DUTCH FOREIGN DIRECT INVESTMENTS IN VIETNAM: A QUALITATIVE STUDY

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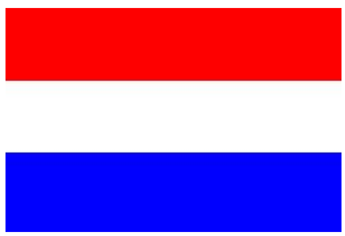

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ABSTRACT:

Vietnam has been attracting foreign direct investments (FDI) very successfully since the economic reforms in the late eighties. The Netherlands have been the largest European investor since. The goal of this qualitative research is to try to understand why there is such a large amount of Dutch FDI in Vietnam without an obvious foundation. In order to answer this, both theoretical as well as empirical research has been done by means of semi-structured interviews with seven Dutch multinational enterprises (MNEs), who are active investors in Vietnam.

The large amount of Dutch FDI in Vietnam at present is the result of a combination of the firm size, international experience and the investment sector of a couple of large well known Dutch MNEs, who have invested heavily in Vietnam. The reason they decided to enter the Vietnamese market was the local market opportunities. Attractive locational advantages are the mentality of the Vietnamese people, the cost and availability of labor, governmental incentives and the political stability.

KEYWORDS:

The Netherlands, Vietnam, ASEAN, emerging market, developing countries, foreign direct investments, locational factors, Dutch multinationals

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CONTENTS

I. INTRODUCTION

A geographical trend nowadays for foreign direct investments (FDI) is the continuing shift in favor of South-East Asian emerging markets (UNCTAD, 2007). One of these countries in South-East Asia is the developing country[1] Vietnam where the interest in its economy is growing and the number of FDI projects entering the country is increasing. Compared to the other countries in the region, FDI in Vietnam has a relatively short history of development. It started in 1986 when the economic 'Doi Moi' reform was introduced. The goal was to transform Vietnam from a closed and centrally planned economy to an open and market-oriented market. Strategies and polices for promoting exports and FDI inflows were institutionalized in the platform of the reform (Nguyen and Xing, 2008). In 1987, Vietnam issued its first ever Law on Foreign Direct Investment, as part of the Doi Moi reforms. Since then Vietnam has been very successful in attracting FDI inflows. Pull factors during the first half of the 1990s were the potential of the largely untapped transitional economy of over 70 million people, foreign investors seeking different areas of business potential and the opening to foreign capital for the first time. Push factors were the flood of foreign capital into emerging markets in the early nineties with Southeast Asia as the main beneficiary, exceeding China by more than threefold, and the beginning of intraregional FDI flows within Southeast Asia (Freeman, 2002). At their peak in 1996, Vietnam's FDI inflows as a percentage of GNP were the second highest in the world. After this, there was a downturn caused by hurdles that came apparent after the euphoria, such as the corruption, the Asian financial crisis in 1997-1998 and the revision of investors for moving to emerging markets (Freeman, 2002).

Nowadays, as the largest and fastest growing economy in Indochina, Vietnam has regained its success in attracting foreign investments and it is sometimes considered as an alternative destination for countries such as China. By 2002 Vietnam was the third largest recipient of FDI flows in ASEAN, overtaking Indonesia and the Philippines, behind Singapore and Malaysia, establishing itself as a major investment host and strengthening its position as a significant investment base (Mirza and Giroud, 2004). Its accession to the

[1] In this thesis the terms emerging market, emerging economy, emerging country, developing country, developing economy and developing market are used intertwined.

World Trade Organization in 2007 can be considered proof for the improving investment climate due to ongoing legal, economic and social reforms. UNCTAD's World Investment Prospects Survey for 2007-2009, also provides support for the projection that FDI flows for Vietnam are set to increase in 2007 and beyond. Of all the respondents, 11% mentioned Vietnam, ranked sixth, as most attractive location for FDI for 2007-2009.

Countries	**Percentage**
China	52
India	41
United States	36
Russian Federation	22
Brazil	12
Vietnam	11

Source: UNCTAD, 2007

One of the countries that has invested in Vietnam is The Netherlands. It has long been one of the largest foreign investors and from Europe it is even the largest. According to Vietnamese statistics, the Netherlands had invested in total about 2,6 billion US dollars divided over 86 FDI projects in the period from 1988 until the end of 2007.

No	**Country**	**Number of projects**	**Investment capital**	**Registered capital**	**Executed capital**
1	Korea	1857	14.398.138.655	5.168.461.054	2.738.114.393
2	Singapore	549	11.058.802.313	3.894.467.177	3.858.078.376
3	Taiwan	1801	10.763.147.783	4.598.733.632	3.079.209.610
4	Japan	934	9.179.715.704	3.963.292.649	4.987.063.346
5	British Virgin Islands	342	7.794.876.348	2.612.088.725	1.375.722.679
6	Hong Kong	457	5.933.188.334	2.166.936.512	2.161.176.270
7	Malaysia	245	2.823.171.518	1.797.165.234	1.083.158.348
8	The USA	376	2.788.623.488	1.449.742.606	746.009.069
9	Netherlands	86	2.598.537.747	1.482.216.843	2.031.314.551
10	France	196	2.376.366.335	1.441.010.694	1.085.203.846

Source: Vietnamese Ministry of Planning and Investment, 2008

But as will be seen in the next chapter, there exists no significant historical, cultural, social, geographical or trade relationship between the Netherlands and Vietnam. Although the Vietnamese reforms that are being carried out to enhance business development, the status as an emerging market and the increasing integration in the world economy create a favorable environment for any foreign investor, the goal of this thesis is to try to understand why there is such a large amount of Dutch FDI in Vietnam nowadays without an obvious foundation.

II. BACKGROUND

This chapter will elaborate further on the relationships between the Netherlands and South-East Asian countries and in Vietnam in particular. It will highlight their history, trade and the Dutch outward investments in the ASEAN countries.

2.1 The Netherlands and ASEAN

South-East Asia consists of the ten ASEAN (Association of Southeast Asian Nations) member states: Brunei, Cambodia, Indonesia, Lao, Malaysia, Myanmar, Philippines, Singapore, Thailand and Vietnam (UNCTAD, 2007). The ASEAN was founded in 1967, but Cambodia, Lao, Myanmar and Vietnam joined considerably later in the mid 1990s as new members. The association was needed to enhance individual country and regional competitiveness through cooperation, thereby promoting ASEAN as an investment region and the region has been a major and successful recipient of investments for three decades (Mirza and Giroud, 2004).

The ASEAN are ten countries that can not be generalized, there exist large differences in their stages of development. One way to rank the ASEAN countries according to their development is with the human development index (HDI) of the UNDP. This is a single statistic based on several indicators serving as a frame of reference for both social and economic development (UNDP, 2008). The lower the index, the more developed the country is ranked against 177 countries measured for 2005.

ASEAN Country	HDI
Singapore	25
Brunei	30
Malaysia	63
Thailand	78
Philippines	90
Vietnam	105
Indonesia	107
Laos	130
Cambodia	131
Myanmar	132

Source: UNDP, 2007

Singapore and Brunei are clearly more developed and are considered highly developed within the index. The rest of the countries are considered to have a medium development, but the five developing countries in the middle differ little from each other with a maximum difference of 15 index points between two successive countries, whereas Laos, Cambodia and Myanmar are undoubtedly the lesser developed countries. The statistics in this chapter will therefore be mainly for the five emerging markets.
The term emerging market was created in 1981 by Antoine W. Van Agtmael of the International Finance Corporation of the World Bank. An emerging market economy is defined as an economy with low-to-middle per capita income. These countries are usually considered emerging because of their developments and reforms and are considered to be fast growing transitional economies, meaning they are in the process of moving from a closed to an open market economy. One key characteristic is an increase in both local and foreign investment. A growth in investment in a country often indicates that the country has been able to build confidence in the local and world economy.

One of the many countries that have shown a great interest in the Asian economies is the Netherlands. The interest of the Netherlands in this part of the world is not surprising. The history of the Netherlands with Asia goes back four centuries with the Dutch East India Company (Verenigde Oostindische Compagnie, VOC). This group of tradesmen was given the monopoly by the Dutch state for all the trade and shipping with Asia in 1602 and it would become the world's first multinational including the issuing of stocks. In two centuries the VOC managed to establish a large trading network in Asia from Sri Lanka to Japan with their colony Indonesia as their base (Akveld and Jacobs, 2002).
The amount of Dutch trade in the ASEAN countries in present days is not worth mentioning anymore, with merely 1,25% of the total Dutch exports and 4,5% of the total Dutch imports going to or coming from the ASEAN countries in 2007. Even though imports are a great deal higher than the exports, it should be taken into account that many products are passing through the Netherlands and going to other (European) countries via the port of Rotterdam (EVD, 2008). Looking at the trade statistics below, the small amounts of Dutch exports and especially the Dutch imports from Vietnam compared to the other ASEAN countries are remarkable.

	Dutch exports (In millions of Euros for 2007)	**Dutch imports** (In millions of Euros for 2007)
World	348000	307000
ASEAN	4390	13950
Malaysia	555	5050
Thailand	753	2268
Indonesia	702	1720
Philippines	307 (2006)	1700 (2006)
Vietnam	**297**	**600**

Sources: EVD and CBS, 2008

Despite the size of the country, the Netherlands are one of the largest investors in the world, ranked number 16th with a FDI outflow in 2007 of 31 billion Euros (UNCTAD, 2008). Although only 5% of the Dutch FDI outflow is going towards Asia (FME, 2005), large amounts of investments have been made by Dutch multinationals in the emerging ASEAN countries.

ASEAN country	**Dutch FDI** (in millions of Euros for 2007)
Philippines	471
Indonesia	663
Thailand	817
Malaysia	1300
Vietnam	**1700**

Source: EVD, 2008

In each of these five countries, the Netherlands are one of the largest (European) investors (EVD and Nuffic, 2008). All these five countries have committed themselves in economic reforms that encourage foreign investments since the 1980s and Malaysia even since the 1970s, but it is Vietnam that receives the highest Dutch investments.

Investments could be expected to be higher in the more developed countries Malaysia, Thailand and the Philippines due to a better investment climate. An investment climate is the set of location specific factors shaping the opportunities and incentives for firms to invest (Worldbank, 2005). This is often better in more developed countries than in lesser developed country and therefore these countries should attract more investments than Vietnam.

Indonesia also receives much less FDI from the Netherlands than Vietnam, which can be considered odd being equally developed as Vietnam but being the former Dutch colony. The potential rents realized from investments are generally higher in culturally familiar countries than in unfamiliar countries (Tahir and Larimo, 2004). But when investments are made in an emerging market, often social and cultural factors play a role, suggesting the importance of historical and cultural ties between the home and host countries (Galan, e.a. 2007). Michalak (1992) also suggests that inherent variations in language and culture dissuade potential investors, except in countries that have traditional ties.

Because of this unusual larger amount of Dutch FDI in Vietnam compared to other countries in the same region, the relationship between these two countries will be looked further into.

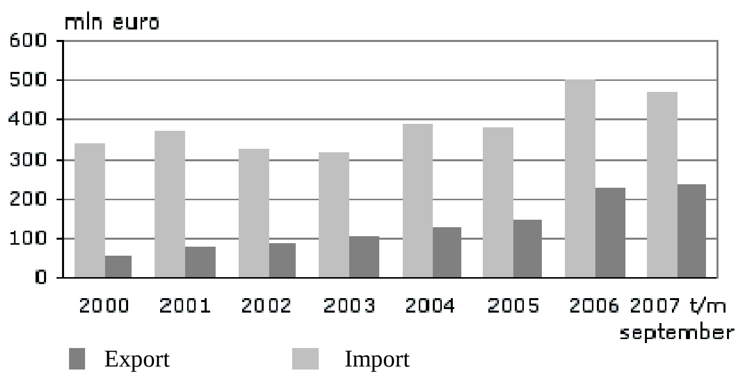
2.2 The Netherlands and Vietnam

The relationship between these two countries goes a long way back until 1602, when the first Dutch ships of the VOC also touched Vietnamese ground at the international port of Hoi An. It was not until 1633 though that the Dutch managed to create a trade relationship with the Vietnamese kingdom. In these first centuries it was mainly characterized by trade in silk and silver and the Dutch established and stayed in the North of Vietnam until the end of the 17th century. With the French colonization, the Netherlands opened a consul in 1867 in Saigon (now Ho Chi Minh City).

With the Cold War as the main reason and later the Vietnamese regime, the twentieth century saw ups and downs in the relationship between the two countries and the consul general in Saigon closed in 1976 and the embassy in Hanoi in 1988, this to the large disappointment of Dutch companies who were interested in the reforming steps the Vietnamese government was starting to take. In 1990 the former minister of Economic Affairs and some of the most well known Dutch multinational enterprises (MNEs) such as Shell, Heineken and Philips went to Vietnam for the first Dutch business mission. Pushed by Dutch business activities in Vietnam, the Dutch embassy reopened in 1993 (Kleinen, e.a. 2007). In 1994 Vietnam and the Netherlands signed the Agreement on Reciprocal Protection of Investments safeguarding investments and promoting mutual assistance and it would last for 15 years. In 1995 the two countries concluded another agreement to prevent double taxation and to improve tax collection and sanction tax evasion (DBAV, 2008). More recently the Agreement on Development Co-operation in

2000 was signed. Vietnam tries to become a middle-income country by 2010 and the Netherlands are providing development assistance in fields such as poverty alleviation, water management, environment and education (Vietnamese Embassy, 2007). In March 2008 two Dutch ministers and a group of more than 30 companies went on the largest Dutch business mission ever to Vietnam, proving that the interest in Vietnam is still very alive.

In this day and age trade between the two countries is not very large anymore, although exports have been increasing steadily since the year 2000. Nonetheless the share of trade is very small: only 0,2 % of Dutch imports and 0,1% of Dutch exports are related to Vietnam. The Netherlands mainly import footwear, foods and textile/clothing accounting for half of the imports. Export consists mainly of car-parts, foods and machines (CBS, 2008).



Source: Central Bureau of Statistics, 2008

In contrary to trade, Dutch investments in Vietnam up until now are very large though, especially compared to the rest of the South-East Asian countries as seen earlier. Although 2,6 billion US dollars is just a small amount of investments balanced against the annual Dutch FDI outflow, compared to the Vietnamese FDI flows it is a large amount.

Dutch FDI overview (in millions of dollars)

	1990-2000 (Annual average)	**2003**	**2004**	**2005**	**2006**	**2007**
Inward	19 833	21 043	4 600	47 694	7 982	99 438
Outward	28 484	44 034	29 164	135 804	47 095	31 162

Vietnamese FDI overview (in millions of dollars)

	1990-2000 (Annual average)	2003	2004	2005	2006	2007
Inward	1 322	1 450	1 610	2 021	2 360	6 739
Outward	-	-	-	65	85	150

Source: UNCTAD, 2008

UNCTAD uses a ratio to assess the intensity of the FDI relationship between a home country (i) and a host country (j) that compares the actual value of the FDI stock of country i in country j with what might be expected given the world position (a country's percentage of FDI stock in the world) of each of them as home and host countries respectively. Economies with an intensity ratio of more than 1 are categorized as having a strong relationship, and those with a ratio of less than 1 as having a weak relationship. Calculated for the year 2007, the outcome is 1,17, meaning there is a stronger intensity between the Netherlands and Vietnam than is to be expected.

To see whether this is a high outcome, this ratio has been compared to that of the Netherlands and Indonesia and Vietnam and France, because both combinations of countries have stronger ties as being colonies in contradiction to the Netherlands and Vietnam. The FDI intensity ratio for Vietnam and France is no more than 0,65 for the year 2007, whereas the Netherlands and Indonesia have a FDI intensity ratio of only 0,27 (see appendix for the complete formula and all calculations). Both ratios are clearly lower than the 1,17 of the Netherlands and Vietnam.

III. RESEARCH DESIGN

In the following chapter the basis of this research will be explained. This entails the purpose of this research, what research questions need to be answered in order to achieve this, how the research has been approached, what information was needed and what methods have been used to gather this information and how the data collection has been done. In addition the strengths and weaknesses of the research will be made clear.

3.1 Research purpose

Grosse and Trevino (1996) expected and supported with their research that the amount of existing trade between two countries will have a strong relation with the amount of FDI. Because firms use both trade and FDI to serve foreign markets, the two are viewed as complementary. Firms may reach the host country market via exports from the home country and/or through foreign production in the host country. But previous information showed that the Dutch investments are very high in Vietnam in contrary to Dutch trade with Vietnam: it is exactly the opposite case. Dutch MNEs are apparently not using trade in combination with FDI in order to serve the Vietnamese market and trade does not explain the large amount of FDI. This unusual large Dutch FDI in Vietnam is the main initiative for this research.

The increasing use of FDI in the past couple of decades has led to various researches regarding FDI use in particular countries, so this field of research is not unknown and this research is not unique in that sense. None of them, as to knowledge, has been specifically about Dutch-Vietnamese FDI though and this is where more understanding is looked for. Understanding this will provide further insights in the investment behavior of a West European developed country in a South-East Asian emerging country or more specifically about the Dutch investment behavior and Vietnamese FDI attraction. Also, potential foreign investors in Vietnam and Dutch investors in particular will gain more knowledge about the Vietnamese factors that have determined Dutch MNEs to invest heavily in Vietnam. This information can help them in their decision to invest in Vietnam. Knowing the Vietnamese success factors can in addition provide valuable knowledge for the Vietnamese government and the local companies. They will be aware of the opportunities that lie for them to strengthen or improve in order to sustain and attract not only Dutch FDI but also FDI from other countries.

3.2 Research questions

Based on the objective which is to explore what has determined Dutch MNEs to engage in large FDI in Vietnam, the following main research question has been formulated:
Why have Dutch MNEs made the decision for large FDI in Vietnam?

The extraordinary issue here is the large amount of Dutch FDI in Vietnam. FDI has been used by Dutch MNEs in all the ASEAN countries, therefore the focus of this research is not so much on why FDI but more on why the choice for Vietnam given the choice for FDI. The FDI and country decision are interdependent and are treated here in a random order. In order to answer the main research question, a few sub questions have been formulated. The first two sub questions are theoretical and are needed to gain a comprehensive view for the justification of multinationals and their foreign direct investments in various locations. Sub questions three and four are theoretical question focused on Vietnam; the final sub question can be considered the empirical successor of the previous sub questions.

1. Why do MNEs choose for FDI?

There are several ways for a MNE to enter a foreign country, each with its own characteristics and (dis)advantages. To understand why a MNE chooses foreign direct investments to enter a foreign market, it is essential to know what distinguishes FDI from other entry modes and what factors influence a MNE towards FDI.

2. Why do MNEs choose a certain country to invest in?

When a MNE decides to invest abroad, it has many countries to choose from. Various locational advantages can encourage the decision for a certain country and it is these factors that will be looked into.

3. Why do MNEs choose for FDI in Vietnam?

After having identified factors influencing the decision for FDI and country, these factors have to be submitted to the Vietnamese context resulting in this sub question to understand the circumstances for FDI in Vietnam.

4. Where does Vietnam differ from other ASEAN countries?

In order to understand the choice for FDI in Vietnam instead of other ASEAN countries, it is necessary to know what distinguishes Vietnam from them and what its position is in the South-East Asian region.

5. Why do Dutch MNEs choose for FDI in Vietnam?

After the previous sub questions it should be clear what Vietnam could offer foreign direct investors. Now all of them come together in this final empirical sub question applied to the case of Dutch MNEs in Vietnam, including the FDI and country aspect of foreign investment in Vietnam and the distinction of Vietnam versus ASEAN countries.

3.3 Research approach

Studies often have one or more purposes and two of the most common and useful purposes of research are exploration and explanation, which are also the main purposes of this research. Exploratory studies are most typically done to satisfy the researcher's curiosity and desire for better understanding (Babbie, 2004), like this research desires a better understanding of the large Dutch FDI in Vietnam. Strauss and Corbin (1990) claim that qualitative methods can be used to better understand any phenomenon about which little is yet known. They can also be used though to gain new perspectives on things about which much is already known, or to gain more in-depth information that may be difficult to convey quantitatively (Babbie, 2004). This research will make use of qualitative data generated by means of interviews with Dutch MNEs in Vietnam in order to explain a 'why' main research question and this is explanatory according to Babbie (2004). Gill and Johnson (2002) state the use of qualitative data is an inductive research,

which involves observations from the empirical world leading to the construction of explanations and theories about what has been observed.
Depending on the purpose of the study, there are several strategies for setting up the research process. The strategy that is used here is a case study, which is the in-depth examination of one or a few instances of some social phenomenon (Babbie, 2004). There is little consensus on what may constitute a 'case' and the term is broadly used. But an in-depth study of a particular case can yield explanatory insights, such as here, where an explanation is sought for the case of Dutch MNEs in Vietnam. This case study looks thoroughly at a small research group and only draws conclusions about this group in its own specific context.

3.4 Research methods

In this research triangulation was used to strengthen the qualitative findings and this is described by Gill and Johnson (2002) as the use of a combination of multiple and independent methods in the study of the same phenomenon. The multiple methods that have been used in this research resulted in 13 qualitative interviews and discussions with field related experts and in order to collect secondary data, books, reports, scientific articles, theses, internet and newspapers have been used.
To answer the first two sub questions extensive desk research has been done. Secondary data was used for the chapter literature review to retrieve factors that influence the choice for FDI and the choice for a certain host-country. Sub questions 3 and 4 are answered in the chapter Vietnam. In this chapter FDI in Vietnam is treated including the difference between Vietnamese and other ASEAN inward investments, with the same use of secondary data as the first two sub questions. To answer the final sub question, primary data from Dutch foreign investor in Vietnam has been gathered and the outcomes are presented in chapter six Dutch MNEs in Vietnam.

In order to find out what has determined the Dutch MNEs to invest directly in Vietnam, information from the selected Dutch multinationals was a necessity. To get this information, the choice was made to do qualitative interviews, which are one of the most important sources of case study information (Yin, 2003). Qualitative interviews are based on a set of topics to be discussed in depth rather than based on the use of standardized questions unlike a survey (Babbie, 2004). One way of achieving this is with semi-structured interviews. Goals of semi-structured interviews are to obtain general information relevant to specific issues, to gain a range of insights on specific issues and to obtain specific quantitative and qualitative information from a sample of the population (Davis-Case, 1990). Characteristics of semi-structured interviews are that they are designed to have a number of questions prepared in advance, but are left sufficiently open so that the subsequent questions cannot be planned in advance (Wengraf, 2001). This allows for focused, conversational, two-way communication, used both to give and receive information, giving both the interviewer and the interviewee the flexibility to probe for details or discuss issues (Davis-Case, 1990). This flexibility was the main reason to choose semi-structured interviewing for this research. Due to the interaction that is qualitative interview specific, there is more room to find out which factors have played a role in the decision for large FDI in Vietnam. Factors that have been identified by literature were not quantitatively tested, but were used as input for the interviews to explore what might have influenced the Dutch multinationals in their decisions for FDI and Vietnam.

3.5 Data collection

To collect data via semi-structured interviews with Dutch multinationals in Vietnam, the research group needs to be identified and approached. With the help of the Dutch Agency of International Business and Cooperation (EVD), attention was brought to the European Chamber of Commerce in Vietnam (Eurocham), which had a list of 40 Dutch companies present in Vietnam (see Appendix). The total number of Dutch companies active in Vietnam is about 50 companies though, but according to the DBAV the missing companies are in general small representative offices and not large active investors on which the focus of this research lies. These 40 companies account for approximately 90% of the Dutch FDI in Vietnam (DBAV). A research group of Dutch companies in Vietnam was drawn from this list with the following criteria a company has to apply to for this research:

1. **It has to be Dutch:** One result of globalization is that MNEs nowadays face a dynamic and complex environment where traditional boundaries are fading (Thomas, 2002). Despite this, firms do have a distinct and definitive nationality. They are in no sense 'global' firms (Buckley, 2006). The research group of this thesis is MNEs with the Dutch nationality investing in Vietnam and to distinguish them from other foreign MNEs in Vietnam, two conditions have been taken into account. The first one is that the MNE has to be headquartered in the Netherlands, giving it the Dutch nationality. Problem with this one is that it could be headquartered there because of favorable tax conditions. It does not make a MNE Dutch, merely because it is on Dutch soil. To avoid this, another condition is that the multinational was founded by Dutch, hence having a Dutch history and culture.
2. **It has to be a multinational enterprise:** The economic theory of the multinational enterprise revolves around the ownership of overseas production and its location (Tatoglu and Glaister, 1998). FDI is by definition done by MNEs and therefore in order to explain Dutch FDI and its location Vietnam, the object of research must be a multinational.
3. **It has to be present in Vietnam from their entry on:** Companies that are not active in Vietnam anymore are also not included in this research. Their departure from Vietnam implies that their stay was not a long term one, which is part of the FDI focus of this research.

The entire list has been gone through and after the exclusion of all the non complying companies, a group of fourteen Dutch MNEs were found suitable for this research. All of these MNEs have been approached by email and telephone and seven responded positively and willing to cooperate, being:

1. **Control Union**
2. **Exact Software**
3. **Royal Haskoning**
4. **La Perla International Living**
5. **Royal Philips**
6. **Friesland Foods / Dutch Lady**
7. **MNE X (preferred to be anonymous)**

The interviews were taken with the one within the MNEs who is considered most knowledgeable about their business in Vietnam. This was often the general manager or country manager, who has been involved with the Vietnamese subsidiary from the beginning. The interviews were one on one in person and/or by phone ranging from 30 to 90 minutes in Vietnam and/or in the Netherlands and have been recorded on tape.
To gain background information about Dutch business activities in Asia and more specifically Vietnam, the Dutch Agency of International Business and Cooperation (EVD) was frequently consulted. While being in Vietnam, also the Dutch Business Association Vietnam (DBAV) and the Dutch Consulate in Vietnam were counseled. The objectives of all three organizations are to stimulate, study, support and/or protect commercial and industrial relations, investments and trade between the Netherlands and Vietnam. The spokesperson of the Dutch Business Association Vietnam (DBAV) is also the manager of one of the MNE of the research group, but he should provide objective information. All the spokespersons have given information about the Dutch MNEs in Vietnam and the circumstances they have to deal with in Vietnam. All of them have also been asked about the factors and motives for investments in Vietnam by Dutch MNEs, their answers and knowledge proved to be helpful during the actual interviews with the research group. Unilever, the largest Dutch investor in Vietnam, did not wish to participate, but has given some information about their businesses in Vietnam, which has been used as additional background knowledge.

3.6 Research quality

Every research strategy has strengths and weaknesses and in order to measure the research quality, the research has to meet the criteria validity and the reliability of the findings. Validity is concerned with whether the measurements actually measure what they are supposed to (Babbie, 2004). Reliability on the other hand is a criterion that refers to the consistency of the results obtained in the research (Gill and Johnson, 2002).
Strengths of qualitative research are the flexibility, (usually) its inexpensiveness and the depth of understanding. Because of this depth, the validity of qualitative research is known to be superior to that of other methods (Babbie, 2004).

The main weakness of qualitative research is though that it is not appropriate to arrive at insights for a large population. Qualitative studies seldom provide satisfactory answers to research questions, because of the representativeness of the research group which might not be typical of the larger population one is interested in (Babbie, 2004). Babbie (2004) states that qualitative studies can nevertheless provide important insights and can hint at the answers and suggest which research methods could provide definite answers.
The group of interviewees in this case consists of three large well known MNEs and four smaller MNEs and gives a representative view of the entire list, where also the smaller MNEs are in a slight majority. Without the exact numbers of investments or the number of projects made by each of the Dutch investors, it is difficult though to grasp what part of the total amount of FDI projects in Vietnam this research group of MNEs represents, especially because foreign indirect investments are taken into account in the total of 2,6 billion US dollars as well. But considering that the 40 companies are approximately 90% of the total FDI, with 7 out of 40 companies, this group should account for approximately 17,5 % of the total amount of Dutch FDI in Vietnam, which was found correct after having interviewed the MNEs.

Another potential weakness of qualitative research is the reliability, because although it is in-depth, it is also personal. The outcomes of the semi-structured interviews that have been taken can be biased as a result of interpretation from both the interviewer's and interviewee's side. The interviews in this case were ex post measures of a manager's perceptions and although they all have been involved from the (near) beginning of the new subsidiary in Vietnam, the actual decisions to invest in Vietnam were probably made further in the past. Not all of the present day managers who have been interviewed were the same managers who made the decisions back then and this could have influenced the answers given for the FDI and country choice. Even though total neutrality is difficult to realize, this was tried to achieve to enter the interviews with objectivity. One way to attain more trustworthy findings is to use comparative evaluations (Babbie, 2004). The reliability here was tried to maximize by comparing the given information by the MNEs with the information given by the organizations knowledgeable in the same context that are believed to be objective.

IV. LITERATURE REVIEW

The strategic orientation is the business direction and objectives that the top management of a firm wants to achieve (Lau, e.a. 2008). The choice to engage in FDI in a country must fit the strategy of a company. The decision to choose FDI and a certain country for this FDI are the outcome of a decision making process influenced by many factors. In this chapter, it is these factors that will be sought with the help of literature.

4.1 The FDI choice

Due to the increasing globalization process in the past decades, firm managers need to be increasingly aware of the need to compete on a global basis. This new form of competition justifies the growing importance in the global economy of cross-border investment carried out by multinational enterprises (MNEs). It requires MNE managers to be constantly prepared to reach decisions on the choice of the most advisable host countries for locating such investments (Galan, e.a. 2007). The increasing use of FDI by MNEs has led over the years to a large body of research interested in providing theoretical arguments for the existence of determining factors for specific FDI locations chosen by MNE managers (Mina, 2007: Gulf countries; Quer and Claver, 2007: Morocco; Galan, e.a. 2007: Spain; Pheng and Hongbin, 2006, China; Tahir and Larimo, 2004: Asian countries; Mellahi, e.a. 2003: Oman; Chandprapalert, 2000: Thailand; Tatoglu and Glaister, 1998: Turkey). The one theory that combines them and is used by all is the OLI-paradigm, introduced in 1981 by Dunning. It is best regarded as a framework for analyzing the determinants of international production (Dunning, 2001). Dunning’s paradigm holds that a firm’s decision to invest in a foreign market can be explained in terms of its ownership advantage (O), the location advantage of the market in which it is investing (L) and internalization advantages conferred by direct investments (I). It is usually argued that the engagement of any enterprise in international production will depend on the presence of these three groups of advantages, with each group of variables acting interdependently.

Dunning thinks of ownership advantages as any kind of income generating assets that allow firms to engage in foreign production. He believes that a firm's ability to benefit from such activities must be related to the assets which it possesses prior to the act of internalization. Ownership advantages are specific to the investing firm, and they are related to the extent to which it possesses a set of internal factors or resources and capabilities that its (potential) competitors lack (Galan, e.a. 2007).

When a firm is motivated to venture into other overseas markets, an important decision to make is the choice of location. This decision depends very much on various locational factors (Pheng and Hongbin, 2006). Location advantages arise from the favourable conditions possessed by the countries receiving FDI. These advantages are usually linked to economic, technological, infrastructural, political, legal, social and cultural factors in the host countries. Location is relevant to explain why the foreign firms chose to supply their markets from a foreign, rather than from a domestic base.

To explain fully the extent and pattern of the scope and geography of value added activities by MNEs, one also has to explain why such firms opt to generate and/or exploit their O specific advantages internally, rather than to acquire and/or sell these through the open market. Underpinning this approach is the notion that the more ownership-specific advantages a firm possesses, the greater is its inducement to internalise and, hence, to compete in other countries (Galan, 2007).

Following Dunning, the essential condition for a firm to invest abroad is to possess an ownership advantage that the firm wants to protect. This is the underlying argument in some of the traditional approaches justifying FDI and, consequently, the existence of the MNE (Quer and Claver, 2007). MNEs are the institution for international production and FDI is a modality by which firms extend their territorial horizons abroad (Dunning and Rugman, 1985).

Several definitions exist for FDI, some broader than others, often neglecting the management dimension which is an important part of FDI. De Mello (1997) and Holsapple e.a. (2006) do include this, explaining that the investor has the intent to manage the purchased asset; it involves much more than the transfer of capital alone, for example technological expertise, marketing and management skills and other firm-specific resources. In this thesis, the definition of the IMF (2003) will be followed, defining FDI as a cross-border investment in which a resident in one economy (the direct investor) acquires a lasting interest in an enterprise in another economy (the direct investment enterprise). The lasting interest implies a long-term relationship between the direct investor and the direct investment enterprise and usually gives the direct investor an effective voice, or the potential for an effective voice, in the management of the direct investment enterprise. By convention, a direct investment is established when the direct investor has acquired 10 percent or more of the ordinary shares or voting power of an enterprise abroad. The unique feature of FDI is the mechanism by which the MNE maintains control over productive activities outside its national boundaries (Pitelis, 2007). Advantages of FDI are the provision of economies of scale and efficiency with production across several markets, with the direct presence the multinational can maintain close control while being close to the customer base and a firm can extract full value from technology ownership. Disadvantages are the high cost of capital and management and the company is subject to a large array of uncontrollables such as currency and exchange risks (ITC, 2006).

FDI is not the only form of foreign investment possible though. As the name suggests, there is also foreign indirect investments, also known as portfolio investments. Foreign investments involving ownership of 10% or less are classified as portfolio investments (FPI). Portfolio investors, with a small minority holding in the investment, exercise very little if any control in the asset and thus are typically passive investors (Holsapple, e.a., 2006).

When a firm decides to enter a foreign market, it has to choose between non-equity modes, such as exporting and licensing, and equity-based entry modes, with either full ownership, the wholly owned subsidiary (WOS), or shared ownership, the joint venture (JV). Each of these modes varies significantly in terms of resource commitment and risk, with equity-based entry modes involving the highest level of control (Demirbag, e.a. 2008). The equity-based entry modes fall under the label of foreign direct investments and it is the level of resource commitment and control that characterize FDI. These characteristics are the reasons for a MNE to decide for FDI instead of other modes.

4.2 FDI factors

There are several factors that stimulate the will of a MNE to maintain close control in their foreign subsidiary or to choose FDI in new markets. The ones that are considered the most important will be discussed here.

Firm size: According to the results of Chandprapalert (2000) and Pheng and Hongbin (2006), firm size is one of the most influential factors for a MNE to invest abroad. Firm size as an advantage is best exploited by global and bi-regional firms (Rugman and Sukpanich, 2006). This can be explained by implying that a larger firm size has greater availability of especially financial and managerial resources, which makes it easier to absorb potential losses and to establish full-ownership subsidiaries (Quer and Claver, 2007). In addition, the tendency of larger firms is to become more pluralistic in their motive for global involvement and might drive them to go beyond their existing markets (Chandprapalert, 2000).

Investment size: Launching a sizable operation abroad demands a high resource commitment that occurs in the form of substantial infusions of capital and managerial resources (Tatoglu and Glaister, 1998). When starting a large scale resource commitment, the multinational probably desires close control. Since maintaining close control is the unique feature of FDI, as said earlier, this could be an incentive for a MNE to engage into FDI.

Investment pattern: In the first place keeping close control is the main reason for the choice of FDI, but when a MNE has decided that FDI is their preferred mode, this could influence the choice for FDI in other (new) markets as well. Dunning's eclectic paradigm stipulates that firms will choose the most appropriate mode into international markets by considering their OLI-advantages within the firm. Following this reasoning like Tatoglu and Glaister (1998) did, this means that a form of entry is chosen that is the most appropriate for the MNE considering its OLI-variables and it will use this form preferably for every foreign markets, as a result creating a certain investment pattern and this could explain the (favorable) choice for this form of FDI in a new foreign market.

International experience: Another stimulating factor for FDI, which is closely linked to the previous one, is the international experience a MNE has gained with previous FDI projects. Experience-based knowledge plays a significant role in the internationalization process (Quer and Claver, 2007), which is one of the main ideas of the Uppsala model. This model of the internationalization process of a firm focuses on the gradual acquisition, integration and use of knowledge about foreign markets and operations and the incrementally increasing commitments to foreign markets (Johanson and Vahlne, 1977). Firms with more FDI experience have gathered a larger number of distinctive abilities that help them to overcome 'the liability of foreignness', which are the additional costs that a firm must face when it starts to operate in an external market (Zaheer, 1995). This experience makes it easier for a MNE to choose for FDI.

Sector of investment: It is difficult to compare an industry with another, whether it is service with service or service with non-service (Boddewyn, e.a. 1986). Services differ from tangible products, both in physical characteristics and in methods of production and delivery. For these reasons, service and manufacturing firms may face unique challenges in their foreign market entry and expansion processes (Brouthers, e.a. 2002). Boddewyn e.a. (1986) argue that while there is no need to develop special FDI-MNE theories for international service firms, particular attention must be paid to their application due to the idiosyncratic characteristics of service industries and they suggest some qualifications and/or elaborations regarding the nature of ownership, internalization and location advantages. Dunning (1989) reviewed his eclectic paradigm to explain the MNE activity in service industries, stating that the configuration of the OLI-advantages and the response of them by firms will vary according to industry.

The level of resource commitment is commonly different between service and manufacturing firms. Manufacturing frequently requires large commitments for plant and equipment. Services typically require fewer resources, especially in the business services sector such as consulting and software services (Brouthers, e.a. 2002). Service providers tend to prefer higher control and lower resource commitment than do manufacturing firms and due to their more specialized or characteristic nature because of the professional skills, knowledge and customization, it will typically select more integrated (wholly owned) entry modes, where manufacturing firms tend to select cooperative modes (Erramilli and Rao, 1993). Literature suggests here that it is plausible that the industry has influence on the decision for FDI.

4.3 The country choice

Choosing a host-country is one of the basic determinants that have to be taken in consideration carefully. It is argued that a firm's future ownership advantages depend on the location profile of its resources and capabilities in the present. This reasoning states that location factors can affect the global competitiveness of firms and hence determine their chances of future survival (Galan, e.a. 2007). What MNEs are looking for are specialized locations that provide particular kinds of scarce assets to advance their own competitiveness (Dunning and Narula, 2000). While both the ownership and internalization advantages of the OLI-paradigm are firm specific, location advantages are host country-specific (Mina, 2007). The elements of host country location-specific variables can be broadly classified into two types. First there are Ricardian type endowments that mainly comprise of natural resources, most kinds of labor and proximity to markets. Second there exist a range of environment variables that act as a function of political, governmental, legal, economic and infrastructure factors of a host country. Both types of factors play a crucial role in a firm's decision to enter a host country (Tahir and Larimo, 2004, Demirbag, e.a. 2008).

Behrman (1972) identified with his taxonomy four types of motives to enter a host country, which are still being used today (Dunning, 2001, Chandprapalert, 2002; Panayides, e.a. 2002; Tahir and Larimo, 2004; UNCTAD, 2007): resource seeking, market seeking, efficiency seeking and strategic asset or capability seeking. These motives can differ between activities, countries, industries and companies.

4.4 Country factors

When a MNE decides to enter a foreign market, many country factors have to be considered. With the increase of FDI in the world, a lot of research has been done in location factors, each using a variety of different factors. Galan (2007) divided the various factors into five categories: market, cost, infrastructure and technological, political and legal and cultural factors. This division of locational factors will be used here as well except for cultural factors since there is not any cultural affinity in the Dutch-Vietnamese FDI case as stated earlier.

Market factors: Market size is reported to be one of, if not, the most significant determinant of FDI flows (Mellahi e.a. 2003). MNEs are looking for a market share and the larger the market size, the larger their share can be. It has been argued that firms expect to experience greater long-term profits through economies of scale and lower marginal cost of production in countries with larger market potential (Sabi, 1988). This potential market size is perceived to be influenced by free trade agreements and regional trade integration schemes and therefore plays an important role (IMF, 2003). Tahir and Larimo state, based on a number of empirical studies, that the market potential of host countries has a significant and positive effect on attracting FDI. Globerman and Shapiro (1999) agree with this, since their research found that major trade liberalization initiatives, such as international trade agreements, appear to encourage both inward and outward foreign direct investment.

Cost and availability factors: Comparative cost advantages in the host country may influence the foreign investor's entry mode decision (Demirbag, e.a. 2008). It can be argued that locational advantage induced by low wages or natural resources increases the prospects of low production costs and could also stimulate the firms to establish themselves in new products and in new markets as well (Tahir and Larimo, 2004). Tatoglu and Glaiser (1998) for example include the availability of low cost inputs in their research to seek new insights in host country factors motivating foreign MNEs in an emerging market context.

Infrastructural factors: Ang's (2008) results point to the importance of developing the infrastructure base, suggesting that the provision of an adequate infrastructure base is an effective tool for stimulating FDI inflows. Tatoglu and Glaister (1998) agree with this and included the level of infrastructure also in their research. Another locational factor in this category is the existence of high industrial concentrations, such as industrial parks (Galan, e.a. 2007).

Political and legal factors: Institutions in the host countries design and implement policies and are known to have preferences and favor local business. Institutions also regulate the business environment, which may influence the location choice and affect foreign investors' perceived risk (Brouthers, e.a. 2002). Political risk is formulated as a function of institutional environment (Demirbag, e.a. 2008). Butler and Joaquin (1998) define this political risk as the risk that a sovereign host-government will unexpectedly change the rules of the game under which businesses operate. Dunning (1996) finds that risks in foreign markets are frequently cited as a deterrent to inward FDI. Countries having a higher degree of internal political or economic instability may be expected to show lower inward FDI.

Politics may be stable, but the government can also play an active role in attracting FDI by using tax reduction incentives. Taxes lower the corporate profit, so it is desirable to locate facilities in countries with relatively low tax rates. Yamada and Yamada (1996) suggest that tax related incentive policies such as lower corporate taxes on earnings are important determinants of FDI.

4.5 Conceptual model

Building on the OLI-paradigm of Dunning (1981), theory has been used to find several factors influencing the choice of a MNE for FDI and the choice for a country. The FDI stimulating factors are size of the firm, size of the investment, investment pattern, international experience and investment sector. The locational factors are divided in four categories: market factors (market size and market opportunity), cost factors (availability and cost of labor), infrastructural factors (quality of infrastructure and industrial zones) and political and legal factors (political stability and tax incentives). Together all these factors help understand the decision of a MNE for FDI in Vietnam.

Figure 1 Conceptual framework

V. VIETNAM

In the previous chapter with the help of existing literature the various FDI and country factors have been identified. Now that these factors are recognized, they require an application to the Vietnamese specific situation. Again literature will be made use of to see what is already known about the Vietnamese factors. Also the country's position within the ASEAN compared to the other ASEAN countries will be discussed.

5.1 FDI in Vietnam

As said earlier, maintaining a high level of control can be realized with the entry modes wholly-owned subsidiaries and joint ventures. These same two modes are available and possible in Vietnam and they even are the only two forms a foreign direct investor can choose from. There are two other modes of entry possible in Vietnam, Business Cooperation Contracts (BCC) and Build-Operate-Transfers (BOT), but both don't entail any ownership though and will therefore not be discussed. The two forms of FDI in Vietnam will be explained a little further:

- **100% Foreign Owned Enterprises (FOE):** The foreign owned enterprise is fully owned by foreign investors. The Vietnamese government was reluctant in the beginning, forcing many MNEs to joint ventures, but has recognized the advantages of foreign investment and FOEs account for the majority of foreign investments in Vietnam to date. Also foreign investors have learned to navigate the local system on their own by now.
- **Joint Ventures (JV)**: A joint venture is a pair of foreign and local companies sharing capital and profits. A JV is permitted to invest capital in either the home or foreign currency and is entitled by law to share the management. The minimum percentage of foreign involvement in a JV is 30%, but mostly the foreign partner is a majority shareholder. Investors find JVs attractive because they can benefit from the assistance of an established Vietnamese firm in dealing with bureaucratic and administrative procedures. They also provide foreign investors the access to land that may otherwise be difficult to secure.

5.2 Vietnamese country factors

In studies who consider mature economies, the host country specific factors are of secondary importance for these economies. In emerging market economies, however, host country specific factors have a direct impact on the FDI choice (Demirbag, e.a. 2008). The host country in this case is Vietnam and it is considered an emerging market or developing country (Benzing, e.a. 2005, Tsang, 2005; Nguyen and Xing, 2008). According to the investment development path theory (IDP), performed by Dunning and Narula since 1993 building further on the OLI-paradigm, the motives for the choice for FDI in a developing country, stage 2 out of 5 of the IDP, is primarily natural resource-seeking and market seeking. The resource seekers are motivated by their need for cheaper resources including physical, human, technological or organizational resources (Panayides, e.a. 2002). The market seeking group comprises of companies that seek to protect or exploit new markets, motivated by prospects for growth and large market share, to establish presence in a new market prior to competitors or to counteract similar action by competitors (Panayides, e.a. 2002).

Although Vietnam is an emerging market, many other countries can be considered an emerging market as well. The country choice is host country specific and thus the locational factors need to be specified for Vietnam. The multinationals are investing in Vietnam to take advantage of some Vietnam-specific characteristics, which will be discussed here using the same previously mentioned country factor categories.

Market factors: Where resource-seeking is one, market-seeking is the other one of the two main motives for investing in developing countries (Dunning, 1988). This is confirmed by Mirza and Giroud (2004), who found that one of the reasons Vietnam is chosen as a destination of investment is because of the size of the local market.

Not only the market size itself with 86 million people, but also the potential market size is of importance, which is perceived to be influenced by free trade agreements and regional trade integration schemes (IMF, 2003). Nowadays Vietnam has concluded trade agreements with about 60 countries (Vietnamese Embassy, 2007). Hsieh (2005) and Nguyen and Haughton (2002) examined the effect of bilateral trade agreements (BTA) on the inflow of FDI into Vietnam. In their paper Nguyen and Haughton (2002) found that openness of a country would attract FDI. Hsieh (2005) also witnessed the degree of openness as an important determinant for Vietnamese inward FDI.

Cost factors: The market and resource-seeking motives of international production in developing countries asks for the availability, cost and access to the factor endowments natural resources and labor (Dunning, 1988). When the economic development level of a host country is low, the comparative advantage of this kind of country with respect to countries in the more advanced stages of economic development basically lies in its possession of particular natural resources (land or labor). Thus the primary purpose of MNE managers engaging in resource-seeking FDI is to acquire specific resources in these host countries at a lower real cost than could be obtained in their home countries (Galan, e.a. 2007). Several empirical studies examining the FDI flows from a developed home country to less developed host countries have found strong support for this notion such as Tahir and Larimo (2004).

According to the employment and unemployment survey in 2006, Vietnam had 45.6 million working people. Of this sum, people at the working age of 15-55 years old for women and 15-60 years old for men, accounted for 94.2 per cent and people at the age of 15-34 made up for 45.46 per cent, making the Vietnamese workforce a strong and youthful one (Vietnam Business Forum, 2008). Not only the availability of labor but also the cost of labor is essential. The importance of low labor cost of Vietnam has been highlighted in the research of Mirza and Giroud (2004). Vietnam was also highly appreciated for its relatively high level of education and quality of the labor force (Mirza and Giroud, 2004).

Infrastructural factors: Infrastructure quality as a location factor dominates for developing economies according to Wheeler and Mody (1992). Developing East Asian experience indicates that industrial dispersal is often most successful when investment is concentrated in a few critical areas in outer regions to create ‘breakthrough clusters’ (World Bank, 2004). The Vietnamese government is establishing industrial zones in every province to attract FDI and to date 60 industrial zones have been established throughout the country. They are mostly located next to large cities close to material resources, convenient transportation, relatively developed infrastructure and large consumption markets (Vietnam Industrial Zones Authority, 1998). Nguyen and Nguyen, 2007) identified infrastructure as one of the factors that is important in the locational decision by foreign investors in Vietnam.

Political and legal factors: Meyer and Nguyen (2005) argue that the institutional context in many emerging markets plays a crucial role. One of the reasons Mirza and Giroud (2004) found for the choice of Vietnam is its political stability and government policies. The political stability of Vietnam could be a motivation for the high FDI inflow.
Ermisch and Huff (1999) concluded that lower taxes on foreign corporate investments are a beneficial strategy in attracting FDI to less developed countries. Vietnam offers investors tax holidays of up to 8 years, reduced corporate income tax rates, investment allowances or accelerated depreciation and special exemptions from import duties and other indirect taxes. It focuses these incentives especially on foreign investors, exporters and investments in poor regions (Fletcher, 2002).

5.3 Vietnam within ASEAN

The ASEAN countries individually differ in levels of resources, human capital, labor costs and local markets. MNEs selectively locate specific subsidiaries across ASEAN depending on the locational advantages of host economies, e.g. factors appropriate to particular functional areas and second by the internal and external relationships created on a national and regional basis, as well as corporate global links (Mirza and Giroud, 2004). Through time, regional links in the ASEAN have been formed with a hierarchical nature of inward investment starting with Singapore, followed by Malaysia, Thailand and Indonesia and at last the countries newly open to FDI like Vietnam. Market penetration reflects this pattern and the range of activities and integration on a regional basis highlights the different levels of development and investment experience (Mirza and Giroud, 2004). Singapore has established itself as a developed economy hosting many regional headquarters and attracting high value-added activities. Many subsidiaries in Malaysia and Thailand have achieved to increase their importance within their company’s global activities. In line with the IDP mentioned in the literature review, only 40% of subsidiaries in Malaysia and Thailand perform manufacturing activities, unlike Vietnam, where over 75% of subsidiaries only perform a pure manufacturing function. Mirza and Giroud (2004) state that Vietnam is benefiting from the early development of countries in the region, where foreign subsidiaries are already in operation and where local economies are comparatively more developed.

According to the studies about Vietnam and the ASEAN of Mirza and Giroud (2004, 2004) Vietnam is following Malaysia and Thailand closely and is fast becoming a major investment recipient in the region, because of its country-specific advantages, recent international trading agreements and regional integration. The country has achieved a key position both in terms of prime investment host within the region and as a recipient of intraregional inflows. The case of Vietnam also stands out because its economy is interlinked with that of neighboring economies through intraregional trade.

In addition Mirza and Giroud (2004) state that the size of Vietnam’s population and its location between ASEAN and China are also factors for the large FDI inflows. With China as a neighbor, Vietnam has to compete in terms of potential markets and capabilities. In this respect, Vietnam’s position in ASEAN can be a major help. Vietnam has substantially benefited from its integrated position within ASEAN and Asia as a whole, because it is a major site for cheap but skilled labor for export-oriented industries of MNEs based in both ASEAN and the rest of Asia.

Vietnam’s regional integration with neighboring countries and other Asian countries reflects the nature of the global and regional economy attracting both East Asian and non-Asian MNEs located in countries in the region and integrating Vietnam within their regional operations (Mirza and Giroud, 2004).

VI. DUTCH MNES IN VIETNAM

Arriving at this part of the research, literature has given many answers about the attractiveness of FDI in the context of Vietnam. The objective of this research is however to explain the large amount of Dutch FDI in Vietnam, therefore previous knowledge has been used to investigate empirically the case of Dutch MNEs in Vietnam and this chapter will present the outcomes of seven of them.

As said in the beginning, the research group can roughly be divided in two groups, four smaller and three larger more well known multinationals. During the interviews this division became even more apparent in many ways and therefore the empirical results will be dealt with in this order.

6.1 FDI in Vietnam by small Dutch MNEs

One of the many characteristics these four MNEs all share is that they are all in the service industry and have wholly owned subsidiaries (or FOEs) in Vietnam. The main reason for this is that they want to keep close control of their subsidiaries in Vietnam in order to secure the quality of their product or as one manager said: "If you own the subsidiary fully, you have everything in your own hand; it is the name of the company you have to keep up". In contrary to other ASEAN countries, one MNE was able to establish a FOE in Vietnam, the manager remarked: "In Indonesia you can't do anything without a local partner, in that way Vietnam is exceptional, which is only a good thing, because having the subsidiary fully owned is the way we prefer it to be".

These four MNEs in the service sector who are a 100% involved are also the ones who have small(er) firm sizes and have made small(er) investments in Vietnam. Compared to the investments the larger MNEs have made, their investments are considerably smaller ranging from 500.000 up to approximately 5 million Euros: "We only provide services, which are not possible to export, so actually it is just people that are the largest costs".

Another characteristic that binds these four smaller multinationals is that they penetrated the Vietnamese market just fairly recently in the past couple of years, although one of them has been doing projects in Vietnam since 1993. One cause for their late market entry was their reliance on clients: “In general we only work for the bigger companies who are gradually coming to Vietnam, before their arrival, before the last couple of years, there was no market for us” and the country manager of another MNE said: “Our clients were going to Vietnam and needed our services there as well. But since a few years we also saw opportunities for our own in the local market”.

Another reason according to one MNE for the late entry was the difficulty of the right timing for their market entry: “It was not the question if, but when we would go to Vietnam. In our industry, the image of the country is very important and not until the past couple of years this has been changing in the positive direction more and more for Vietnam”. The consequence now is that these MNEs have several competitors and a small market share in their different fields. Nonetheless, without exception they all experience large growth and profit margins and are expanding their business in Vietnam.

Each of these smaller Dutch multinationals has a lot of experience with foreign direct investments, including in various other Asian countries such as Indonesia, Thailand and China, except for one. Vietnam is just one of the many and smaller investments, but it has large potential. The MNE that has no other Asian experience stated that their number one motivation to choose Vietnam above all is the market opportunities, which was confirmed by the others: “The founder of our company has been in many countries, but he has not used the word opportunity as much as in the first days he was in Vietnam. There lie so many opportunities in this country for everything, everywhere”. Although it is one of the newer investments, Vietnam is an important pin in the Asian region for them.

Country specific advantages in comparison to other ASEAN countries are the political stability and the local people, as one manager stated: “The thing that distinguishes the Vietnamese people are that they have a great mentality, they are hard working and not lazy […] the word that best describes them is probably diligent”.

For one MNE for their particular industry the geographical position with a long coast line was an important locational advantage. Other ones mentioned by a country manager are the low costs of natural resources, land as well as labor, and the safety of the country.

Not only positive things about business in Vietnam were revealed, the most heard complaint was that it is difficult to get a project started quickly, as one interviewee told: “First you have to drink, go out and bond with several Vietnamese governmental servants before you get permission for anything, years can go by; it is a political game, you have to know the right people”. However at the same time, another person said about obstacles in Vietnam that: “…true investors do not look at the constraints, but figure out a way to deal with them; they are not a limitation for any real investors”.

In contrary to the complaint above, one MNE did not experience any problems with the government though, for them it was quite the opposite, the Vietnamese government “lured” them in order to stimulate their particular industry by giving them various tax reduction incentives.

6.2 FDI in Vietnam by large Dutch MNEs

Just like the four smaller MNEs, the three larger MNEs share a few similarities, but also a couple of dissimilarities. Two of them are in the manufacturing sector, where as one is in the service sector and two of them have established a joint venture where as the other one a wholly owned subsidiary. Unlike the other four service companies, this service MNE is not a fully owned one but a joint venture. They did not have a choice because of restrictions made by the Vietnamese government in their particular industry. They chose not to go for an agent or representative office, because they wanted to keep control on the quality of their service.

One of the two manufacturing MNEs always chooses for a joint venture (if possible), because they believe in local partnership: “A good local partner is better than a wholly owned subsidiary, but a bad partner is worse than a wholly owned subsidiary”. By choosing their right Vietnamese partner carefully, this MNE has been able to learn about the Vietnamese way of doing business. The other manufacturer with a wholly owned subsidiary states though that: “If you believe in the market, you have the opportunity and it is possible by law, why would you not invest 100% of your money in the market? We like to have control, we want to lead, we want to decide.”

During the interviews it became clear that a few of the larger Dutch multinationals are responsible for the large amount of FDI that have been made in Vietnam, as some interviewees claimed: "…that is partly do to the big boys. If you take one or two away, the Netherlands would probably be on the bottom of the list […]" and "…especially the investments by Unilever, who has practically no competitors and is responsible for approximately 1% of the GDP". These three MNEs have made investments ranging from 10 million up to more than a 100 million Euro, which is far greater than the investments of the smaller MNEs, but there exists a large variation between the three. They stated that their investments are not their largest ones in Asia, although the expectation is that it will increase in the future: "We don't go into a market with large investments without fully knowing the market". Nonetheless, the managers said that their Vietnamese subsidiaries are one of their most important ones with one of the largest growth and profit margins. The growth of these three multinationals in Vietnam ranges between the 20 and 60%.
Extraordinary is that these three multinationals all have a long history; each of them were founded more than a 100 years ago in the Netherlands. All of them are global players with many subsidiaries all over the world and they had extensive international experience before going to Vietnam. Vietnam was not the first Asian country they entered; it is even the last one. Compared to the group smaller Dutch MNEs, these three have been active longer in Vietnam for more than 10 years: "As soon as the country opened its market and it was possible, the big boys hurried to enter the country, before any other competitors would". One made the foreign direct investments fairly late though, just in the past couple of years: "Before we did not see enough business potential".

For all of the interviewed Dutch MNEs the main reason to enter the Vietnamese market was the large market size and the market opportunities with the opening of many different industries or as a manager simply stated: "It makes no sense to do business if there are no business opportunities."
Reasons for one of the manufacturing multinationals to (re)enter Vietnam in the early nineties was the combination of market opportunity, their historical bond and their strength of doing business internationally. This historical bond was created through export towards Vietnam of their product, which was perfectly suitable for the Asian

market in the early 1900s. Because this MNE had connections with Indonesia and Hong Kong who in turn had ties with Vietnam, the choice for Vietnam made sense back then. The rationale for the other manufacturer to set up a factory in Vietnam was because of the high import duties from China: “We saw a way to start local production, the tax regime in Vietnam was good, so we could serve the local market.” There were also export possibilities, because of the lower import duties of the free trade agreements with the neighboring countries. One of the interviewees remarked that the Netherlands houses many large international companies and because these multinationals are globally active, they probably also have to enter Vietnam. This was confirmed by the service MNE who entered Vietnam, because they are a global player and need to be in Vietnam to be able to provide their services for their clients there.

The country-specific advantage appreciated the most by these three MNEs is again the mentality of the Vietnamese people: “They have such a drive to improve their life and to win”. Compared to other Asians, the Vietnamese are considered more accessible and open. “The people are well educated and have an unbelievable interest to be successful.” The investment climate is also considered better with more stable politics, less corruption, less insecurity and a stimulating government: “The regulatory environment is extremely important. If you have an unstable government, no tax laws, forget it…”
Although some parts of the infrastructure are improving, with the increasing amount of traffic in the country areas such as harbors and industrial zones are even getting worse. Hence this locational factor was considered both a positive and negative factor by different MNEs. For one manufacturing MNE the improvements that are being made in the infrastructure are a huge potential, because now they can market their products even more, making Vietnam a high growth market for them. For the service MNE who is dependant on good infrastructure, the bad conditions of the infrastructure at the moment are a negative factor in Vietnam. But in the end, the infrastructure is considered a long term stimulus for growth. Another positive country factor that has been mentioned was the low costs of labor. It is a combination of many different factors that attract FDI, but neither one of these advantages were as decisive in their definite decision for Vietnam as for the market possibilities and growth potential.

Despite all these positive country factors, it is not possible to compare Vietnam with the further developed ASEAN countries, as one manager simply put it: “Singapore is just far better developed”. Vietnam is one of the last ones of the ASEAN countries the MNEs entered. They have been in the other countries in the region for a much longer period of time and have much more outstanding FDI there, except for the markets of Cambodia and Lao, which are still too small and not developed enough. The Vietnamese market was not accessible earlier in contrary to the other countries, but now they see that the economic reforms of other neighboring countries are successful: “The Vietnamese leaders acknowledge the success and now they want to find their way to copy and outperform. They are not afraid to open up.”

Because these Dutch MNEs have been in Vietnam for a long period of time, many of the Vietnamese know these companies and there is high brand awareness. Not only are they well known, they also have a very good image both their products/services as well as being employers. According to an interviewee the Netherlands are very neutral; they are not linked to a political party or history and therefore they do not encounter problems with regard to the Dutch nationality. The multinationals even take advantage of their Dutch nationality and carry it out; one brand name is not coincidentally Dutch Lady. These multinationals are close to the Vietnamese society, they are investing in education and several development programs have been created: “We focus on the long term and we have a responsibility towards the society”. In 2006 and 2007, the Dutch embassy/consulate even organized the “Holland Days”, which was a combination of various activities as one big event for one week to promote the Dutch image in Vietnam, not only on a business level, but also on a cultural and educational level. The goal was for the Vietnamese people and companies to get to know more about the Netherlands.

VII. CONCLUSION / DISCUSSION

In the preceding chapters a lot of theoretical and empirical information has been gathered. Now in this last section, the sub questions and then the main research question will be answered. After that the outcomes will be discussed and several topics for further research will be suggested.

7.1 Conclusion

Vietnam has been attracting foreign direct investments very successfully since the economic reforms in the late eighties. The Netherlands have been the largest European investor since. The goal of this qualitative research was to find out which factors have led to the present day large amount of Dutch FDI in Vietnam without an obvious foundation. To answer this, both theoretical as well as empirical research by means of literature and semi-structured interviews with seven Dutch multinationals, who are active investors in Vietnam, has been done. In the chapter research design, sub questions have been posed in order to answer the main research question. Each of these questions will be answered here in this same order.

The FDI choice: When a multinational decides to invest beyond its borders, it has to make a decision on how to control the subsidiary. An investor can choose between foreign indirect and foreign direct investments. FDI are characterized though by a high level of control, resource commitment and risk. Following Dunning's OLI-paradigm, the essential condition for a firm to invest abroad is to possess an ownership advantage that the firm wants to protect (Quer and Claver, 2007). MNEs are the institution for international production and FDI is a modality by which firms extend their territorial horizons abroad (Dunning and Rugman, 1985).
Foreign markets can be entered with the equity-based entry modes joint ventures (JV) or either wholly owned subsidiaries (WOS). The choice for FDI and which entry mode can be influenced by factors such as the firm size, size of investment, investment pattern, the international experience of the firm and/or the sector of investment.

The country choice: Not only does a multinational have to decide how to control its subsidiary, it also has to decide where this subsidiary needs to be located. What MNEs are looking for are specialized locations that provide particular kinds of scarce assets to advance their own competitiveness (Dunning and Narula, 2000). Locational advantages can be divided by on the one hand Ricardian type endowments such as natural resources and on the other hand environmental variables such as governmental or economic factors of the host country. There are generally four types of motives to enter a host country, being resource seeking, market seeking, efficiency seeking and/or strategic asset seeking (Behrman, 1972), which can differ between MNEs, countries and industries. In this research the many country factors have been grouped in the following categories: market, cost and availability, infrastructure and political and legal (Galan, 2007).

FDI in Vietnam: In Vietnam both the equity-based modes joint venture as well as the wholly owned subsidiary (or in this case the 100% fully owned enterprise, FOE) exists for foreign investors. The minimum percentage of foreign involvement in a JV is 30%, but mostly the foreign partner is a majority shareholder. The Vietnamese government was reluctant in the beginning, forcing many MNEs to joint ventures, but has now recognized the advantages of foreign investment and FOEs and they account for the majority of foreign investments in Vietnam to date.

Vietnam is an emerging market and according to the investment development path theory (IDP) of Dunning and Narula (1993) the main motives for the choice for FDI in a developing country, is primarily natural resource-seeking and market seeking. Looking at the country factors, all the categories have been mentioned in several studies. The most important and most often mentioned ones would be the market size and openness of the country, the low cost and availability of labor, the political stability and governmental investment stimuli.

Vietnam versus ASEAN: Mirza and Giroud (2004, 2004) have done a couple of studies about the position of Vietnam within the ASEAN and have found Vietnam to be unique in a few aspects. Compared to Thailand and Malaysia, the Vietnamese subsidiaries are only performing a pure manufacturing function. This is due to the early development of

most of the other countries in the region, where the local economies are comparatively more developed.
The case of Vietnam stands out because its economy is very well integrated in the region through intraregional trade and it has achieved a key position both in terms of prime investment host within the region as well as a recipient of intraregional inflows. With China as a neighbor, Vietnam has to compete in terms of potential markets and capabilities and Vietnam's integrated position in ASEAN can be a major help. Its regional integration reflects the nature of the global and regional economy attracting both East Asian and non-Asian MNEs located in countries in the region and integrating Vietnam within their regional operations.

Dutch MNEs in Vietnam: During the interviews a clear division became apparent, that of small MNEs on one side and the large ones on the other side. The four small MNEs are quite homogeneous: they are all in the service sector and fully owned because they want to keep control of the quality of their services and compared to the larger MNEs they have made small investments in Vietnam. Each has a lot of international experience, but did not enter the Vietnamese market until recently. Nonetheless Vietnam is an important market for them with large growth and profit margins.
The number one reason to enter Vietnam eventually is the market opportunities, but also the pursuit of clients was mentioned. Country specific advantages compared to other ASEAN countries according to these four are the mentality of the Vietnamese people, the low cost of land and labor, the geographical position, governmental incentives and the political stability.

The three large(r) Dutch MNEs share some similarities too, but there are also a few dissimilarities; two of them are manufacturers where as one is a service provider and two of them are fully owned where as the other one is a joint venture. They disagree on which form of FDI, but they agree on the reason for FDI, which is to keep control. The investments made by large well known Dutch MNEs are considered responsible for the large amount of FDI in Vietnam by all the interviewees. All have been active in Vietnam longer than the smaller MNEs and have made far more investments, although there are large differences between the three. Furthermore, all the three multinationals have long histories of more than a century of business with a lot of international experience and they have penetrated many countries. Even though Vietnam is not the Asian country they invested the most in and it is one of the last ones, nowadays they all experience large growth and profits in Vietnam. Vietnam is catching up with the other ASEAN countries that have opened up earlier and are more developed, with the exception of Cambodia and Lao.

The reason to enter Vietnam is again mainly because of the market opportunities and growth potential, but also the historical bond and the export/import duties in Asia were brought up. These multinationals are global players for whom it is important to be there for their clients locally. Locational advantages in contradiction to other countries in the region were the same as for the previously mentioned four smaller MNEs: the drive of the Vietnamese for success and their openness, low cost of labor, the governmental incentives and the political stability. Not only Vietnam has a good image, the Dutch have a good image in Vietnam as well and they are taking advantage of this by carrying out their nationality through various events, educational investments and development programs.

Now the sub questions have been answered, this section will end with the answer on the main research question:

Why have Dutch MNEs made the decision for large FDI in Vietnam?

As for many things, there is not one clear answer for the reason why there is such a large amount of Dutch FDI in Vietnam. In this case, the conclusion is that it is a combination of factors that has evolved in the present day FDI. From the Dutch side, this is due to a couple of large Dutch multinationals that have invested heavily in Vietnam. Because of their large firm sizes they have more financial and managerial resources, which makes it easier to invest abroad. These MNEs are also global players, who have a lot of international experience, which makes it also easier to enter a new (emerging) market. This might be strengthened in the case of the Asian region because of the Dutch history with the VOC. Although not all Dutch MNEs have been interviewed, the belief is that it is mainly the manufacturers that have made the great investments.

From the Vietnamese side, it was the market opportunities that attracted these multinationals in the first place. Factors that are considered the most beneficial locational advantages compared to other ASEAN countries are the willingness of the Vietnamese people to do business, low cost of labor, governmental incentives and the stable politics. All these factors together result in the following theoretical framework:

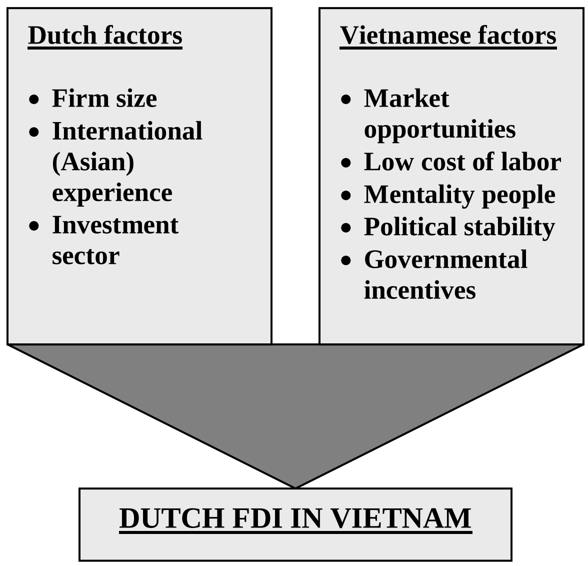


Figure 2 Conceptual framework

This research was not a quantitative, but a qualitative one and the purpose was to explore and explain an unusual phenomenon. The outcomes of the seven interviewed Dutch multinationals in Vietnam can not be generalized to all the approximately 50 companies. Therefore the following hypotheses are stated:

H1: The larger the size of the Dutch multinational, the larger the foreign direct investments in Vietnam.

H2: The larger the international experience of the Dutch multinational, the larger the foreign direct investments of Dutch multinationals in Vietnam.

With the empirical information, this research has been able to understand why Dutch multinationals have made the decision to invest directly in Vietnam. What this research has not been able to discover, is the difference in amounts of FDI between Vietnam and other ASEAN countries as found in the beginning. Most of the interviewed Dutch MNEs even stated that their investments are not their largest ones in Asia. But because there is the conviction that there are some large well known Dutch multinationals in the manufacturing industry, that have not been interviewed, the following hypothesis has been formed:

H3: Dutch multinationals in the manufacturing industry make large foreign direct investments in Vietnam.

7.2 Discussion

The location and control decisions of multinational enterprises are at the core of managerial decision-making and academic theorizing in international business. For each activity the firm undertakes, it has to make two critical decisions: Where should the activity be located and how should it be controlled? (Buckley, e.a. 2007).

The results on how it should be controlled did not show any surprises after the literature review, except for one manufacturing MNE who chose for a joint venture. Of the seven multinationals, five MNEs were in the service industry of which four were wholly owned subsidiaries. As stated earlier, in order to maintain a high level of service, it is more important to keep close control than with manufactured products due to their more specialized or characteristic nature of the professional skills, knowledge and customization. A service MNE will therefore typically select more integrated (wholly owned) entry modes, where manufacturing firms tend to select cooperative modes (Erramilli and Rao, 1993).

The large FDI in Vietnam is mainly due to the investments made by large well known Dutch MNEs; the four smaller MNEs in the service sector have made significantly smaller investments. Being fully involved brings larger risks than being involved just partially as with a joint venture and in order to minimize the risk the investment itself is smaller. Moreover it has to be taken into account that smaller firms have less financial resources and therefore probably make smaller investments. This outcome is consistent with Westerman (2006) who found that a firm's investment pattern varies according to size of the firm and the investment size.

The extensive international experience that each of the seven interviewed Dutch MNEs had, was also not in contradiction with literature. Although not all of them started their international operations in Vietnam by exports first as the internationalization process of Johanson and Vahlne (1977) suggests, they did all have a lot of experience in other Asian countries, except for one. Most of them established a representative office first and as soon as it became possible and viable, they started investing directly in the Vietnamese market.

According to Galan e.a. (2007), historical and cultural ties between the home and host countries play a role when investments are made in emerging markets. The potential rents realized from investments are generally higher in culturally familiar countries than in unfamiliar countries (Tahir and Larimo, 2004). Because Vietnam is geographically, socially and culturally distant from the Netherlands, only their (historical) experiences in the Asian region could be a stimulus for their market entry in Vietnam.

The MNE that did not have Asian experience declared that the market opportunities in Vietnam were the sole motivation to enter the Vietnamese market. This was confirmed by all the other multinationals. This is conform Mirza and Giroud (2004), who state that the main motivation for investing in Vietnam is market-seeking. Vietnam is considered attractive because of its large population and diversified industrial base.

Other locational advantages mentioned were the availability and (low) cost of natural resources, political stability and investment climate. When the economic development level of a host country is low, the comparative advantage of this kind of country with respect to countries in the more advanced stages of economic development basically lies in its possession of natural resources such as land or labor (Galan, e.a. 2007). Reasons Mirza and Giroud (2004) found for the choice of Vietnam were its political stability and government policies, which matches exactly with the outcomes. The infrastructure of

Vietnam was named both positive as well as negative at present but was not a really important factor in the locational decision.

One country specific factor that has not come up during the literature research and that is highly appreciated in Vietnam is the character of the Vietnamese people. Mirza and Giroud (2004) mentioned the quality of the labor force slightly, but the mentality has not been highlighted in any literature. Although it was not a factor in the locational decision either, it was certainly a positive factor in doing business in Vietnam for the Dutch multinationals.

7.3 Future research

Founded by literature, this research has seeked to provide understanding into the host country factors and the strategic motivations of investing Dutch multinationals to engage in FDI in the context of Vietnam. This qualitative research has resulted in a theoretical framework and a number of hypotheses posted in the conclusions. No statistical analysis has been done, but the factors that have been found are worth investing further and it would be interesting to see whether these factors are supported by quantitative research.

According to Buckley e.a. (2007), limitations of empirical research about the foreign direct investment choice is that the samples are based on final location choice only. Hence it is not known which options were considered by the firms and discarded and the consideration sets between the firms could have differed. In this case there were no other real options, at least not in the Asian region: most of the multinationals were already active in all the other ASEAN countries. Vietnam was the latest ASEAN market to open up and therefore the investments by Dutch MNEs were made a lot later and smaller. This last one is in contradiction with the data that has been found in the chapter background of this thesis. The amount of Dutch FDI in Vietnam is considerably higher than in the other countries. One of the interviewed managers said that the amount of FDI is due to one or two big investors, but with the seven MNEs used for this research, this could not be explained. To explain this matter, data about the foreign direct investments from all of the

Dutch MNEs in Vietnam is necessary. The suggestion is therefore that someone who has full access to all this data should investigate this unsolved issue.

One of the statements made by interviewees is that the large Dutch multinationals were one of the first foreign direct investors in Vietnam and that they have made large investments since then, but the expectation is that other European countries such as France and Germany will catch up, not to mention the United States. It would be intriguing to see the FDI ratio of the Netherlands and Vietnam throughout the years and to compare that to other (European) countries. In addition, the research could find out whether the Netherlands were also early investors in the other ASEAN countries and if the FDI ratio there has increased or decreased throughout time as well.

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APPENDIX

The UNCTAD FDI intensity ratio is calculated as follows:

FDI intensity ratio (R) = *FDI*ij / *ExpFDI*ij

*FDI*ij = Actual amount of FDI stock from country i to j.

*ExpFDI*ij = Expected value of FDI stock from country i to country j

$$= \frac{FDI_{wj}}{FDI_{ww}} * \frac{FDI_{iw}}{FDI_{ww}} * FDI_{ww}$$

*FDI*wj = Total inward stock in the j country

*FDI*iw = Total outward FDI stock of I country in the world

*FDI*ww = Worldwide inward or outward FDI stock

1. The FDI intensity ratio for **The Netherlands** as the home country (i) and **Vietnam** as the host country (j) for the year 2007 is as follows:

$$\text{ExpFDIij} = \frac{40235}{15400000} * \frac{851274}{15400000} * 15400000 = 2224{,}1 \text{ million of US dollars}$$

FDIij = 2598,5 millions of US dollars

$$\text{FDI (R)} = \frac{2598{,}5}{2224{,}1} = \mathbf{1{,}17 > 1}$$

2. The FDI intensity ratio for **France** as the home country (i) and **Vietnam** as the host country (j) for the year 2007 is as follows:

$$\text{ExpFDIij} = \frac{40235}{15400000} * \frac{1399000}{15400000} * 15400000 = 3655{,}15 \text{ million of US dollars}$$

FDIij = 2376,37 millions of US dollars

$$\text{FDI (R)} = \frac{2376{,}37}{3655{,}15} = \mathbf{0{,}65 < 1}$$

3. The FDI intensity ratio for **The Netherlands** as the home country (i) and **Indonesia** as the host country (j) for the year 2007 is as follows:

$$\text{ExpFDIij} = \frac{58955}{15400000} * \frac{851274}{15400000} * 15400000 = 3258{,}89 \text{ million of US dollars}$$

FDIij = 867 millions of US dollars
(633 million Euros converted against the average dollar of 2007: 1,37)

$$\text{FDI (R)} = \frac{867}{3258{,}89} = \mathbf{0{,}27 < 1}$$

Sources: UNCTAD World Investment Report 2007, UNCTAD Country Fact sheets 2008 and Vietnamese Ministry of Planning and Investment, 2008

Figure 1 Conceptual model

Members of the Dutch Business Association in Vietnam:

1. ABN AMRO BANK N.V
2. ANDIRA VIETNAM B.V. REPRESENTATIVE OFFICE
3. AP PETROCHEMICAL (VIETNAM) CO., LTD
4. BALLAST NEDAM INTERNATIONAL BV
5. BIOTHANE ASIA PACIFIC
6. CALDIC VIETNAM
7. CAMPINA VIETNAM
8. CONTROL UNION VIETNAM
9. DALAT HASFARM
10. DHL EXEL SUPPLY CHAIN
11. DUTCH LADY VIETNAM
12. EcO2 VIETNAM LTD
13. EXACT SOFTWARE
14. HARVEY NASH VIETNAM
15. HASKONING VIETNAM
16. HATAY BREWERY LIMITED
17. LA PERLA INTERNATIONAL LIVING
18. LIFE RESORTS MANAGEMENT COMPANY
19. MAERSK VIETNAM LTD
20. MARTINS WATER LTD. VIETNAM
21. METRO CASH & CARRY VIETNAM LTD
22. NESO VIETNAM
23. NEW WORLD CAPITAL
24. NUTRIWAY VIETNAM
25. PARK HYATT SAIGON
26. PEJA VIETNAM
27. PHILIPS ELECTRONICS SINGAPORE PTE, LTD VIETNAM
28. SAIGON TOWN & COUNTRY CLUB
29. SHELL VIETNAM
30. TNT - VIETRANS EXPRESS WORLDWIDE (VN) LTD.
31. TRI THUC VIET EDUCATION & CONSULTANCY CO. LTD.
32. UNILEVER VIETNAM
33. UNIT INTERNATIONAL
34. UTS SAIGON VAN INTERNATIONAL RELOCATIONS
35. VENTURE CAPITAL & EQUITY INVESTMENT HOLDING
36. VIETNAM BREWERY LIMITED
37. VIETNAM CONSULT & TRADING B.V.(VCT)
38. VOITH TURBO GMBH & CO.KG
39. WATER SUPPLY HOLLAND CO. LTD
40. WAVIN OVERSEAS BV

Source: Eurocham March 2008