employers that paid on an incentive basis was to pay for high quality production, the second highest was to pay for sales volume. This may be part of the reason why most enterprises thought the quality of their outputs was above average.

**Table 28: Performance - linked worker remuneration**

(numbers of positive responses) For Sector

	Coffee	Rice	Seafood	Fruit and Veg	Textiles	Garments	Bicycles	Auto. Parts	Agricultural Machinery	Electronics	Total
Total	7	9	12	11	27	20	10	13	11	26	146
Number of enterprises with performance - linked pay	6	8	9	10	20	18	8	8	9	22	118
Determinants of performance pay :											
1. Sales volume	1	0	0	1	0	5	3	1	4	7	22
2. Production by individual workers	0	1	2	1	1	1	0	0	0	1	7
3. Enterprise production volume	0	1	2	4	5	2	0	0	0	0	14
4. Enterprise production quality	2	6	4	4	13	6	1	6	4	10	56
5. Enterprise profits	3	1	1	1	2	4	3	1	1	3	20
6. Other goals and measures	0	0	0	0	0	0	0	0	0	0	0

## For Status

	JV	SOE	Other	Total
Total	10	111	25	146
Number of enterprises with performance - linked pay	6	96	16	118
Determinants of performance pay :				0
1. Sales volume	2	18	2	22
2. Production by individual workers	0	5	2	7
3. Enterprise production volume	1	8	5	14
4. Enterprise production quality	3	47	6	56
5. Enterprise profits	0	17	3	20
6. Other goals and measures	0	0	0	0

Similarly for managers, incentives to produce high quality goods are reflected in the wages, where 66 percent of the managers are paid according to their performance. There are also incentives for managers to maximise enterprise production and profits. The most incentives were provided to managers in fruit and vegetables, agricultural machinery, rice and garments.

**Table 29 : Performance - linked manager remuneration**

## For Sector

	Coffee	Rice	Seafood	Fruit and Veg	Textiles	Garments	Bicycles	Auto. Parts	Agricultural Machinery	Electronics	Total
Total	7	9	12	11	27	20	10	13	11	26	146
Number of enterprises with performance - linked pay	4	7	6	9	18	17	6	6	8	16	97
Determinants of performance pay :											
1. Sales volume	2	4	5	3	9	10	3	3	6	9	54
2. Production volume	2	4	5	4	10	9	2	3	6	9	54
3. Enterprise production quality	2	4	5	6	11	10	3	3	6	8	58
4. Enterprise production	3	7	6	6	18	14	5	5	9	15	88
5. Enterprise profits	5	5	6	5	11	12	5	4	7	11	71
6. Other goals and measures	0	0	0	0	1	1	0	1	1	1	5

For Status

	JV	SOE	Other	Total
Total	10	111	25	146
Number of enterprises with performance - linked pay	4	81	12	97
Determinants of performance-linked pay:				
1. Sales volume	2	44	8	54
2. Production volume	2	44	8	54
3. Enterprise production quality	2	48	8	58
4. Enterprise production	4	73	11	88
5. Enterprise profits	3	60	8	71
6. Other goals and measures	0	5	0	5

Management of the enterprises surveyed are all relatively new to the companies, and are mostly aged between 40 and 55, refer to Table 30. The youngest managers are in the younger or more innovative industries, coffee and fruit and vegetables. These are also a couple of the most experimental of the industries, they are more willing to undertake research and development.

**Table 30: Management**

For Sector

	Coffee	Rice	Seafood	Fruit and Veg	Textiles	Garments	Bicycles	Auto. Parts	Agricultural Machinery	Electronics
Average age of managers	43.6	46.1	46.9	43.5	49.5	48.7	52.7	46.9	53.9	47.3
Average year of joining enterprises	1993	1991	1990	1993	1992	1987	1986	1988	1990	1991

For Status

	JV	SOE	Other
Average age of managers	46.2	49.4	43.0
Average year of joining enterprises	1994	1990	1989

## Chapter 9: Assets and Liabilities

Assets and liabilities are indicative of the capital that the enterprises hold. The financial assets held by the bicycle producing enterprises are very low, reflecting the simplicity of the production of bicycles compared to the other industries such as textiles with financial assets worth ten times as much as per Table 31.

**Table 31: Assets and Liabilities**

(average percentage shares of enterprises) For Sector

	Coffee	Rice	Seafood	Fruit and Veg	Textiles	Garments	Auto. Parts	Bicycles	Agr. Machy.	Electronics
Total reported value of physical assets (mill. dong)	240,102	157,522	180,033	260,620	3,299,350	13,898,236	5,134,662 (bills, dong)	44,106	146,853	490,104
1. Buildings, land	24.1%	26.9%	38.0%	27.9%	23.7%	34.7%	49.8%	29.2%	34.8%	27.5%
2. Machinery	10.7%	30.5%	35.1%	44.7%	50.5%	49.2%	12.6%	31.1%	33.7%	27.1%
3. Transport equipment	18.5%	5.7%	3.3%	3.2%	2.1%	4.6%	16.0%	4.1%	7.5%	5.1%
4. Raw material, input	20.5%	19.2%	6.7%	13.8%	14.3%	6.7%	6.7%	24.0%	13.1%	21.7%
5. Finished goods	28.0%	17.8%	16.8%	10.4%	9.5%	4.9%	14.8%	11.6%	10.9%	18.6%
Total reported value of Financial assets (mill. Dong)	194,335	24,048	68,162	12,461	408,868	52,799	35,412	4,012	16,182	311,192
Shares of which (%)										
1. Cash and deposits	66.7%	69.8%	62.4%	74.4%	77.3%	82.9%	83.5%	100.0%	90.2%	78.8%
2. Outstanding credits	33.3%	30.2%	37.6%	25.6%	22.7%	17.1%	16.5%	0.0%	9.8%	21.2%
Total reported value of enterprises debts (mill. dong)	433,026	191,518	335,793	35,981	1,847,311	203,480	37,211	10,145	91,826	252,352
Share of which (%) :										
1. Short - term debt	81.9%	94.6%	81.0%	83.3%	55.3%	63.7%	84.1%	59.9%	63.5%	83.8%
2. Long - term debt	18.1%	5.4%	19.0%	16.7%	44.7%	36.3%	15.9%	40.1%	36.5%	16.2%

## For Status

	JV	SOE	Other
Total reported value of physical assets (mill. dong)	529,828	5,151,254,208	1,595,742
Shares of which (%)			
1. Buildings, land	36.9%	30.7%	29.6%
2. Machinery	34.4%	36.1%	35.2%
3. Transport equipment	2.2%	5.0%	10.3%
4. Raw material, input	19.8%	14.0%	14.9%
5. Finished goods	6.7%	14.5%	10.0%
Total reported value of Financial assets (mill. Dong)	227,567	719,158	180,749
Shares of which (%)			
1. Cash and deposits	66.3%	81.1%	77.0%
2. Outstanding credits	33.7%	18.9%	23.0%
Total reported value of enterprises debts (mill. dong)	183,452	2,188,972	1,066,221
Share of which (%) :			
1. Short - term debt	96.5%	70.8%	68.9%
2. Long - term debt	3.5%	29.2%	31.1%

The enterprises surveyed indicate that there is still very little reliance upon financial institutions to provide capital for production. The vast majority of capital and financing of production, even for JVs was derived from the enterprises own retained funds. This is the case in Table 32 and Table 33. The highest dependency on financial institutions for lending money was the garment industry with 44.2 percent of funds borrowed from banks. Government budget support also plays an important role for fruit and vegetable and garment enterprises (29.3 and 23.1 percent respectively, in Table 32).

The bicycle, rice, coffee, agricultural machinery and seafood industries have all relied on self financing to finance production, while the garment industry relied on government and bank loans. From 1990-95 to 1996-97 there was an increased dependency on own retained funds, but there was an equal increase in dependency on banks. This has meant that other sources such as government, loaning from individuals and from other financial institutions has become less important.

**Table 32: Sources of Finance for Production**

( Average relative percentage shares over time) For Sector

	Coffee	Rice	Seafood	Fruit and Veg	Textiles	Garments	Bicycles	Auto. Parts	Agricultural Machinery	Electronics
1990-1995 :										
Number answering of enterprises.	2	5	6	6	18	13	9	8	10	11
1. Own retained funds	50.3	58.2	50.0	51.5	41.1	28.8	54.8	33.7	50.7	46.2
2. Bank loans	39.4	24.0	44.2	5.5	34.3	41.2	28.6	33.9	20.7	22.0
3. Other financial institution loans	0.0	0.0	1.7	0.0	7.6	0.0	5.2	0.6	5.5	0.0
4. Loans from individuals	0.0	0.0	1.7	2.0	1.2	2.3	1.2	1.4	1.1	6.4
5. Government budget support	10.3	9.0	0.0	29.3	7.9	23.1	6.7	11.5	12.4	8.7
6. Credit from suppliers	0.0	6.8	2.5	8.3	6.5	4.3	1.4	11.0	2.0	8.5
7. Other	0.0	2.0	0.0	3.3	1.5	0.3	2.1	7.9	7.7	8.3
1996-1997 :										
Number answering of enterprises.	5	8	11	9	21	17	10	10	11	22
1. Own retained funds	31.0	49.8	42.8	47.8	40.1	36.0	51.0	50.5	46.2	50.4
2. Bank loans	62.6	33.3	47.1	11.4	37.6	30.9	23.2	20.9	25.5	15.0
3. Other financial institution loans	0.3	0.0	0.0	0.0	4.0	2.8	0.9	0.8	6.6	0.0
4. Loans from individuals	1.8	0.0	2.2	3.0	7.2	2.3	1.6	2.3	2.0	5.1
5. Government budget support	4.3	11.6	0.0	26.3	6.1	17.5	8.5	10.5	9.3	7.5
6. Credit from suppliers	0.0	4.1	2.0	3.7	3.4	6.6	2.5	7.7	1.8	12.9
7. Other	0.0	1.3	6.0	7.8	1.6	4.0	12.3	7.3	8.5	9.1

For Status

	JV	SOE	Other
1990-1995:			
Number answering of enterprises.	4	75	9
1. Own retained funds	85.0	37.3	83.9
2. Bank loans	0.0	35.0	0.0
3. Other financial institution loans	0.0	2.0	11.1
4. Loans from individuals	0.0	2.3	0.0
5. Government budget support	0.0	13.5	5.0
6. Credit from suppliers	15.0	5.7	0.0
7. Other	0.0	4.1	0.0
1995-1997 :			
Number answering of enterprises.	9	93	22
1. Own retained funds	60.7	36.4	73.2
2. Bank loans	20.1	33.1	14.0
3. Other financial institution loans	0.0	2.1	1.4
4. Loans from individuals	0.0	3.4	5.0
5. Government budget support	0.0	12.5	3.1
6. Credit from suppliers	15.7	5.0	3.5
7. Other	3.6	7.6	0.0

It is still very difficult for enterprises to obtain finance from a financial institution, and most must rely on finding their own finances. Finance for capital expenditure is also primarily derived from own enterprises retained funds and there is less dependency on bank loans than for financing production. There is also an increasing reliance on own funds and bank funds from the period 1990-95 to 1996-97.

**Table 33: Sources of Finance for Capital Expenditure**

For Sector

	Coffee	Rice	Seafood	Fruit and Veg	Textiles	Garments	Bicycles	Auto. Parts	Agr. Machinery	Electronics
1990-1995										
Number of enterprises answering	2	6	5	8	17	13	7	6	9	11
1. Own retained funds	61.7	83.9	53.2	63.4	37.0	31.9	73.9	55.0	87.0	66.4
2. Bank loans	13.2	1.7	24.8	7.1	38.2	34.8	25.7	20.0	0.0	13.8
3. Other financial institution loans	0.0	0.0	0.0	0.0	5.9	0.0	0.0	6.7	0.0	0.0
4. Loans from individuals	0.0	0.0	0.0	1.5	1.1	0.0	0.0	0.0	0.0	7.3
5. Government budget support	25.1	11.9	0.0	19.6	9.1	27.3	0.0	0.0	10.8	7.5
6. Credit from suppliers	0.0	0.8	22.0	4.4	8.8	5.7	0.0	10.0	1.1	0.3
7. Other	0.0	1.7	0.0	4.0	0.0	0.3	0.4	8.3	1.1	4.8
1995-1997										
Number answering of enterprises.	4	6	9	9	21	18	8	9	9	16
1. Own retained funds	55.1	48.0	62.7	53.8	38.5	45.7	65.1	70.0	87.0	76.5
2. Bank loans	23.4	0.0	24.9	12.4	41.0	34.0	22.3	7.8	3.1	1.6
3. Other financial institution loans	0.0	0.0	0.0	0.0	2.9	3.6	0.0	0.0	0.0	0.0
4. Loans from individuals	0.0	0.0	0.0	3.8	0.3	0.7	0.0	0.0	3.9	3.1
5. Government budget support	20.7	35.3	0.0	25.2	2.7	9.1	0.0	0.0	4.9	12.8
6. Credit from suppliers	0.0	0.0	1.3	3.3	12.0	6.8	0.0	0.0	0.0	0.0
7. Other	0.8	16.7	11.1	1.4	2.6	0.0	12.7	22.2	1.1	6.1

## For Status

	JV	SOE	Other
1990-1995			
Number answering of enterprises.	2	72	10
1. Own retained funds	100.0	51.6	88.9
2. Bank loans	0.0	24.6	0.0
3. Other financial institution loans	0.0	0.6	10.0
4. Loans from individuals	0.0	1.5	0.0
5. Government budget support	0.0	13.3	1.1
6. Credit from suppliers	0.0	6.2	0.0
7. Other	0.0	2.2	0.0
1995-1997			
Number answering of enterprises.	6	85	18
1. Own retained funds	80.8	52.8	76.5
2. Bank loans	15.0	22.7	10.1
3. Other financial institution loans	0.0	1.1	1.7
4. Loans from individuals	0.0	1.6	0.0
5. Government budget support	0.0	10.5	5.6
6. Credit from suppliers	4.2	3.3	6.2
7. Other	0.0	8.0	0.0

All the enterprises surveyed could provide detailed loan data and 58 percent stated that they had sufficient funds for capital investment. As in Table 34, four fifths of JVs had sufficient funds for capital investment, while only around half of the SOEs could find sufficient funds for capital investment.

**Table 34: Reported 1997 liabilities and loans**

For Sector

	Coffee	Rice	Seafood	Fruit and Veg	Textiles	Garments	Bicycles	Auto. Parts	Agr. Machinery	Electronics	Total
Number of enterprises	7	9	12	11	27	20	10	13	11	26	146
Number of enterprises reporting detailed loan data	7	9	12	11	27	20	10	13	11	26	146
Number enterprises with sufficient production funds	3	1	6	7	18	15	6	7	4	18	85
Number enterprises with sufficient capital investment funds	3	1	2	5	15	11	4	3	2	9	55

For Sector

	JV	SOE	Other	Grand Total
Number of enterprises	10	111	25	146
Number of enterprises reporting detailed loan data	10	111	25	146
Number enterprises with sufficient production funds	8	61	16	85
Number enterprises with sufficient capital investment funds	6	40	9	55

## Chapter 10: Competition and Regulation

The data in Table 35 gives the opinions of the enterprises as to whether or not they believe themselves to be operating in a competitive environment.

The index is the average of enterprises replies as follows:

1. Insignificant competition
2. Moderate
3. Severe

It is evident that private enterprises and smuggling represent the greatest sources of competition for all subsectors. The overall feeling is that competition is moderate at least.

**Table 35: Competition**

(Index of responses) \* For Sector

	Coffee	Rice	Seafood	Fruit and Veg	Textiles	Garments	Bicycles	Auto. Parts	Agricultural Machinery	Electronics
How intense is the competition from these ?										
1. SOEs	1.8	2.2	2.4	1.9	1.8	1.8	2.1	2.1	1.8	1.9
2. Private enterprises	1.8	2.5	2.3	2.2	2.1	1.8	2.3	2.5	2.0	2.0
3. Status imports	1.5	1.3	1.3	1.3	2.0	1.5	1.2	2.6	1.9	1.9
4. Smuggling	2.0	1.7	1.4	1.7	2.7	1.9	2.9	2.2	2.7	2.2

\* Index is the average of enterprise replies as follows :

1. Insignificant competition
2. Moderate
3. Severe
- 4.

5. Other sources	3.0	1.0	1.0	1.0	1.7	1.2	3.0	1.6	3.0	2.5
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For Status

	JV	SOE	Other
How intense is the competition from these ?			
1. SOEs	2.0	2.0	1.7
2. Private enterprises	1.8	2.1	2.0
3. Status imports	2.4	1.8	1.7
4. Smuggling	2.3	2.4	1.8
5. Other sources	2.0	2.3	1.3

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Less than half of the enterprises reported having excess stocks, and the reasons that they gave for these levels was predominantly that there was no access to good sales channels, there was also concern that the price was too high.

**Table 36: Stocks** (number of enterprises) For Sector

	Rice	Seafood	Fruit and Veg	Textiles	Garments	Bicycles	Auto. Parts	Agricultural Machinery	Electronics	Total
Number of enterprises reporting excess stocks	2	5	4	16	7	4	7	5	13	63
Reasons for excess stocks (Number of positive replies)										
1. Too much of the same products in the market	1	3	3	9	4	2	6	2	9	3
2. The quality is too low	0	1	0	6	0	0	0	0	0	7
3. No access to good sales channels	1	3	2	4	3	1	5	1	6	26
4. Transportation problems	0	0	0	0	0	0	1	0	0	1
5. The price is too high	0	3	1	5	1	1	2	1	2	16
6. Other	0	1	1	5	2	2	0	3	5	19

## For Status

	JV	SOE	Other	Total
Number of enterprises reporting excess stocks	4	48	11	63
Reasons for excess stocks (Number of positive replies)				
1. Too much of the same products in the market	3	28	8	3
2. The quality is too low	0	6	1	7
3. No access to good sales channels	2	17	7	26
4. Transportation problems	0	1	0	1
5. The price is too high	0	13	3	16
6. Other	1	16	2	19

**Table 37: Regulations and control. For Sector**

	Coffee	Rice	Seafood	Fruit and Veg	Textile	Garments	Bicycle	Auto. Parts	Agricultural Machinery	Electronics	Total
Number of enterprises	7	9	12	11	27	20	10	13	11	26	146
Number of enterprises that said the following applied to them or their potential customers.											
1. Approval necessary to establish business	2	0	2	3	10	7	4	6	1	11	46
2. Approval necessary to obtain and use land	2	1	2	3	7	6	3	5	2	9	40
3. Approval necessary to borrow funds	3	2	9	8	16	14	9	8	5	15	89
4. Restrictions on level of output	0	0	1	2	3	1	2	1	2	7	19
5. Restrictions on range of products that may be produced	0	0	1	1	6	2	0	2	0	6	18
6. Restrictions on product quality	1	0	5	4	10	2	2	5	2	8	39
7. Restrictions on product prices	2	0	2	4	9	7	1	5	3	9	42
8. Difficulty obtaining raw materials	1	1	8	4	4	6	5	3	2	4	38
9. Restrictions on selling in domestic market	1	1	0	2	5	4	2	5	1	5	26
10. Restrictions on exporting	2	2	7	2	7	6	3	1	0	5	35
11. Other	0	0	0	0	1	0	1	1	2	2	7

Table 37 shows the restrictions or controls on firms who wish to start producing and selling the same or similar products. The most significant obstacle to firms expanding or establishing themselves was gaining approval for funds, 60 percent of the enterprises said that they needed to obtain approval for funding. This is twice as significant as obtaining approval to establish a business, to obtain land or controls or product quality. This is a positive sign for competitive markets, as the most important factor that new firms wishing to enter the market should be considering is whether or not it would be cost effective, and the financial institutions that lend the money should have a role in deciding this.

The seafood enterprises experienced the most restrictions, this is not to say that they were any stricter controls than those for other subsectors. The second highest proportion of controls was on the electronics enterprises.

#### For Status

	JV	SOE	Other	Total
Number of enterprises	10	111	25	146
Number of enterprises that said the following applied to them or their potential customers.				0
1. Approval necessary to establish business	3	37	6	46
2. Approval necessary to obtain and use land	3	31	6	40
3. Approval necessary to borrow funds	6	73	10	89
4. Restrictions on level of output	1	16	2	19
5. Restrictions on range of products that may be produced	1	13	4	18
6. Restrictions on product quality	3	28	8	39
7. Restrictions on product prices	2	32	8	42
8. Difficulty obtaining raw materials	4	28	6	38
9. Restrictions on selling in domestic market	1	19	6	26
10. Restrictions on exporting	0	27	8	35
11. Other	1	6	0	7

The measure for competitiveness in Table 38 is as follows:

1. Insignificant
2. Moderate
3. Severe

Overall enterprises perceived that except when they were competing with imported products, the effects on competition of the factors mentioned below, were above average. Bargaining power of the key customers had the most significant impact on the competitive position of enterprises. This was most important in the seafood enterprises.

**Table 38: Factors influencing competitive position**

(Average index of enterprise responses) For Sector

	Coffee	Rice	Seafood	Fruit and Veg	Textile	Garments	Auto. Parts	Bicycle	Agricultural Machinery	Electronics
How the following influence enterprises' competitive positions:										
1- Threat of new firms entering the market	2.3	2.0	1.8	2.2	2.1	1.7	1.7	2.0	1.8	2.1
2-Competition with substitute products	1.5	1.8	1.8	1.9	1.6	1.5	1.8	1.7	1.6	1.8
3- Competition with imported products	1.5	1.0	1.0	1.8	2.3	1.6	2.6	2.4	2.6	2.1
4-Your marketing strategy	2.0	1.8	2.1	2.4	2.0	2.1	2.3	2.2	2.1	2.3
5-Bargaining power of key suppliers	2.0	2.5	2.6	1.9	1.8	2.1	1.7	2.2	1.8	2.2
6- Bargaining power of key customers	2.3	2.5	2.6	2.1	2.0	2.4	2.3	2.0	1.7	2.3

## For Status

	JV	SOE	Other
How the following influence average enterprise competitive positions :			
1- Threat of new firms entering the market	1.8	2.0	1.9
2-Competition with substitute products	1.6	1.8	1.4
3- Competition with imported products	2.1	2.1	1.7
4-Your marketing strategy	2.6	2.2	1.6
5-Bargaining power of key suppliers	1.7	2.1	1.8
6- Bargaining power of key customers	2.1	2.3	2.1

Most of the enterprises surveyed asserted that product quality was one of their strengths (77 percent). Enterprises also stated that product price was a strength, as was the product specialization. Timely delivery of goods was a very strong point, while after sales service and the distribution networks were perceived to be strengths on the whole. Another important strength was good and reliable customers, as was good and reliable suppliers. Management capability, present ownership structure and production technology. Surprisingly production technology and manufacturing organisation were strengths, when they have been cited as problems earlier in the survey. This is perhaps a result of the survey being dependent on the enterprises perceptions of their competitiveness, that can only be relative and determined by their awareness.

There were not as many weaknesses as there were strengths, and the factors that were seen to be weaknesses overall were seen to be so by less companies. These weaknesses included cooperation with the foreign partner, government support, research and development capacity and the quality and quantity of market research. There was an overall feeling in the survey of the weak capacity for developing new innovations and market research. Although it would be expected to be a problem, this is the first time in the survey, that there is a sign of problems in cooperating with foreign partners. It is cause for concern that this is a weakness as with good relations and laws that encourage foreign partner relations and government support, these could be one of the biggest strengths the enterprises have, and could help to strengthen their other weaknesses. Again availability of finance is cited as a problem for firms, this is a consistent assertion throughout the entire survey.

**Table 39: Competitive strengths**

For Sector

	Coffee	Rice	Seafood	Fruit and Veg	Textile	Garmen ts	Bicycle	Automo bile Parts	Agricult ural Machin ery	Electron ics	Total
Number of enterprises	7	9	12	11	27	20	10	13	11	26	146
1. Product quality											
Strengths	4	4	8	10	20	19	7	11	7	22	112
Weaknesses	0	0	0	0	3	0	2	1	3	0	9
2. Product price											
Strengths	3	4	10	6	11	18	4	9	9	15	89
Weaknesses	0	1	2	3	11	1	5	2	1	7	33
3. Product specialization											
Strengths	3	4	7	6	19	14	7	8	4	15	87
Weaknesses	0	1	3	3	3	2	2	2	6	5	27
4. R&D capacity											
Strengths	3	2	3	5	13	4	0	6	4	14	54
Weaknesses	1	2	6	5	7	12	7	3	6	10	59
5. Market research capacity											
Strengths	2	2	2	3	11	6	2	6	5	13	52
Weaknesses	3	4	8	7	8	11	7	5	5	11	69
6. Timely delivery											
Strengths	5	4	8	8	16	18	8	11	7	19	104
Weaknesses	0	1	3	2	7	1	2	0	3	3	22
7. Distribution network											
Strengths	3	3	3	5	9	4	5	6	4	12	54
Weaknesses	3	1	2	2	1	5	6	3	2	0	25
8. After sales service											
Strengths	0	3	0	4	10	2	8	10	7	22	66
Weaknesses	1	1	7	2	8	7	2	1	3	3	35
9. Cooperation with foreign partner											
Strengths	0	1	1	2	5	12	2	6	1	12	42
Weaknesses	1	4	5	5	11	3	6	4	8	10	57
10. Good and reliable customers											
Strengths	4	4	10	7	21	17	8	8	7	16	102
Weaknesses	0	0	1	1	3	2	1	1	3	7	19
11. Good and reliable suppliers											
Strengths	3	5	8	5	16	11	8	8	4	15	83
Weaknesses	1	1	1	3	3	3	1	2	5	4	24

	Coffee	Rice	Seafood	Fruit and Veg	Textile	Garmen ts	Bicycle	Automo bile Parts	Agricult ural Machin ery	Electron ics	Total
12. Production technology											
Strengths	2	5	3	4	13	16	2	7	2	19	73
Weaknesses	1	1	7	4	4	2	8	3	8	4	42
13. Manufacturing organization											
Strengths	3	3	8	6	15	16	5	8	4	19	87
Weaknesses	0	1	2	3	5	3	5	2	6	3	30
14. Employee skills											
Strengths	3	5	10	7	18	17	7	10	8	22	107
Weaknesses	0	0	2	3	3	1	3	0	2	2	16
15. Management's capability											
Strengths	4	5	10	7	16	17	7	11	7	13	97
Weaknesses	0	0	2	1	5	2	3	0	3	9	25
16. Present ownership structure											
Strengths	1	4	7	3	9	11	4	10	4	8	61
Weaknesses	2	1	3	4	9	3	4	0	4	11	41
17. Government support											
Strengths	1	1	2	3	7	5	3	2	0	3	27
Weaknesses	1	3	7	5	11	10	7	5	9	20	78
18. Availability of finance											
Strengths	0	2	0	3	6	4	3	4	0	5	27
Weaknesses	3	3	9	6	11	10	6	4	9	18	79
19. Others											
Strengths	0	0	1	1	0	1	0	0	0	0	3
Weaknesses	0	0	1	1	1	0	1	2	1	3	10

## For Status

	JV	SOE	Other	Total
Number of enterprises	10	111	25	146
1. Product quality				
Strengths	8	83	21	112
Weaknesses	0	9	0	9
2. Product price				
Strengths	7	63	19	89
Weaknesses	2	27	4	33
3. Product specialization				
Strengths	7	62	18	87
Weaknesses	1	22	4	27
4. R&D capacity				
Strengths	4	37	13	54
Weaknesses	3	48	8	59
5. Market research capacity				
Strengths	5	33	14	52
Weaknesses	4	57	8	69
6. Timely delivery				
Strengths	9	75	20	104
Weaknesses	0	19	3	22
7. Distribution network				
Strengths	6	35	13	54
Weaknesses	1	22	2	25
8. After sales service				
Strengths	6	47	13	66
Weaknesses	2	27	6	35
9. Cooperation with foreign partner				
Strengths	5	29	8	42
Weaknesses	2	44	11	57
10. Good and reliable customers				
Strengths	6	78	18	102
Weaknesses	2	12	5	19
11. Good and reliable suppliers				
Strengths	6	60	17	83
Weaknesses	1	18	5	24
12. Production technology				
Strengths	7	47	19	73

Weaknesses	1	37	4	42
13. Manufacturing organization				
Strengths	7	63	17	87
Weaknesses	0	25	5	30
14. Employee skills				
Strengths	9	82	16	107
Weaknesses	0	10	6	16
15. Management's capability				
Strengths	8	71	18	97
Weaknesses	0	20	5	25
16. Present ownership structure				
Strengths	5	38	18	61
Weaknesses	0	37	4	41
17. Government support				
Strengths	3	22	2	27
Weaknesses	3	57	18	78
18. Availability of finance				
Strengths	1	15	11	27
Weaknesses	6	64	9	79
19. Other specify				
Strengths	0	2	1	3
Weaknesses	1	6	3	10

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## ***Chapter 11: The Ease of Doing Business***

Table 40 gives an indication of how easy it is to conduct business in Vietnam. The index of enterprises is as follows:

1. Impossible
2. Possible with difficulty
3. Possible and easy to do

On the whole there were very optimistic responses from enterprises surveyed. Some of the factors that businesses had little difficulty with included business registration; developing a new product that is similar to the present one; obtaining bank loans at commercial rates; making domestic sales; satisfying the requirements of laws and regulations; purchasing raw materials; and not surprisingly, recruiting employees. It is interesting that the enterprises had little difficulty obtaining loans at the commercial rates, when all along they have stated that one of the biggest obstacles to becoming more competitive was obtaining approval to get financing.

There was an overall feeling that it is easy to obtain information about consulting and management services; state laws and regulations; and foreign markets and foreign technologies. This is a good sign as access to information is an integral component of the development of business and of making it internationally competitive.

Understandably the enterprises had problems obtaining loans at subsidized rates or obtaining ODA finance. Using enterprise land for a different purpose is difficult, this can restrict the resources being allocated in the most efficient way.

The ease of doing business was relatively evenly distributed across subsectors and across the different Status' of the enterprises surveyed.

**Table 40: Ease of doing business**

(Index of enterprise responses) For Status

	Coffee	Rice	Seafood	Fruit and Veg	Textiles	Garments	Bicycles	Automobile Parts	Agricultural Machinery	Electronics
Business registration	2.7	2.6	2.7	2.8	2.9	2.5	2.8	2.3	2.9	2.6
Changing product mix	2.0	3.0	2.4	2.5	2.3	2.1	2.4	2.1	2.2	2.1
Developing a new product, that is similar to present product	1.0	3.0	2.5	2.9	2.6	2.6	2.6	2.3	2.8	2.3
Developing a completely new product	1.0	2.3	2.4	2.5	1.9	2.3	2.1	1.8	2.2	1.9
Obtaining bank loans at commercial rates	2.5	2.0	2.3	2.4	2.4	2.3	2.1	2.3	2.6	2.1
Obtaining bank loans at subsidized rates	1.3	1.6	1.6	1.7	1.8	1.8	2.3	1.6	1.4	1.5
Obtaining ODA finance	1.0	1.0	1.6	1.0	1.4	1.3	1.3	1.1	1.2	1.2
Exporting through trading companies	2.0	2.2	2.5	2.4	2.4	2.6	2.2	1.1	1.9	1.8
Exporting directly to foreign buyers	3.0	1.8	2.5	1.8	2.8	2.8	2.3	1.8	2.1	1.9
Making domestic sales in the local area only	3.0	3.0	2.7	2.5	2.6	2.3	2.8	2.7	2.4	2.6
Making domestic sales throughout all Vietnam	3.0	3.0	2.7	2.4	2.4	2.1	2.7	2.6	2.3	2.4
Purchasing quantities of raw materials	2.3	2.0	2.2	2.2	2.3	2.2	2.0	2.3	2.2	2.1
Purchasing raw material of desired quality	2.3	1.8	2.3	2.7	2.5	2.2	2.3	2.5	2.2	2.3
Purchasing machinery and equipment	2.0	2.0	2.5	2.3	2.2	2.5	2.0	2.1	1.7	2.3
Renting or leasing machinery or equipment	2.0	2.5	2.4	2.4	2.0	2.4	1.8	1.6	1.6	2.2
Renting out machinery owned by the enterprises	1.0	3.0	2.2	2.0	1.7	1.8	2.2	1.9	2.0	1.7
Using enterprise land for different purposes	2.0	1.8	2.0	2.1	2.0	1.9	2.0	1.6	1.6	1.7
Selling the land use - right of enterprise	2.0	1.5	1.6	1.1	1.4	1.3	1.4	1.3	1.1	1.1
Recruiting employees	3.0	2.6	2.6	2.9	2.4	2.7	2.4	2.7	2.9	2.5
Dismissing employees	2.0	1.4	2.2	2.1	1.9	2.0	1.4	1.4	1.6	1.9
Obtaining consulting and management services	2.0	2.3	2.4	2.6	2.5	2.4	2.8	2.6	2.0	2.5
Obtaining information about state laws and regulations	2.8	3.0	2.7	2.8	2.8	2.8	2.9	2.8	2.8	2.6
Obtaining information about foreign markets	2.5	2.0	2.4	2.0	2.4	2.6	2.4	2.3	2.0	2.4
Obtaining information about foreign technologies	2.0	2.0	2.3	2.1	2.2	2.5	2.3	2.3	2.1	2.4
Settling legal or economic disputes	2.3	1.7	2.3	2.1	2.2	2.1	2.6	2.3	1.9	2.2
Satisfying requirements of laws and regulations	2.0	2.3	2.3	2.3	2.3	2.2	2.7	2.6	2.1	2.2

## For Status

	JV	SOE	Other
Business registration	2.8	2.7	2.5
Changing product mix	2.3	2.2	2.4
Developing a new product, that is similar to present product	2.5	2.6	2.6
Developing a completely new product	2.3	2.0	2.4
Obtaining bank loans at commercial rates	2.5	2.3	2.0
Obtaining bank loans at subsidized rates	1.6	1.7	1.6
Obtaining ODA finance	1.4	1.3	1.0
Exporting through trading companies	1.5	2.1	2.6
Exporting directly to foreign buyers	2.4	2.3	2.6
Making domestic sales in the local area only	2.8	2.6	2.4
Making domestic sales throughout all Vietnam	2.9	2.5	2.2
Purchasing quantities of raw material	2.7	2.2	2.1
Purchasing raw material of desired quality	2.8	2.3	2.2
Purchasing machinery and equipment	2.5	2.2	2.1
Renting or leasing machinery or equipment	2.3	2.1	1.9
Renting out machinery owned by the enterprises	1.4	1.9	1.9
Using enterprise land for different purposes	1.3	1.9	1.8
Selling the land use - right of enterprise	1.0	1.4	1.2
Recruiting employees	2.8	2.6	2.6
Dismissing employees	2.1	1.8	1.9
Obtaining consulting and management services	2.8	2.5	2.3
Obtaining information about state laws and regulations	2.8	2.8	2.6
Obtaining information about foreign markets	2.7	2.3	2.2
Obtaining information about foreign technologies	2.7	2.3	2.2
Settling legal or economic disputes	2.3	2.2	2.1
Satisfying requirements of laws and regulations	2.6	2.3	2.2

Assistance from government is very limited for the enterprises surveyed as per Table 41. The most assistance was provided for access to bank loans, and this was only for 4 percent of the enterprises. As expected government provided twice as much assistance to SOEs than to private and joint venture enterprises proportionally.

**Table 41: Assistance from Government**

(numbers of enterprises)

For sector

	Coffee	Rice	Seafoo d	Fruit and Veg	Textile s	Garme nts	Bicycl es	Autom obile Parts	Agricu ltural Machi nery	Electro nics	Total
Tariff protection	0	0	4	0	11	10	7	3	2	3	40
Other protection from import competition	0	0	1	1	10	4	7	2	1	3	29
Access to bank loans	3	3	6	4	17	10	7	7	6	7	70
Protection from domestic competition	0	0	1	0	2	2	1	0	1	1	8
Access to material supply at good price	2	0	2	2	3	1	3	0	1	2	16
Providing cheap land and buildings	0	1	1	4	1	4	3	4	2	5	25
Allocating production quotas	2	1	0	3	19	13	2	4	2	7	53
Other forms of support	0	0	0	0	3	0	1	0	1	1	6

For Status

	JV	SOE	Other	Total
Tariff protection	2	32	6	40
Other protection from import competition	1	26	2	29
Access to bank loans	4	60	6	70
Protection from domestic competition	0	8	0	8
Access to material supply at good price	0	15	1	16
Providing cheap land and buildings	0	22	3	25
Allocating production quotas	4	43	6	53
Other forms of support	0	5	1	8

Table 42 shows the number of enterprises that believed they had good quality physical infrastructure available to them. Here seems to be an abundance of good quality power, a good supply of telecommunications, water land and roads. All measures are relative to the expectations of the enterprises. Overall joint ventures appear to be the most satisfied with the infrastructure available, this poses the question do they have access to better infrastructure?

**Table 42: Physical infrastructure**

(numbers of enterprises)

for sector

	Coffee	Rice	Seafood	Fruit and Veg	Textiles	Garment	Bicycles	Auto. Parts	Agr. Machinery	Electronics	Total
Land	3	5	10	10	17	16	8	9	7	19	104
Roads	4	4	9	7	19	17	10	11	8	19	108
Railways	1	3	9	4	12	12	3	4	2	12	62
Air transport	2	1	6	4	14	15	7	6	3	18	76
Telecommunications	3	4	10	8	17	16	9	10	7	20	104
Power	3	4	10	10	22	15	10	12	8	18	112
Water	4	4	8	8	18	15	7	11	6	19	100
Other	1	0	0	0	0	1	1	1	1	1	6

For Status

	JV	Other	SOE	Total
Land	9	17	78	104
Roads	8	17	83	108
Railways	5	8	49	62
Air transport	7	11	58	76
Telecommunications	8	15	81	104
Power	10	14	88	112
Water	8	13	79	100
Other	0	1	5	6

There are advantages for the organisations in having membership in the VCCI; general corporations; other commerce and industrial associations, cooperative associations; or other trade associations and these are outlined in Table 43. The most helpful organisation to be a member of is evidently general corporations. While the advantage is being in these organisations is mostly that they provide information about technologies and markets. General corporations are also very helpful for sharing technology.

**Table 43: The Benefits of Organisations**

(numbers of enterprises reporting benefits) For Sector

	Coffee	Rice	Seafood	Fruit and Veg	Textile	Garments	Bicycle	Auto. Parts	Agri. Machinery	Electronics	Total
<b>VCCI:</b>											
Advantages of having negotiations with Government	3	1	6	3	8	12	4	4	2	7	50
Information about markets and technologies	4	2	10	7	15	14	7	5	5	12	81
Lower prices for raw materials and inputs	1	0	1	1	4	3	1	0	2	1	14
Market cooperation with domestic and foreign enterprises	2	1	6	3	11	9	4	4	3	9	52
Sharing technology with member companies	1	0	4	1	2	3	1	1	1	3	17
Integrated training	2	0	7	0	6	9	2	0	1	5	32
Other advantages	1	1	1	0	0	2	1	0	0	1	7
<b>General corporations</b>											
Advantages of having negotiations with Government	1	4	2	1	12	9	6	4	5	9	53
Information about markets and technologies	1	4	7	3	13	8	5	3	4	11	59
Lower prices for raw materials and inputs	0	2	4	1	10	0	5	1	2	2	27
Market cooperation with domestic and foreign enterprises	1	4	5	2	9	6	6	6	4	11	54
Sharing technology with member companies	1	3	7	3	16	4	6	5	4	12	61
Integrated training	1	3	6	3	11	8	6	3	4	8	53
Other advantages	1	1	1	2	0	0	2	2	0	2	11

	Coffee	Rice	Seafood	Fruit and Veg	Textile	Garments	Bicycle	Auto. Parts	Agri. Machnry	Elec- tronics	Total
<b>Other commerce &amp; Industry</b>											
<b>Associations</b>											
Advantages of having negotiations with Government	2	0	2	2	7	5	3	2	2	3	28
Information about markets and technologies	2	0	4	1	8	8	3	3	4	7	40
Lower prices for raw materials and inputs	0	0	1	2	5	4	1	2	1	3	19
Market cooperation with domestic and foreign enterprises	1	1	4	3	3	6	2	3	5	9	37
Sharing technology with member companies	1	1	6	2	5	3	1	1	2	3	25
Integrated training	0	0	5	2	5	4	1	0	1	5	23
Other advantages	0	1	1	0	0	2	1	0	0	1	6
<b>Cooperative Associations</b>											
Advantages of having negotiations with Government	0	0	0	0	0	0	0	0	0	0	0
Information about markets and technologies	0	0	1	0	2	0	0	1	0	2	6
Lower prices for raw materials and inputs	0	0	3	0	2	0	0	0	0	0	5
Market cooperation with domestic and foreign enterprises	0	0	1	0	2	0	0	1	1	2	7
Sharing technology with member companies	0	0	2	0	1	0	0	1	0	2	6
Integrated training	0	0	2	0	2	0	0	0	1	2	7
Other advantages	0	0	1	0	0	0	0	0	0	2	3
<b>Other trade Associations</b>											
Advantages of having negotiations with Government	1	0	1	0	2	2	3	2	0	2	13
Information about markets and technologies	1	1	4	0	6	3	2	5	1	5	28
Lower prices for raw materials and inputs	0	0	3	1	0	0	2	0	0	2	8
Market cooperation with domestic and foreign enterprises	1	1	2	0	1	3	2	4	2	3	19
Sharing technology with member companies	0	0	2	0	1	0	3	2	2	7	17
Integrated training	1	0	2	0	3	0	1	1	0	3	11
Other advantages	1	0	1	0	0	0	1	0	0	2	5

## For Status

	JV	SOE	Other	Total
<b>VCCI:</b>				
Advantages of having negotiations with Government	1	39	10	50
Information about markets and technologies	2	67	12	81
Lower prices for raw materials and inputs	0	12	2	14
Market cooperation with domestic and foreign enterprises	1	44	7	52
Sharing technology with member companies	0	14	3	17
Integrated training	0	29	3	32
Other advantages	0	5	2	7
<b>General corporations</b>				
Advantages of having negotiations with Government	4	46	3	53
Information about markets and technologies	3	51	5	59
Lower prices for raw materials and inputs	0	25	2	27
Market cooperation with domestic and foreign enterprises	4	48	2	54
Sharing technology with member companies	2	54	5	61
Integrated training	0	48	5	53
Other advantages	0	10	1	11
<b>Other commerce &amp; Industry Associations</b>				
Advantages of having negotiations with Government	2	21	5	28
Information about markets and technologies	1	33	6	40
Lower prices for raw materials and inputs	0	14	5	19
Market cooperation with domestic and foreign enterprises	1	32	4	37
Sharing technology with member companies	1	17	7	25
Integrated training	0	16	7	23
Other advantages	0	4	2	6
<b>Cooperative Associations</b>				
Advantages of having negotiations with Government	0	0	0	0
Information about markets and technologies	1	4	1	6
Lower prices for raw materials and inputs	0	3	2	5
Market cooperation with domestic and foreign enterprises	1	3	3	7
Sharing technology with member companies	0	4	2	6
Integrated training	0	4	3	7
Other advantages	0	2	1	3
<b>Other trade Associations</b>				
Advantages of having negotiations with Government	2	7	4	13
Information about markets and technologies	2	19	7	28
Lower prices for raw materials and inputs	0	7	1	8
Market cooperation with domestic and foreign enterprises	2	14	3	19
Sharing technology with member companies	1	9	7	17
Integrated training	1	4	6	11
Other advantages	0	4	1	5

## ***Conclusion***

Despite the numerous difficulties that have arisen in the collection of accurate data for this survey, there is a good amount of useful information in it. It should be noted that the division of enterprises into groups was difficult as it is not easy to define what their main product was. Furthermore the enterprises surveyed are at different stages of production, which affects the quality of the data.

There is an overall feeling that the product quality of the enterprises surveyed was good. There is a great deal of optimism about services provided for and by the enterprises surveyed. This is in spite of the many reasons given as to why the competitiveness of the firms would be limited.

One of the most significant problems faced by enterprises wishing to improve their standards, or new enterprises wishing to enter the market is the availability of finances for them to access. Red tape and paperwork were surprisingly not seen to be a significant obstacle. The scarcity of financial resources leads to a deficit in technology development. Information about technology advances is mainly obtained from general corporations, and there was limited government assistance in this area, or any area.

Contrary to evident limitations of technology, the majority of enterprises claimed that they had the capacity to research and develop new products. Many of the enterprises did introduce new products in the last two years though.

Labour productivity of JVs was higher than that for other forms of enterprises. This is linked to their ability to attract better labour skills as they can offer better incentives and higher wages. Capital productivity is generally low, but in a labour intensive country such as Vietnam could still be seen as an advantage. Employment levels were high for the enterprises surveyed, although it was difficult to acquire skilled labour. Value added was high for those industries that were purchasing produce and packaging it to sell again. It was also high for textiles, as was value added per capita. These indicators show textiles to be the most efficient of the groups of enterprises surveyed.