

Expanding Overseas: The Best Small Markets

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Thanks to job growth and newfound political stability, these smaller markets present a big opportunity for U.S. and other western companies to expand.

Vietnam



Vietnam's growth rate has led some experts to call it "the next China." (Photo by [NguyenTrung](#), CC 2.0)

GDP:

\$66.4 billion

Population:

85.2 million

GDP growth rate:

8.5 percent

Why it's hot:

Since the U.S. trade embargo was lifted 14 years ago, the country's young, literate workforce has helped Vietnam capture the outsourcing business that China and India once commanded. Poverty was cut in half, and per capita income more than tripled between 1993 and 2004. In the past year, \$10 billion in investments has poured in from foreign firms, says Khoa Do, a Vietnam venture capital specialist and partner at DLA Piper US, a Los Angeles law firm.

At the time the embargo ended, people shopped at open-air markets. Today, groceries, clothing stores, and restaurants cater to a more sophisticated population. Key ports, communication systems, and roads are improving, and even outlying villagers are becoming more entrepreneurial by repairing cars and making furniture. "Vietnam is the next China," says Thomas Lairson, international business professor at Rollins College in Winter Park, Fla. "The economy has been growing 8 to 9 percent a year."

Sectors in demand:

Job growth has created a middle class with an appetite for computers, cameras, and cell phones. "There's an impressive high rate of technology growth and adoption. As of 2006, Internet penetration was 20 percent of the population, and cell phone penetration was 14 percent," Do says. Yahoo, Sun Microsystems, and Intel are here; Intel has begun constructing a \$1 billion semiconductor facility.

Cost of doing business:

Low. The average Vietnamese wage of about \$528 a year is lower than basic wage levels in much of China. About 70 percent of the population is under age 35, and English is a common second language, providing a rich talent pool for American employers. In the last year, Vietnam has also made important pro-business regulatory changes — including one that established a securities exchange and trading center, according to a new [report by IFC and the World Bank](#)

Risk assessment:

Vietnam is still a Third World country in many ways, and a communist regime still governs, maintaining tight control over commerce, banking, and capital markets. A weak legal system creates opportunities for corruption and provides little protection for investors against directors' misuse of corporate assets. Vietnam remains among the countries that protect investors least, despite adopting new securities laws, according to the World Bank. Paying business taxes is cumbersome, taking a company an average of 130 days.

Kazakhstan



A major oil discovery has brought foreign investment to Kazakhstan. (Photo by [Lauras512](#), CC 2.0)

GDP:

\$102.5 billion

Population:

15.2 million (2006)

GDP growth rate:

8.7 percent

Why it's hot:

Located northwest of China, this former Soviet Republic is almost the size of Western Europe, and it's the fastest-growing economy in the region. In 2000, the world's largest oil discovery in the past decade, 9 billion barrels, was found in the Caspian Sea in Kazakhstani territory. American business took note and began an expansion in the country. In the capital city of Astana, a building boom is bringing fine restaurants, luxury apartment buildings, and high-end hotels to serve business travelers and tourists. American companies have invested about \$11.8 billion since 1993, according to the U.S. State Department, helping to make the country the most dynamic of the former Soviet republics.

Sectors in demand:

Oil, gas, business services, telecom, electrical, energy, real estate, and tourism sectors are flourishing. A new class of wealthy consumers is snapping up designer clothes, cell phones, and luxury cars. More than a hundred American companies and service entities have expanded here, including international law firms and the Big Four accounting firms. New financial sector reforms are drawing foreign banks, including ABN-AMRO, Citibank, and HSBC, says Greg Vojack, who lives in Kazakhstan and is managing partner of the law firm Bracewell & Giuliani. There's also demand for environmental services firms to clean up nuclear testing sites left over from the Soviet days, and to protect the Caspian ecosystem.

Cost of doing business:

Medium. The housing market is getting more expensive every day, and bureaucracy still slows deals. According to the [U.S. State Department](#)

, Kazakhstani businesspeople are less direct than Americans and can take several meetings to accomplish what U.S. businesspeople achieve in one. Kazakhstan recently modernized its currency control laws to allow limitless flows of capital into the country.

Risk assessment:

Corruption is widespread, although the political and regulatory infrastructure is open to foreign investment. The government sparked concern among foreign oil companies when it signed legislation that gives the government the right to cancel oil production sharing agreements "to protect the national interests." But, according to Charles M. Becker, an economics professor at Duke University and a former senior labor advisor for the Kazakhstani government, "The key economic ministries and regulatory agencies are all highly professional and competent and appear to be uncorrupted."

Peru



Thanks to new political stability, Peru is growing faster than other countries in Latin America. (Photo by [Greg M.](#), CC 2.0)

GDP:

\$101.5 billion

Population:

28.6 million

GDP growth rate:

7.5 percent

Why it's hot:

In the past five years, Peru has been growing faster than most other Latin American countries, thanks to a more stable political climate and a boon in mining and agricultural exports. Peruvian incomes are rising (hitting a gross national income of \$2,980, according to the World Bank), and unemployment is dropping. Citibank, McDonald's, Motorola, Clorox, Proctor & Gamble, Chili's Bar & Grill, Domino's Pizza, and Marriott Hotels all have moved into the country. Peru's fruit, vegetable, coffee, and chocolate industries are fledgling and in need of investment. Green technologies, too, may be in demand if the United States approves a free-trade agreement with Peru and asks the country to raise its environmental standards, as is expected, according to Roy Nelson, professor of international studies at Thunderbird School of Global Management in Glendale, Ariz. The country's environmental woes include deforestation, overgrazing, air pollution, and pollution of rivers and coastal water from mining waste.

Sectors in demand:

The country's growth has created an emerging middle class with a demand for TVs, refrigerators, stereos, and other consumer goods. Shopping malls are going up, replete with Starbucks and other American retailers in major cities. Thanks to Incan ruins, Peru's tourism industry is blossoming, so tourism services — from high-end to economy-travel — are in high demand.

Cost of doing business:

Medium. Wages and rent can be lower in Peru than in other South American countries, but real estate prices are quickly rising. Because the country is less efficient and less developed, lost time remains a high cost of doing business. For instance, it can take up to 72 days to start a business, according to the [World Bank's "Doing Business" report](#)

. Getting goods in and out of Peru takes longer than in many countries and costs more in fees. Businesses also cite tax administration and access to finance as top barriers to investing in Peru, according to the World Bank report.

Risk assessment:

After years of fighting terrorist groups such as the Shining Path, Peru finally appears to be more stable, and the current government is business-friendly, lowering taxes and cracking down on corruption under a new corruption chief. Concerns remain, however, about how things will go under the country's new president, Alan Garcia, who in the late 1980s was also the nation's chief executive. Garcia's government has market-friendly economic policies, a plan to boost private investments, and a plan to create 1.5 million new jobs.

Rwanda



Rwanda's reform-minded government has made the country attractive to U.S. companies. (Photo by [The Dilly Lama, CC 2.0](#))

GDP:

\$2.6 billion

Population:

9.5 million

GDP growth rate:

6.3 percent

Why it's hot:

Rwanda has made significant strides since wars and genocide killed hundreds of thousands in 1994. Capital is flowing into the country, and American businesses are opening operations here — including an off-road vehicle-assembly plant, a high-tech outsourcing operation, and a local high-speed Internet and phone company. Qualcomm, the cell-equipment giant, plans to open its first African training center in Rwanda, and last spring Google executives scouted the country to open a computer center there. “Yes, part of the interest stems from pangs of conscience,” Google CEO Eric Schmidt told Business 2.0 magazine. “But there’s genuine opportunity for business, and the draw (is) an African government that is treating foreign investors friendly.” The country still needs foreign investments in farming and in mining for gold and sapphires.

Sectors in demand:

Tourism is an unexploited opportunity in Rwanda, a country known for its scenic beauty, mild climates, and wildlife, most notably its gorilla population. Cell phone services also are growing.

Cost of doing business:

Low. The densely populated country of 8 million offers less competition and a reform-minded government. Real estate prices are low. (A 3- to 4-bedroom home in Kigali can be bought for \$13,000 to \$64,000.) But costs of manufacturing exports are high. Be prepared to take care of employee families’ needs, as is customary in African nations.

Risk assessment:

The African continent’s volatility and tribal rivalries make it difficult terrain for outsiders to navigate. Rwanda is not only poor but landlocked, and consequently the country is economically dependent on its neighbors. Kenya’s recent chaos caused the price of oil and electricity to jump dramatically, says Josh Ruxin, founder of Access Project in Rwanda, which helps develop and implement public-health programs.
