

TO ATTRACT AMERICAN DIRECT INVESTMENT TO VIETNAM

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1. American investment in Vietnam

At present, the foreign direct investment rises continuously and reaches US\$3,500 billion. It's estimated that it would rise in the coming years by US\$400 -500 billion a year on average because multinationals keep on expanding their markets and the globalization prevails. In Vietnam, the FDI, as an important source of finance; technology and managerial skills, has helped develop the economy remarkably in last decade; the foreign sector played an important role in tapping available resources and changing the structure of industry.

Although the FDI in Vietnam passed the 15-billion mark, Vietnam is still looking forward to receiving more investment from American investors who can change the structure of foreign investment and production capacities in Vietnam.

The U.S. ranks ninth among leading investors in Vietnam and it's estimated that its investment will rise by 30% in 2001. Vietnamese business circle hope the U.S. -Vietnam Trade Agreement will be approved by the Congress and Vietnamese National Assembly in June 2001 and it will promote Vietnamese exports to the U.S. and American investment in Vietnam. In addition, the Bush administration decided on

June 3,2001 to abstain from applying the Jackson-Vanik Amendment to Vietnam for one more year. This decision allows some 500 American companies doing business in Vietnam to get loans from the American Exim-bank and other official helps for their investments and businesses in Vietnam.

2. Measures to improve investment climate and attract more American investment

Most economists and businesspersons are of the opinion that the U.S. will soon become an important trading partner to Vietnam. That is why the Government should perfect the Foreign Investment Law and create a more open investment climate to attract more and more American companies. To achieve this aim, the Government should pay full attention to the following issues:

- The American business circle believes that the U.S. -Vietnam

Trade Agreement will open the Vietnamese market to an unprecedented extent. With a population of nearly 80 million people and a cheap workforce that are in need of jobs, Vietnam is a promising market for multinationals. It could provide comparative advantages for American companies that want to make use of local cheap labor to enhance their international competitiveness.

- Foreign investment and economic growth are interrelated but foreign investors only decide on their investments when they are sure of economic growth and stability in the future. So the best way for the time being is to tap all possible resources to develop the economy. The relentless striving after economic growth by both the government and people will be an attractive feature in the eye of American investors.

- Improvements in infrastructure in Vietnam are slower than the

Table 1: FDI in Vietnam in 1988-1999

Indicator	1995	1996	1997	1998	1999	1988-99
FDI projects	408	367	1,36	260	300	2,880
Registered Capital (US\$ mil.)	6,616	8,528	4,453	4,058	4,572	39,862
Realized capital (US\$ mil.)	2,652	2,371	3,250	1,900	3,729	15,524

Source: MPI

economic growth. All infrastructural facilities in Vietnam are very poor in comparison with surrounding countries. The Government had better make plans, both short- and long-term ones, to upgrade the infrastructure, encourage the supply of legal and advisory services to foreign investors and try to ensure the same charges and fees for both local and foreign companies.

- To reduce waste of money and time caused by the red tape, the Government should reform its administrative machinery and standardize both procedures and officials. Meritocracy and reasonable salary scale could be used as good instruments.

- Management boards of industrial parks and export processing zones had better establish vocational training centers to develop a labor force needed for foreign-invested companies. This labor force includes both blue- and white-collar laborers equipped with abilities to work with foreign partners and protect national interests.

- In Vietnam, most foreign investors meet with difficulties in studying laws and regulations, fees and charges imposed by governmental bodies and information about their local partners in order to protect their interests, therefore the Government should deal with this problem to ensure transparency of all policies and issue on time all necessary regulations or guidelines with a view to preventing corrupt and venal practices by officials.

- In the globalization trend, multinationals could invest in almost countries. In such a situation the competition between developing countries for foreign investment is in-

creasingly keen. To survive this competition, the Government had better market business opportunities to foreign investors by holding workshops or conferences in as many states in the U.S. as possible. To take part in international trade fairs is also a good way to raise interest in the Viet-

namese market.

In short, a level playing field for all companies, either local or foreign, private or state-owned ones, is the best way to attract foreign investments, including ones from the U.S. This is also a measure to shorten our industrialization process ■

Table 2: American direct investment in Vietnam in 1994-2000

Indicator	1994	1995	1996	1997	1998	1999	2000 (1st half)	1994- 2000
Projects	12	18	16	12	15	14	1	90
Registered capital (US\$ mil.)	120	391	159	98	306	96		1,176

Source: MPI

Table 3: American investment by forms (1994-2000)

Form of investment	Project	Capital (US\$ mil.)	As %
Joint venture with locals	34	585	50.1
Wholly American-owned concern	50	587	49.6
Business cooperation contract	6	3	0.3
BOT	0	-	-
Total	90	1,176	100

Source: MPI

Table 4: American investment by industries (1994-2000)

Industry	Project	Capital (US\$ mil.)	As %
Heavy industry	8	359	30.3
Light industry	24	336	28.4
Education, health care, IT	18	116	9.8
Tourism and hotel	4	102	8.6
Construction	7	87	7.3
Agriculture	9	72	6.6
Transport and Post	4	40	3.4
Service	10	37	3.1
Oil	4	19	1.6
Aquatic product processing	2	4	0.4
Total	90	1,176	100

Source: MPI

Table 5: American investment by provinces (1994-2000)

Province	Project	Capital (US\$ mil.)	As %
HCMC	27	351	29.7
Đồng Nai	8	251	21.2
Hà Nội	21	196	16.6
Hải Dương	1	103	8.7
Bà Rịa-Vũng Tàu	5	100	8.5
Bình Dương	10	51	4.3
Đà Nẵng	2	35	3.0
Hà Tây	1	20	1.7
Daklak	2	12	1.0
Quảng Nam	1	11	0.9
Others	12	47	4.4
Total	90	1,176	100

Source: MPI

