Construction Sector Profile: VIETNAM

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Market Overview

Despite continued healthy rates of growth in construction through the late 1990s, Vietnam faces a severe shortage of residential housing. Onerous land use restrictions, and the density of population, have all contributed to high land values in urban centres. Vietnamese construction materials are generally substandard, although there has been investment and technology transfer in a number of product areas. The Vietnamese economy is growing at solid rates of growth, but from a very low base. Nonetheless, investment in real estate is still a favoured asset in a country with a weak financial system. This is particularly pronounced in Ho Chi Minh City, the commercial centre of Vietnam.

New regulations for ownership by non-Vietnamese citizens are also resulting in real estate activity in Ho Chi Minh City, and similar changes would benefit other cities in the country. For smaller projects, opportunities for non-resident services will naturally be limited. As a developing country, Vietnam has many requirements in terms of infrastructure, including those specific to industry. With the BOT market still largely undeveloped, Vietnam relies on external financing, particularly through international financial institutions (IFIs) such as the World Bank and the Asian Development Bank, and bilateral financing, particularly the Japan Bank of Industrial Cooperation. For these latter, although "loan-tying" restricts Canadian company involvement, subcontracting opportunities for specialized products and services should emerge.

Opportunities

Among submarkets, opportunities exist in residential housing, particularly high-density and upscale low-density housing (the latter once proposals for foreign ownership of houses are implemented). The market for downscale housing, such as those constructed from composites, may be supported by the Ministry of Construction, although financing issues remain discouraging. The market for construction materials in manufacturing zones and in the hotel sector will remain mixed; some investment will continue to come into zones (although in those controlled by Taiwanese or other interests, access will be limited), while demand for hotel rooms should gradually improve, particularly in resort areas outside the two major cities.

Market Access Considerations

Vietnam is a centrally planned economy, and is not a member of the World Trade Organization. Virtually all aspects of doing business in Vietnam involve government approvals, and the construction materials sector, dominated by state-owned companies, receives considerable protection, in procurement practices as well as through customs policy and administration.
All product imports must be done through registered import agents. Many of these are newly established, with uncertain reputations. Few agents in Vietnam stock products, due to their financial limitation and the uncertain market. Nevertheless, many of the technical staff at Vietnamese companies are well trained, and have international experience.

Many of the projects requiring extensive construction are funded internationally, and are usually subject to International Competitive Bidding (ICB) procedures. For the foreign-invested companies in Vietnam, there is no general pattern of procurement, although, since these are primarily Asian companies, many have established links with consulting engineering firms in their home markets. The result is that procurement of these services is not usually open for outside bidding. Since Canada has limited visibility in this sector in Vietnam, one option might be to enter the market through a partnership with an established partner with a presence here. Without some kind of local presence, either via a representative office or a competent partner, access to competitive data and decision makers is difficult.

**Major Competition**

There is a glut of many domestically produced materials (cement, paint, enamelled tile). In general, these are regarded as low quality and cost more than imported (or smuggled) items. Most government-funded and foreign-invested projects are required to have minimum levels of Vietnamese construction materials used in their construction. The quality is improving for a number of items, such as structural steel and modular housing, due to foreign direct investment. For imported materials, tariffs are high, but demand is brisk, particularly for plumbing and electrical equipment. High-quality building materials, from Italy and other countries, are in demand for the burgeoning home market. Lower-quality Chinese and Thai building products are also prevalent in the market.

**Other Useful Information Sources/Web Sites**

No specialized information sources are available in English for the Vietnam construction industry. However, those who are looking for opportunities in the infrastructure field for projects funded by IFIs should refer to the following sites:

Asian Development Bank: [http://www.adb.org](http://www.adb.org)

For general commercial information on Vietnam, the following sites are recommended:

Information site on Vietnam, including business: [http://www.govietnam.com](http://www.govietnam.com)
Canadian “how to” site: [http://www.asiapacific.ca/analysis/pubs/listing.cfm?ID_Publication=56](http://www.asiapacific.ca/analysis/pubs/listing.cfm?ID_Publication=56)

For detailed market reports about this sector, please visit [http://www.infoexport.gc.ca](http://www.infoexport.gc.ca)

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