

# A Draft Model of Investment and International Economic Integration

by Dr. NGUYỄN MẠNH HÙNG

**D**evelopment investment and sustainable development are postulates of economies. It is very hard and complicated to realize these goals given no fixed common models. International economic integration has become a global trend but it takes time to build and implement an integration road-map.

Global trade opens the road and thus presses economies to operate faster. Today, a new product might turn well-known overnight and take at least one month to be present everywhere in the world. It makes its way through a series of tariff and non-tariff barriers or could be even copied before mass production.

Investment is a way of spending money and capital in a safer, more effective and sustainable manner despite risks. Investment capital flows have gone round the globe for both economic and non-economic purposes. Both investment and trade flows in the world now are of large quantity. They are like alluvium-rich rivers but also floods to destroy economies, regardless of subjective and romantic ideas. Impatient and allergic stances toward economic integration can be seen here and there under consideration of scales and duration of interests. Integration, however, is an inevitable trend with different roadmaps which aim to serve the human life better and a sustainably developed world.

For the past fifteen years of renovation, Viet-

nam has expanded its economic integration, diversified and multilateralized international relations for interests of the national economy and partner countries. FDI, ODA and import flows together with internal resources changed the country's economic situation in a promising way. Vietnamese goods have been exported to many markets worldwide and several products of the country including rice, coffee, rubber, tea, cashew nut and fisheries stay high in the world exports list. A lot of manufactured goods and handicrafts made remarkable rises in output and export value like textiles, garments and footwear. We also balanced essential goods like cement, steel and iron, paper, electricity, etc. Telecoms and transport services saw unprecedented growths.

Businesses enjoyed development opportunities and in fact many of them are successful, improving the people's living standard. Many turned rich upon reforms while poverty reduction, hunger elimination, literacy enlargement have got deep concerns from the Party and the Government, especially in remote and ethnic minorities areas. Our development policy is of humanitarian socio-economic essence, generating good interests and chances for all. It is a great reality, valuable experience and good performance to be respected, preserved and intensified for sustainable development.

On the other hand, we must recognize the economic backward threat. It is a fact that the annual GDP growth rate is high but per capita GDP low, the human development index (HDI) reveals fluctu-

ations in many regions. Our economy's competitiveness remains to stay at the bottom of the sixty countries list that are defined yearly. Numerous Vietnam-made products eat up high production costs and have low quality or quantity for exports. Meanwhile, the investment environment has not absorbed efficient capital so as to keep up with technological progresses around the world. Our economic gains are undeniable but there have appeared alarming challenges to sustainable development, i.e. environmental degradation, natural resource waste, serious social evils, majority of the people being poor and lacking access to development. These issues should not be forgot during the economic integration path as the ninth Party Congress highlighted: "Highly capitalizing internal

1. Economic integration table

Vietnam		The world
Vietnam's indirect integration area	Two-way direct integration area between Vietnam and the world	The world's indirect integration area
<ul style="list-style-type: none"> <li>- Local firms develop in sectors with advantages, focusing on exports and competing with imports, strongly assisting integrating businesses as input suppliers, participating in localizing products.</li> <li>- Separating parts (of the businesses) for direct integration.</li> <li>- In need of imports and technological innovation, joining cooperation and government subsidies.</li> </ul>	<ul style="list-style-type: none"> <li>- Sources: FDI, ODA, commercial loans, commodity loans, leasing goods and services.</li> <li>- Forms: Wholly-foreign invested, joint ventures, business co-operation contract; BOT, BTO, BT, firm branch, representative office, international fair, economic forum, investment guarantee.</li> <li>- Purchases and sales of businesses, shares, leasing, issuing stocks and bonds, leasing of real estate, labor training, labor im-export.</li> </ul>	<ul style="list-style-type: none"> <li>- Foreign firms paying attention to Vietnamese; trade relations; preparing direct investment opportunities; implementing direct integration with Vietnam's businesses; international economic organization paying attention to Vietnam.</li> </ul>



strengths at the same time with seizing external opportunities and actively integrating internationally in order to develop fast, efficiently and sustainably.... Actively integrating regionally in the spirit of fully tapping internal resources, raising international economic co-operation, upholding independence, self-reliance, socialist orientation, defending national interests, national security, preserving cultural and traditional features and protecting the environment."

Our research resulted from generalizing investment demands of the economy since 2001. It is a list of investment calling projects approved by authorities and worked out with quite complete files and coded such as those projects of Hà Nội City Service of Planning and Investment (HN Code). Investors can use the codes to get information on-line about specific projects, the list of 228 national projects (VN Code) under Prime Minister's Decision 62/2002/TTg and ODA calling projects, and planned projects. According to this process, localities and businesses need to map out lists of investment calling projects so as to find out and establish co-operation links such as joint ventures, supplies of capital, materials technology and manpower, sales by proxy, construction bids, expansion of public services and building investment competi-

tion strategies, upgrading business bases.

The efficiency of a project remains a complicated issue. It is normal that in a project with few intersectoral and regional relations one of the partners try to prove its efficiency. Sometimes, the appraisal system is not persuasive enough and hence causing the investment opportunity to be lost. Ambiguous calculations of a product or a service might lead them to be unaffordable or wasteful of investment capital due to too large investment scale, backward technology or small market. The competition and integration processes show a lot of differences between desires, subjective intentions and objective trends. To fill these gaps by activeness, wisdom, and sensitivity constitutes an important requirement for investors. And here are some of our ideas on investment and integration:

The concepts of "direct integration" and "indirect integration" help define characteristics, scale and integration stages. Definition criteria are unfixed.

## 2. Investment balancing table

It is crucial to apply information technology to build a flexible investment balancing table which is structured in line with sector, territory, and on a national scale. So that, each project will be inspected by raising data gradually to process in a two-way mode:

Impacts of the economy, sector, and territory on the project and its feedbacks. These results will consolidate confidence in investment decisions.

Under the existing investment decentralization regulations, our model is:

National projects will belong to an intersectoral system, in a regional or interregional space, but many sectoral and provincial projects (not in the list of national projects) do have impacts on national ones and other sectoral and intersectoral projects. Therefore, this balancing table needs to avoid coincides and can group issues for researching, building and appraising investment projects.

## 3. Investment and integration model

The model shows integration levels that investment projects should take into consideration:

The Hat Brim Area that can be expanded to a maximum: For example, investments in high-tech

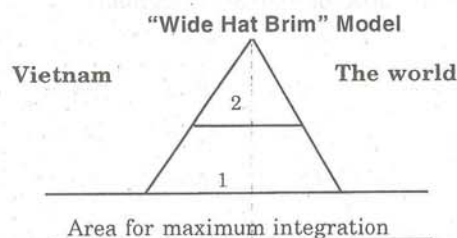
oriented sectors... in line with the list of preferential projects.

The Hat's Inner Space Area should be levelled so as to gradually reduce conditional investment projects, enlarge Area 1 and narrow Area 2.

The Non-Integration Area: The remainder areas that has not yet been integrated due to special reasons. There is always an area like this.

Trend: The integration areas are widening but the shape as shown by the model changes slightly. It might changes in an asymmetric way in case of non-compatible interests. This should be judged on a regular basis so to adjust policies or adjusting the "mesh of integration."

Note: The dotted line describes the "mesh of integration," or more correctly, a legal barrier to define interests and prevent non beneficial things. The trend is that the links in the mesh are widening vertically from top to bottom but the mesh fibres



sectors that do not cause environmental pollution, sectors that Vietnam has advantages at, export-

are becoming firmer and firmer.

We are continuing further studies to specify the above model. ■

	Current situation of the economy and operational projects	Data of new projects	Changes to the current situation so as to adjust data of new projects and operating projects (Serving as basics for making decisions)
National projects			
Sectoral projects			
Regional projects (of a province).			
Total projects nation-wide			