

# On Possibility of Investing Abroad by Local Companies

by MEcon. NGUYỄN HỮU HUY NHỰT

Investing abroad is a new trend among local companies that want to enter foreign markets. Overseas investment is a chance to bring benefits to the company and the whole country as well, but to turn opportunities into a reality requires a lot of time and efforts. Realities show that overseas investment projects by local companies, in spite of their small scales, prove profitable. With the globalization, the number of overseas investment projects will increase in the near future. Therefore, asserting possible viewpoints and estimating the possibility of the overseas investment are necessary to the effort to integrate into the world market.

## 1. Viewpoints

- Multilateralizing and diversifying internationally economic relations: after the economic reform was launched, Vietnam adopted the policy to multilateralize and diversify its foreign relations in order to attract foreign capital and technologies. When the local production was modernized, to help local companies make overseas investments is suitable to the said policy and useful to the integration process. The Government should help local companies make the best use of local and foreign resources, thereby increasing their overseas investment.

- Overseas investment based on comparative advantages: Local companies should first invest in new technologies and take measures to improve their competitiveness before entering new markets. How-

ever, high spending power in most foreign markets will ensure a foothold for Vietnamese goods with some comparative advantages.

At present, many Vietnamese products, such as farm products, furniture, clothing, footwear, aquatic products, and ceramics, have become saleable in many foreign markets. They could be goods that is still lacking or in shortage in the host economies.

- Investment projects with good performance: At present the number of overseas investment projects is rising and helps increase the inflow of foreign exchange. The Government had better provide local companies with necessary information and advice in order to help them employ their capital more effectively.

- Overseas investment as an integration process: Vietnam, like other ASEAN countries, is try-

ing its best to apply advanced technologies and at the same time, transfer obsolete ones to other countries with a view to making the best use of these capital goods and foreign labor. In developed countries, local companies had better establish close relations and cooperation with foreign companies in order to get full knowledge of new technologies. This strategy could help bridge the gap between Vietnam and foreign countries.

## 2. Possibility of overseas investment

- Opportunities from the international integration: At present, the economic reform in Vietnam is appreciated and supported by the international community. Vietnam also learns a lot of foreign experience of developing business and making overseas investment. Local companies have got accustomed with the market economy.

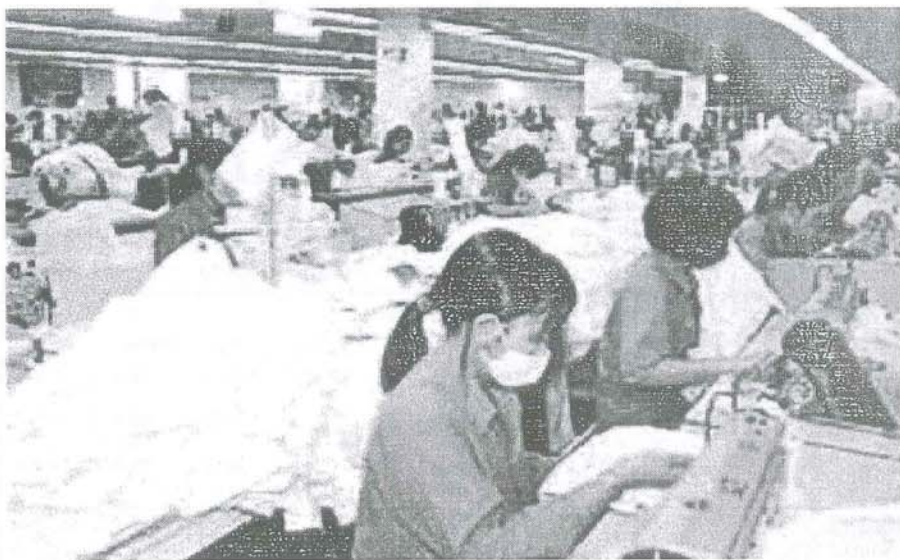
Most of them desire fair competition and equal opportunity, and all of them want to integrate into the world market soon.

By engaging in international and regional trade agreements, Vietnamese goods and services are treated equally when trade and non-tariff barriers are lifted. All subsidies should be cut, which makes Vietnamese goods more competitive. The Government has made all efforts to encourage and help companies make overseas investment by looking for new markets and engaging in multilateral and bilateral trade agreements. At present, the Government is trying to deal with obstacles to the overseas investment.

The fact that China becomes a superpower in the region also leads to new business opportunities for ASEAN countries rich in natural resources because it could be seen as a new







dynamic and export market when American and European economies showed signs of recession.

- Investment in Southeast Asian countries: Many Southeast Asian enjoy political stability and good business climate when their reforms have been carried out well in recent years, which make them attractive to investors, including Vietnamese ones. After the financial crisis, these countries were badly in need of foreign investment, especially Malaysia, Indonesia and the Philippines, and we can see that a new wave of foreign capital will come to this region.

ASEAN proved to be the most successful grouping among developing countries. With high growth rates and favorable business climate, ASEAN has good conditions for foreign investment. In this grouping, countries with medium level of development could invest in others while trying to attract investments from developed countries. The Vietnam's integration is suitable to this trend.

At the ASEAN Overseas Investment Promotion Conference held on Sept. 29, 2004 in New York, ASEAN countries discussed the issue of ASEAN bonds. This was

an effort to draw international attention to opportunities and potentials of Southeast Asia. Vietnamese companies had better take this opportunity before it is too late.

In the past, Vietnamese companies met with many difficulties caused by the red tape when they tried to invest in ASEAN countries. The situation is much improved now because the political life is stabler and many reforms have been carried out to make the business climate friendlier.

- Investment in developed countries: These

countries account for some 65% of the FDI inflow and 90% of the outflow and three major centers are the U.S., Japan and EU. UN annual report said that the global economy showed signs of recovery in 2004 because the service sector developed well. Foreign investment in developing countries is on the increase. The Pacific-Asia is the most attractive region due to its high growth rate and improved business climate.

Investment in developed countries is also a current trend because they are big markets and neces-

sary information is available. Moreover, the investment in developed countries seems suitable to most Vietnamese companies because they are very cautious about making decisions, and the legal system and infrastructure in these countries are more perfect in comparison with developing countries. experts predict that the North America will attract more FDI than Western Europe in the coming years.

- Vietnamese competitiveness: The competitiveness of local goods and services has been improved recently. Local companies have paid more attention to not only the production cost, but also quality and design. Some others even build strategies to expand their export market, and beef up sales promotion, and brand name building. At present, Vietnamese goods have entered such demanding markets as the U.S, Japan and EU.

The competitiveness of a company depends on two factors: (1) the favorable business climate that helps companies to make the best use of comparative advantages; and (2) the managers know how to make use of comparative advantages, and both local and foreign resources to produce competitive goods and services. But thinking through, we see that the competitiveness depends on knowledge and quality of the human resource. That is why the knowledge economy requires a constant revolution in the education service.

Vietnam is carrying out the Vietnam Inside Value Program to build and develop Vietnamese brand names in the years 2005-2010, thereby improving the national public image in the international community. This effort will help Vietnamese goods enter the world market easier. ■

