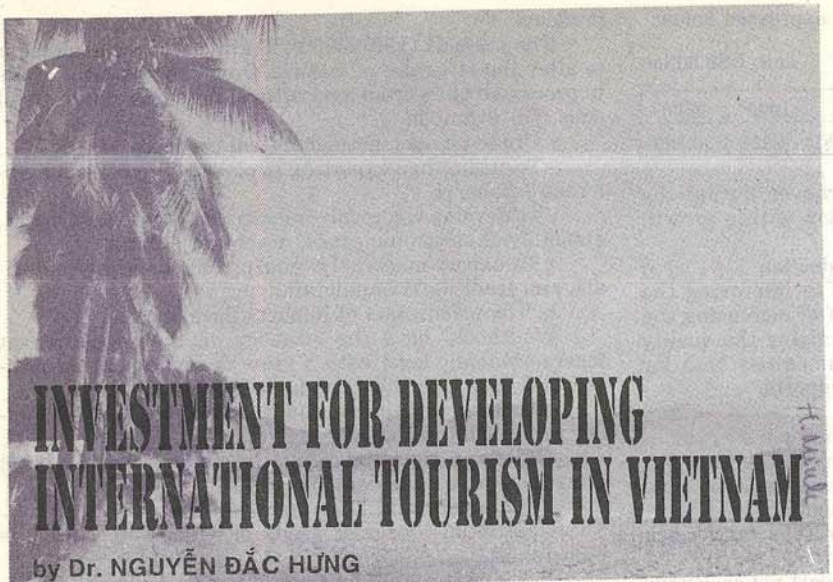

INVESTMENT FOR DEVELOPING INTERNATIONAL TOURISM IN VIETNAM

by Dr. NGUYỄN ĐẮC HƯNG

In general tendency towards economic renovation, Vietnam tourism business has recently showed a trend towards integration into the world and the region. Vietnam tourism business has attracted a bigger number of tourists coming to Vietnam, increased tourist receipts and helped with changing Vietnam's balance of trade.

Number of visitors to Vietnam increased year by year, from 250,000 in 1990 to 440,000 (1992), 670,000 (1993) and 1,018,000 in 1994. Tourist receipts collected by tour operators of various economic sectors increased from US$29 million in 1990 to 120 (1993) and 210 million in 1994. In 1994, tourism business paid VNĐ800 billion to the Treasury. But the amount of money spent by tourists in Vietnam was much bigger. According to surveys and calculations of the Tourism Promotion Institute, in 1994, an average visitor spent around US$75 per day, thus the total tourist receipts in 1994 should be around US$580 million. This is a big amount of foreign exchange for our country, especially when we are badly in need of foreign exchange for industrialization and modernization.

Attracting 1.4 million visitors in 1995 was set up as a target for Vietnam tourism business. Many international tour operators, financial analysts and bank managers agreed that Vietnam, in 2000, would host 3 million visitors, but according to other calculations, this number would be much bigger. It was estimated that the tourist receipts in 2000 would make a tenfold increase compared with 1992. This would be an important source of foreign exchange for Vietnam and would force us to modernize our banking system.

As for hotel industry, up to last year's end, 117 investment projects with total capital of US$ 1.9 billion were licenced by the SCCI. This industry came third in attracting foreign investment after heavy and oil industries. Up till now, however, only 30 projects were realized. There are 1,928 accomodations in Vietnam, 674 of which are state-owned hotels and 312 are private ones with total hotel capacity of 36,000 rooms, 17,000 of which are of international standard. However, many of these rooms are graded reluctantly. Because demand exceeded supply, many hotels have worked at full capacity. For example, in 1994, Sofitel Metropol used up 95 per cent of its capacity, Dân Chủ hotel: 97 per cent, Phú Gia hotel: 90 per cent. Many other hotels in HCMC such as Saigon Floating, Rex experienced the same thing.

Due to this excess of demand over supply, room rate of Vietnam hotels was rather high in comparison with other countries, for example, the rate of a first-class room in Hà Nội in 1994 was US$471. According to experts in hotel and tourism, in 2000, Vietnam would host 3 million visitors, we should make a fourfold increase in the number of present rooms of international standard. This requires a great investment in hotel industry from now until 2000. Where and how can we find the needed capital? The following are our suggestions:

Firstly, the Government should work out general plan for development of national tourism business. Areas in each province used for building hotels or resorts should be mapped out. In carrying out the plan, measures should be taken to force provincial authorities to observe the approved plan, prevent them from using the areas for other purposes (selling to local residents or officials, building factories for example), and protect the environment. Basing on the plan, the Government can invite foreign companies to invest in this business. The Government should make it a condition that foreign investors should join in building infrastructure for planned areas. Rent for land used by Vietnam partner as a part of fixed capital of joint venture projects should be calculated strictly. In conducting negotiation, the Government should be alert to intrigues of the Vietnam partner taking part in negotiation in order to get as much of the rent as possible, especially in letting land located in inner city, with a view to maximizing the Vietnamese party's share in the capital of a joint venture. In this case, the local authorities had better spare some areas of convenient location for local residents or Vietnamese expatriates in order to encourage them to invest in tourism industry.

Secondly, the Government should keep on reforming the foreign investment process, and the process for operating in tourism and hotel industry to be precise. One of important matters in this business is to move the people out of planned areas in order to help foreign investors realize their projects on time. As for Vietnamese expatriates who invest in tourism and hotel industry, they could be exempted from tax for first years of operation, or tax could be reduced during the whole time the project is carried out.

Thirdly, the Government had better encourage commercial banks to invest in tourism and hotel joint ventures. Commercial banks can also guarantee the Vietnamese party's foreign debts, or help local enterprises who want to invest in tourism and hotel industry secure loans from foreign banks. On the other hand, Vietnam banks had better modernize their facilities in order to supply better services to foreign visitors.

Fourthly, joint venture hotels should be strictly supervised. We should look for famous and creditable foreign investors for our main projects in hotel industry, and we can make management contracts with experienced experts (foreigners or Vietnamese expatriates) for our hotels and resorts. On the other hand, we should advertise Vietnam tourism and hotel industry in foreign countries in order to attract both investors and visitors■