

As for such a developing country as Vietnam, the most desirable strategy for socio-economic development is to encourage exportation of value added to products of the processing industry. Experience from developing countries affirmed the meaningful relation between selling processed products and economic development. Percentage of processed products in total value of foreign trade in the Asian NICs increased from 4% in 1973 to 10% in 1988. This increase matched up to an annual growth rate of 10% in processing industry of these countries, whereas this increase was 3% in the US and 2% in the EU.

In Vietnam, there must be a policy to encourage foreign direct investment and make it a means to improve competitiveness of locally processed products in foreign markets, and to accelerate technology transfer.

The Foreign Investment Law should be amended with a view to encouraging foreign companies to invest in key industries which had decisive effect on the economic development.

In our opinion, in order to attract foreign investment, we should pay attention to the following problems:

(1) We should make Vietnam economy an active and dynamic one with a high growth rate, a stable monetary system and a well-operated exportation. The processing industry should be diversified and have the ability to cope with changes in demand of foreign markets and rise of the protectionism.

(2) Abundant and diverse natural resources of our country should be exploited reasonably.

(3) We should create a domestic market of increasing spending power. Per capita GNP should be raised so the domestic market could reduce the effect of global economic depression.

(4) The private sector in Viet-

nam should be seen as a major force of the economic development while the government takes only an active part in giving support and encouragement.

(5) The Government shouldn't take a dim view of foreign investors. Their important role in Vietnam economic development should be recognized.

As for the government's role in macro-economic management, the following points should be taken into consideration:

tion rate low or well under control, balancing saving and investment, keeping budget deficit low, making the exchange rate suitable to competitiveness, preventing interest rate from making difficulty to payment, etc.

Certain industries which are government monopolies could be privatized. The Government had better limit itself to offering equal opportunities with clear administrative procedures. Laws and regulations should be clear and well-publicized. At the final stage of privatization, the Government could stay away from economic activities which the private sector can take care of.

In order to get benefit from integration of the Vietnam economy into the world economy, and into the ASEAN to be precise, we propose the following policies:

(1) Encouraging the development of long-term trade between Vietnam and the ASEAN, including participation of surplus of trade in specified short period.

(2) Encouraging the flow of investment coming in Vietnam from the ASEAN and vice versa, including trade and investment discrimination.

(3) Encouraging exchange of other factors of production between the ASEAN and Vietnam (skilled managers, skilled laborers, technology, etc.)

(4) Encouraging the development of transportation, information, telecommunication, and tourism businesses connecting Vietnam with the ASEAN. Both the private and public sectors could take part in the development.

(5) Encouraging the ASEAN to help Vietnam develop banking, financial and auditing businesses ■

# ENCOURAGEMENT TO EXPORTATION AND FOREIGN INVESTMENT IN VIETNAM

by Dr. HỒ ĐỨC HÙNG



The government had better find a way to manipulate both adjusting and stabilizing policies. When the economic stability is improved, the government could loosen control over foreign exchange, reform tax system and put an end to control over certain industries.

Policies on finance, monetary system and exchange rate should be adjusted on time and reasonably in order to make the economy more balanced and stabler. Some goals we should aim at are: keeping the infla-