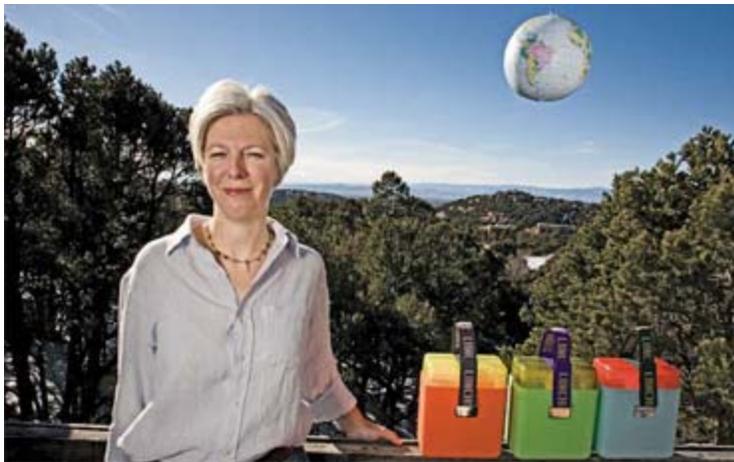


Vietnam: The China of 25 Years Ago?

Vietnam is emerging as a manufacturing center for entrepreneurs willing to brave an emerging nation

By [Jeremy Quittner](#)



Arian Roefs of Santa Fe knew in 2005 that she had a problem: Her startup, Oots, couldn't afford to make its children's clothing and accessories in the U.S. Mexico was close, but Roefs had no contacts there. Asia seemed too far away, and she thought her orders—generally no more than 5,000 pieces—would probably be too small to interest factories. But eventually, Roefs found a plant near Vietnam's Ho Chi Minh City that could make her trademark bibs for one-fifth the \$15 U.S. manufacturers wanted. "I need a lot of extra time and attention getting the product made right," says Roefs, whose two-employee company now has \$100,000 in sales. "I got [that] from my Vietnamese counterparts."

Vietnam is enjoying a relatively new reputation for outsourced manufacturing, prompting some to compare it with the China of 25 years ago. The country's wages can be half that of larger Asian countries, and, for better or worse, environmental regulations are less strict there. Those doing business in Vietnam are exempt from import or export duties for the first three years. Producers are eager even for small orders.

Still, Vietnam has its challenges. With a gross domestic product of about \$70 billion, Vietnam's economy is a fraction of either China's or India's. Inflation has been running at about 20%

annually, and labor unrest has grown. Infrastructure is poor, and ports are shallow, meaning goods must be shipped to a larger port for transport to the U.S. On top of that, the communist country is famously opaque and, some say, corrupt. "It is much more risky to operate in Vietnam than in India or China," says Usha C.V. Haley, Asia fellow at Harvard University.

But for a savvy entrepreneur, the hurdles are not insurmountable. Seeking advice from local counsel on the quickly changing legal and regulatory environment will go a long way. The U.S. Commercial Service (buyusa.gov/vietnam/en) and U.S.-Vietnam Chamber of Commerce (usvnchamber.org/index.html) both provide tips. An international business consultant suggested Roefs try Vietnam and put her in touch with a broker. Roefs didn't visit the factory but requested photos, samples, and a test run before signing on. Now she's in regular contact with the agent and factory owners—all of whom speak English—by e-mail and telephone. During production runs she's in touch several times a day. "You notice soon enough how competent they are and how easy communication is," says Roefs. Having faith in your partners is critical, particularly in an emerging market.

[Quittner](#) is a staff writer for *BusinessWeek* in New York.