Chapter 4.7
IT and Software Industry in Vietnam

Yuko Iwasaki
Yokkaichi University, Japan

ABSTRACT

Vietnam has been advancing toward a market economy since 1986. Industrialization has progressed with a high rate of growth. One of the factors of the economic growth of Vietnam has been FDI. Japanese companies are among those that have a strong interest in Vietnam. Japanese companies are recently taking note of Vietnam's IT and software industries. Now, however, interest is increasing in offshoring as a means for developing in this sector.

INTRODUCTION

Vietnam has been advancing toward a market economy since 1986. After the Asian currency crisis in 1997, foreign direct investment (FDI) decreased and the growth rate slowed down, but since then, the country has followed a trend of recovery and industrialization has progressed with a high rate of growth.

One of the factors of the economic growth of Vietnam has been FDI. Japanese companies are among those that have a strong interest in Vietnam.

Up until now, the manufacturing industry has been at the center of Japanese companies' investment in Vietnam. However, Japanese companies are recently taking note of Vietnam's IT and software industries. Now, interest is increasing in offshoring as a means for developing in this sector.

In this chapter, the Vietnamese IT and software industries are surveyed, and the relations between Japan and Vietnam that have led to offshoring are considered.

RECENT ECONOMIC DEVELOPMENT

Since its adoption of the Doi Moi policy in 1986, Vietnam has promoted a market economy while also maintaining a socialist system. Due to the effort of the Doi Moi policy, FDI increased up to the first half of the 1990s, and high growth was recorded. However, after the Asian currency crisis of 1997, FDI decreased again, and the growth rate became slow. Since then, the present tendency has been maintained and the growth rate in 2005 showed a high 8.4% rate of growth with the progress of industrialization. Domestic demand was strong, and exports also remained strong.

While the manufacturing and service sectors expanded, the share of agriculture in the economy continued to decline (although it is still a major sector in terms of employment). Exports of electric goods continued to drive growth. Good performance was recorded.

FDI has been one of the factors of economic growth since 2000. Recently, with the increasing risks posed by the worsening business environment in China, Vietnam, with its low labor costs and stable political climate, is highly appreciated by investors anxious to spread their risks. Investment is increasing mainly in the manufacturing industry. Major investors are Japanese companies related to computers, electrical parts, automobile parts, motorbikes, and printers. Also, the Vietnamese government has improved businesses conditions for foreign firms.

Vietnam enjoys an especially high estimate among Japanese companies, whose direct investment in the country is increasing. In a medium-term survey conducted by the Japan Bank for International Cooperation (JBIC, 2005), Vietnam was ranked fourth in the world as a promising site for enterprise development (in approximately the next 3 years). For the longer term (approximately 10 years), it was ranked third by Japanese companies (Table 1).

Table 1. Promising countries and regions for overseas business operations over the medium and long terms (Source: JBIC, 2005)

Rank	Medium Term (next 3 years or so)	Long Term (next 10 years or so)
1	China	China
2	India	India
3	Thailand	**Vietnam**
4	**Vietnam**	Russia
5	U.S.A.	Thailand
6	Russia	U.S.A.
7	South Korea	Brazil
8	Indonesia	Indonesia
9	Brazil	South Korea
10	Taiwan	Malaysia

Related Content

Python-Powered Stock Market Analysis Leveraging Data Science Techniques for Informed Investment Decisions
Arta Zejnullahi (2023). *The Software Principles of Design for Data Modeling (pp. 117-132).*
www.irma-international.org/chapter/python-powered-stock-market-analysis-leveraging-data-science-techniques-for-informed-investment-decisions/330491

A Machine Learning-Based Framework for Diagnosis of Breast Cancer
Ravi Kumar Sachdevaand Priyanka Bathla (2022). *International Journal of Software Innovation (pp. 1-11).*
www.irma-international.org/article/a-machine-learning-based-framework-for-diagnosis-of-breast-cancer/301221

Designing Agent-Based Process Systems-Extending the OPEN Process Framework
J. Debenhamand B. Henderson-Sellers (2003). *Intelligent Agent Software Engineering (pp. 160-190).*
www.irma-international.org/chapter/designing-agent-based-process-systems/24149

A Method for Detecting Bad Smells and its Application to Software Engineering Education
Yuki Ito, Atsuo Hazeyama, Yasuhiko Morimoto, Hiroaki Kaminaga, Shoichi Nakamuraand Youzou Miyadera (2015). *International Journal of Software Innovation (pp. 13-23).*
www.irma-international.org/article/a-method-for-detecting-bad-smells-and-its-application-to-software-engineering-education/122789

Use of Purpose and Role Based Access Control Mechanisms to Protect Data Within RDBMS
Suraj Krishna Patil, Sandipkumar Chandrakant Sagareand Alankar Shantaram Shelar (2020). *International Journal of Software Innovation (pp. 82-91).*
www.irma-international.org/article/use-of-purpose-and-role-based-access-control-mechanisms-to-protect-data-within-rdbms/243381