

CHAPTER TWO

LITERATURE REVIEW

Balancing economic reform and at the same time maintaining political status quo has been the biggest challenge to the Vietnamese government.

In 1986 the Vietnamese government began to transform the country from a centralised economy to a market oriented economy.

According to C A Harness¹⁵ for an economy almost closed for 20 years, this opportunity to take advantage of abundant resources, cheap labour, a literate workforce and potential market of more than 70 million consumers, have attracted many investors. In this study, which was confined to the food processing industry, the author stated that to have a viable food processing business in Vietnam, it must have reinvestment feasibility and potential long term profitability.

This sentiment was echoed by Tan Kee Wee²² that in order to establish oneself in a newly opened economy, long term interest must be given priority.

In the study conducted by Wellington B.H.³¹ he reiterated the fact that the Vietnamese government in actively pursuing foreign investment is looking for business partners who are in for the long haul rather than short term.

Nick J Freeman¹¹ in his study concluded that Vietnam needs sincere partners who would not betray them as the French, Dutch or the Americans did. Vietnamese government is rather cautious and selective as to who they do business with. This statement is supported by Peter Batey¹⁹ who states that the Australians are given priority because of the good track record with Vietnam.

On the other hand in terms of Vietnamese economic reformation process, it is very apparent that there is alot of emphasis on creating laws and regulation which supports and encourages foreign investment.

In the study conducted by Zjunggren, Carl Bore,⁸ he concluded that the ruling parties have de facto abandoned their socialist ideology as far as the economy is concern they have decontrolled prices, decollectivized agriculture and opened up for foreign investment. Nothing comparable has happened politically, the ambition being to strengthen the legitimacy of the communist party through economic reforms. However Zjunggren said that the political systems are also changing in the direction of softned "authoritarianism",

and further changes are bound to occur as the economies under go further change, and as Vietnam becomes part of ASEAN and other regional initiatives.

But Zjunggren pointed out that one of the biggest problems is the constant contradiction between economic reform as one objective and maintainance of socialism as a political ideology as the other. This Zjunggren says, creates a lot of confusion especially for foreign investors when they deal with the Vietnamese government officials.

In another study by Heng Hiang Khng¹⁶ pointed out that the contradictory and often confusing laws and regulations often seem to be a great barrier to potential as well as existing investors to Vietnam.

Heng Hiang Khng¹⁷ in a different study also concluded that the rising Investment Liberalization often causes friction with the Communist Party Supreme Council, especially pertaining to Labour Laws and propriety laws.

Lastly in a study conducted by Carolyn L Gates¹³ she found that one of the greatest investment needed by Vietnam is infrastructural development which includes roads, transportation, telecommunications as well as trade zone. She also concluded that the Vietnamese government encourages and supports investors who are willing to undertake to rebuild a country which was neglected due to political euphoria.

In this aspect although no specific study was conducted directly related to Malaysian companies, nevertheless the mentioned studies definitely gives a greater perspective and contribution to this project paper.