



# INVESTMENT OPPORTUNITY AND POLICIES ON ATTRACTING FOREIGN INVESTMENT

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## I. FOREIGN INVESTMENT IN VIETNAM IN RECENT YEARS

Foreign direct investment is of great importance to the Vietnam's economic renovation. Vietnam is ready to make friend with all countries, especially ASEAN members, according to the principles of mutual benefit, equality and respect for sovereignty.

In the last 8 years, US\$22-billion foreign investment have been put in over 1,700 projects in Vietnam. These projects are carried out in most of 53 provinces or cities of Vietnam, but 75% of them are concentrated in three vital economic zones:

- Hà Nội-Hải Phòng-Quảng Ninh in the North

- Huế-Quảng Nam Đà Nẵng-Quảng Ngãi in Central Vietnam

- HCMC-Đồng Nai-Sông Bé-Bà Rịa Vũng Tàu in the South

There are 16 industrial parks and export processing zones (EPZs), and 11 of them are in the South.

Foreign investment in Vietnam increased by 60% per year in the past 8 years. Average investment for a project increased from US\$6 million to 16.38 million.

Investment from ASEAN countries in Vietnam represented a remarkable percentage in the total foreign investment. Up to now, ASEAN members have invested over US\$4.2 million in 263 valid projects, representing 20% of total investment from 58 countries and territories in Vietnam. Of ASEAN countries, Singapore ranked first with US\$2.3 billion invested in 131 projects. Other leading positions are occupied by Malaysia (US\$900 million in 47 projects) and Thailand. Investments from Indonesia and the Philippines are small.

ASEAN members have established four industrial parks and EPZs in Vietnam:

- Malaysia's An Đồn EPZ in Đà Nẵng and Nội Bài EPZ in Hà Nội.

- Singapore's Sông Bé Industrial Park in Đồng Nai.

- Thailand's Amata Industrial Park (in Cooperation with Vietnam partner).

ASEAN countries' investment was put in oil business, banking, infrastructure, automobile, motorbike, building materials, agro-industry, clothing, informatics and electronics, hotel and office block.

## II. POLICIES TO ENCOURAGE FOREIGN INVESTMENT

Vietnam's Foreign Investment Law was amended two times with a view to creating a more favorable environment for foreign investment. Foreign investors can choose from three following forms of investment:



joint venture, business cooperation contract and foreign-owned enterprise.

Foreign investment projects in Vietnam will receive preferential treatment:

- Materials and equipment used for building factories and raw materials used for producing exports are exempt from customs duties.

- Maximum profits tax rate is 25%, and it will be reduced to 10% for preferential projects.

- The foreign investment projects will be exempt from income tax for the first four years and enjoy income tax reduction of 50% for the next four years.

- The land is let on a 50-year lease at most, the rent is US\$13.6 per sq.m. a year at most (in big cities such as HCMC or Hà Nội). In EPZs and industrial parks, the rent varies from US\$ 1.8 to 2.2 per sq.m. a year. The minimum land rental for afforestation projects is US\$30 per hectare a year.

- The basic wage-rate is as follows:

- + US\$45 a month in Hà Nội and HCMC.

- + US\$40 a month in 2nd grade cities: Hải Phòng, Vinh, Huế, Đà Nẵng, Biên Hòa, Cần Thơ, Hạ Long, Nha Trang, Vũng Tàu.

- + US\$35 a month in other provinces.

- + US\$30 a month in remote areas where the infrastructure is poor.

- Procedures for making foreign investment were improved. The Ministry of Planning and Investment is in charge of this business: from evaluating the project, granting licences and helping the realization of projects.

- The time limits for the consideration of projects:

- + Within 2 months for projects of Group A (with investment of US\$40 million or more).

- + Within 45 days for Group B projects.

- + From 10 to 15 days for projects in EPZs and industrial parks.

In order to accelerate the socio-economic development and industrialize the country in the coming stage, Vietnam's National Assembly will amend the Foreign Investment Law in the next session in October with a view to showing Vietnam's willingness to integrate into the region and the world economy.

The Ministry of Planning and Investment has suggested the following amendments to the Government before they are discussed and decided on by the National Assembly:

- + Allowing foreign partners to

pool with VND gained by doing business in Vietnam.

- + Joint-ventures are allowed to cooperate with local economic concerns to form new joint ventures.

- + A consensus in the Board of Directors is required in the following problems only: amending Articles of Incorporation; appointing (or dismissing) Director-general, the first Vice Director-general, chief accountant; settling budget for building works; balancing annual accounts and borrowing capital. Other problems will be solved according to the two-thirds majority rule.

- + As for capital transfer, the transferor will pay a capital transfer tax rate of 25%. No tax is charged on capital transferred from foreign investors to the Vietnamese partner.

- + Projects to afforest, produce new strains of plants or animal, produce raw materials for agro-industry; and projects realized in remote areas will be given special preferential treatment which contains the following:

- . Exemption from land rent (or the rent is just a formality).

- . Exemption from the income tax for eight years at most.

- . In some cases, the turnover tax will be reduced to the minimum.

- + As for importation of materials and automobiles, foreign projects will be treated on equal terms with local companies.

- + Capital allowances will be based on the importance of the projects to the economy and on locality where the project is realized.

- + Time limits for granting licences will be reduced and legalized. Maybe foreign investors will be allowed to make complaint about tardiness of related government bodies.

### III. PLANS CALLING FOR FOREIGN INVESTMENT

In the five-year period from 1996 to 2000, Vietnam Government intends to attract from FDI source some US\$14 billion to key industries such as oil and gas, electricity, cement, steel, mining, manufactured industry, etc.

- Oil: the aims are: extracting 20 million tonnes of crude oil in 2000; building an oil refinery before 2000, and other one after 2000; transferring gas to the mainland in order to produce chemicals, liquid gas, fertilizer.

- To build industrial parks in vital economic zones and other provinces.

- To build five or six cement plants with total capacity of 9-10 tonnes a year, and a steel mill with a capacity of 2 million tonnes.

- To repair and modernize main communications (roads, railways, airports and ports).

- To develop the system of hotel, tour agencies, resorts... to receive some four million visitors by 2000.

Investment from ASEAN countries has played an important role in Vietnam economy. Along with trade relations, this investment has helped to develop the regional economic cooperation.

Vietnam inherits from ASEAN members a lot of experience in investment business, and ASEAN members could find Vietnam an ideal place for investment because of its similarities in climatic conditions, customs and untapped potentials (natural resources, labor force and market).

Vietnam will try its best to improve its investment environment in order to enhance its attractiveness. Vietnam will cooperate with ASEAN members to form the "ASEAN Investment Zone". We hope that Vietnam, as a full member of ASEAN, will be sort of the promised land for ASEAN countries.

Speech delivered at the forum "Opportunity and challenges in doing business with Vietnam, a new ASEAN member" held in HCMC on Aug. 21, 1996.

