

The Impacts of Changing Global Conditions on Micro and SMEs in Vietnam

by

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Ladies and gentlemen!

It is my great honor to speak at this forum on behalf of the medium and small enterprises in Vietnam about the impacts caused by the changes in global conditions for micro, small and medium enterprises.

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As you know, global changes over the past few years changes have had positive and negative impacts on enterprises, especially small and medium enterprises. It must be mentioned that changes in business environment, market price, the development of information technology and climatic fluctuations such as natural calamities, pandemics and diseases in humans and animals.

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Small and medium enterprises in Vietnam are not an exception, especially in a context where our country has become an official WTO member. Vietnam has a multi-sector economy, small and medium enterprises take up 97% of around 200,000 enterprises already established throughout the country. These enterprises are contributing about 26% of the national GDP, 31% of the total industrial production value, creating about 49% of non-agriculture jobs in the rural area and 26% of the whole nation's work force.

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In recent years, the small and medium enterprise community has become one of the driving forces making an important contribution to Vietnam's impressive economic growth rate of 8-8.5% per annum. However, in the changing business environment, Vietnamese small and medium enterprises are coping with a great many difficulties.

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First of all is the fierce competition in the domestic and world market. The competing power of most of the nation's small and medium enterprises is very weak due to limited budget, level of science and technology, management capability, labour productivity, business efficiency, market organization and marketing ability. This is the biggest impact compelling us to consider remedial measures in order to survive and develop.

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- The average size of a Vietnamese enterprise is still small. In most enterprises, technology is still backward compared with the average level of the world, with low labour productivity and high labour cost, especially our unique products.

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- In general, only a small number of small and medium enterprises are engaged in direct import-export activities (no more than 3% of the enterprises), products are sold mostly in the domestic market and rivals are similar enterprises. As a result, they know little about globalization and their preparation for the globalization process is very limited, making it difficult for them to immediately take advantage of the opportunity brought about by this process to expand their market.

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- Small and medium enterprises operate in a legal environment of an economy which has been converted from a centralized planning mechanism to a market mechanism with many insufficient and inconsistent factors. In the globalization context, despite the trend to remove the tariff barrier, the newly erected technical barriers are causing confusion for Vietnamese small and medium enterprises when they encounter world trade disputes, especially the dumping price lawsuits, environmental protection standards and intellectual properties.

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- Differences in culture and language are also problematic.

Many of the leaders of Vietnamese small and medium enterprises do not know foreign languages, especially English, which is a great deterrence on their road to integration.

The rise in the oil price in the world market has resulted in the increase in price of a series of other materials and services in the country such as electricity, water, and freight, causing numerous difficulties for Vietnamese small and medium enterprises which are traditionally small-scale and limited capital.

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Natural environment, climate change, and natural calamities that occur in the world and in Vietnam such as earthquake, tsunami, hail, drought, flood, storm and prolonged rain etc have been a great obstacle and adversely affected the business activities of many small and medium enterprises, especially those engaged in the tourist, agricultural, seafood and salt production industry. Below are some photos of Khanh Vinh Salt Co., Ltd before and after Typhoon No.2 in 2005:

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Pic 01: Salt in the port's Warehouse

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Pic 02: Protecting 30 tons of salt at the port's warehouse

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Pic 03: Anti-storm activities at the salt plant

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Pic 04: Anti-storm activities at the salt plant

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Pic 05: Anti-storm activities at the salt plant

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Pic 06: Anti-storm activities at the salt plant

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Pic 07: Anti-storm activities at the salt plant

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Pic 08: After typhoon

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Pic 09: After typhoon

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pic 10: Salt yard submerged after the typhoon

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pic 11: Salt yard submerged after the typhoon

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pic 12: Salt yard submerged after the typhoon

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Within only two hours, the storm cost the company around US \$ 40,000 in damage.

In addition, the outbreak of highly infectious diseases in both humans and animals such as SARS, avian flu, foot and mouth diseases and congestion in pigs etc has caused major loss, and even bankruptcy for many enterprises specializing in husbandry and poultry meat trading. This is also the factor that adds to the risk encountered by Vietnamese small and medium enterprises due to limited funding and lack of risk management in business.

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However, following the natural development trend of the society, beside the negative impacts, the global changes have also created many favorable conditions. For small and medium enterprises in Vietnam, first and foremost, it is the opportunity to open their export market, develop partnership, joint-venture, the opportunity to receive investment and invest, and exploit their cheap labour force and the existing resources.

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It is also easier for small and medium enterprises to operate now that the business environment in the country as well as in the world has become increasingly transparent and open along with the removal and minimization of the legal procedure and tariff barrier.

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A really wonderful global change, the most impressive factor that helps flatten the world is the development of the information technology and the appearance of the Internet. It brings the world closer to enterprises, enabling Vietnamese small and medium enterprises to access the information, carry out advisement and promote business effectively right on the Internet. Vietnam's information technology is behind many countries, but we are fortunate enough to inherit the achievement in information technology of the work and currently Vietnam is one of the countries in the region with a high proportion of its population using the internet.

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Ladies and gentlemen!

In a situation where challenges and opportunities are intertwined, Vietnamese medium and small enterprises are trying harder than ever before in their process of integration and development. The Vietnamese government is accompanying us in:

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- concentrating on the development of the economic, technical and social infrastructure, developing and carrying out a legal system and a social management model in accordance with the international practice, with the clearest manifestation being the determination to fight corruption and promote administration reform in the direction of serving the people and enterprises, pursuing the renewal and open-door policy.

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- approving recently the five year development plan 2006-2010 for small and medium enterprises with targets to establish 320,000 new enterprises (an increase of 22% per year), create an additional 2.7 million jobs in this sector and strive to 3-6% of the small and medium enterprises directly involved in the export activities, together with a series of supporting measures to carry out these goals. Our medium and small enterprise community highly welcomes the government's point of view that despite challenges, the development trend is indispensable.

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We, small and medium enterprises, are very impressed by the famous Vietnamese saying: "If you know yourself and others, you will win all battles". Each enterprise, whether large or small, must find itself a suitable position in the inseparable relationship in the whole system. There is no common method for all the small and medium enterprises. However, with the ardent enthusiasm, creativity and change in thinking of the entrepreneurs, we will definitely have a worthy position in Vietnam's economy and adapt ourselves in the world integration process. For the common benefit, we hope to receive the cooperation and collaboration of all the entrepreneurs in this forum.

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Ladies and gentlemen!

Throughout the history of Vietnam, women have set up a lot of excellent deeds. Today women entrepreneurs in Vietnam's enterprise community are striving to overcome all challenges, making full use of the opportunities to develop their enterprise, successfully integrate into world economy, and make a worthy contribution to the common prosperity of the country and the world as a whole. I also hope that the meeting of APEC women entrepreneurs is always a forum which strongly promotes the cooperation between women in the region, especially women entrepreneurs of APEC economies.

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***Excellent health, happiness and
success will attend you!***

***Thank you very much for listening to
my presentation.***