

I. TO WHAT EXTENT CAN FOREIGN INVESTMENT BE ENCOURAGED?

According to Lenin, socialist governments can make the best use of capitalism, especially multinationals, in the form of state capitalism. He pointed out that the state capitalism is a good condition for improving managerial skills of Soviet governments and he required all communists to learn methods and ways used by capitalist trusts to arrange millions of workers into large-scale

of the proletariat and this is an elemental matter."

In making economic concession to the capitalist class by establishing an alliance with them, workers' governments can get a lot of benefits: protecting means of production and new relations of production, and making use of expertise of capitalist technicians. Particularly, socialist governments of underdeveloped countries can use private interests as a means of developing the large-scale production under the governmental control, thereby avoiding

lation and fraud, and supporting honest and law-abiding ones. Lenin also stressed that it was difficult to distinguish between speculation and honest trading. So the proletarian government must use laws and legal instruments to deal with this matter and put the economy as a whole under control. For the time being, the Government should review and amend all laws and regulations on speculation, and punish severely all actions of avoiding, or escaping from, the state control. This is the best

has contributed a lot to the economic development.

- Contribution from the foreign sector to GDP increased year after year, from 2% in 1992 to 3.6% in 1993, 7% in 1997 and 8.6% in 1998. Payments from this sector (not including revenues from the oil business) to budget income also rose steadily, from US\$128 million in 1994 to 195 million in 1995, 263 million in 1996 and 315 million in 1997 representing 6-7% of the total budget income. Export earnings made by this sector increased from

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by Dr. NGUYỄN CHƠN TRUNG

economic organizations. Communists can learn these methods and ways from any capitalist countries and thereby organizing the socialist economies.

Lenin said: "Without industrial technologies based on modern scientific advances and a well-planned state organization that can make millions of people observe strictly identical standards of production and distribution, there is no socialism. . . At the same time, the socialism is out of question if there is no dominance

unruly development.

Precondition for the state capitalism is the people's control over production and distribution. Without this control, the state capitalism will become the real capitalism characterized by the relentless pursuit of profit. Lenin pointed out that the lack of accounting and auditing operations in production and distribution mean the destruction of the germ of socialism.

To develop the state capitalism means getting rid of uncontrolled capitalists who practise specu-

way to orient the development of capitalism - an unavoidable, and somewhat necessary, stage of development - towards the state capitalism.

II. WHAT ARE THE MOST EFFICIENT FORMS OF FOREIGN INVESTMENT IN VIETNAM?

1. An estimate of foreign investment in Vietnam

- With 1,979 valid projects and over US\$13 billion of total registered capital of 33 billion was realized, foreign investment in the past 10 years

US\$52 million in 1991 to 440 million in 1995, 786 million in 1996 and 1,500 million in 1997 representing 17% of national export value.

- Foreign investment also helped change the structure of industry and develop productive forces.

- FDI businesses created a lot of jobs and helped to develop human resources: up to the end of 1997, foreign-invested companies employed some 27,000 workers.

Although policies on the foreign sector are inconsistent, the law system

is imperfect, the planning business is carried out slowly, the quality of administrative services is poor and the Asian financial crisis reduced flow of foreign investment, but achievements made by the foreign sector provided important preconditions for the industrialization and modernization program.

2. Forms of Investment

At present, joint ventures represent 70% of foreign -invested projects while foreign-owned ones account for some 20% and contractual cooperation businesses nearly 10%. Besides projects with promising future that can be invested and run by foreign parties alone (hi-tech industries, export-oriented companies in EPZs and IPs for example), the government had better encourage contractual cooperation businesses, especially in telecommunication and oil industries, and BOT, BT and BTO projects in infrastructure building under current regulations. As for joint ventures, there must be regulations dealing with stake held by Vietnamese parties for the first periods when local companies aren't financially strong enough. When joint ventures start to make profit, local parties could increase their stake.

Forms of cooperation with foreign partners and investment offered to foreign investors must be diversified and these forms could be interchanged. All companies, with or without foreign investment, could be allowed to go public with a view to attracting dead money.

To help joint ventures with foreign parties to develop well, it's necessary to train government officials in managerial skills and work ethic, select the best foreign partners as we could, develop VCP cells and trade unions with the support of investors, coordinate different governmental bodies; at both

central and local levels; to carry out consistent policies on foreign investment and reform administrative procedures on the one hand, and pay full attention to the task of protecting national security and secrets on the other.

3. EPZs and IPs

Up to June 1998, licences have been granted to 54 IPs, including 3 EPZs, with total area of some 9,000 hectares (not including the 14,000-hectare Dung Quat IP): 11 IPs are in the North, 7 in Central Vietnam and 39 in the South. Most IPs in the South concentrate in HCMC (12), Dong Nai (9), Binh Duong (7) and Ba Ria-Vung Tau (4). Generally, these EPZs and IPs are built in 17 provinces and cities.

Up to June 1998, these EPZs and IPs have attracted 569 companies (94% are foreign-invested ones) with total capital of US\$5,429 million and 2,141 million of which were realized. These companies have rented 1,387.6 hectares (or 23% of total area used for building factories) and employed some 100,000 laborers.

a. Two EPZs in HCMC
Tân Thuận and Linh Trung EPZs were established rather early in Vietnam (in 1991-93).

Infrastructure in those two EPZs has been built in cooperation with foreign partners and 131 foreign investment projects with total capital of some US\$550 million have been realized in these EPZs and 86 of which have come into operation. These EPZs, in which investment isn't as big as that in some Dong Nai counterparts, have quickly moved into the lead: operational companies in these EPZs employed some 26,000 laborers and doubled their export value year by year (from US\$50 million in 1995 to 110 million in 1996, 225 million in 1997 and to an estimated value of US\$450 million in 1998.)

Specialized in producing exports, companies in Linh Trung and Tân Thuận used modern production lines and exported goods to 40 markets, including Japan, Taiwan, the EU and the U.S. Just because of its development, the Tân Thuận has been affiliated to the International Association of EPZs and ranked third among 43 members, below China and Malaysia. In May 1995, a hectare in these EPZs attracted an average investment of US\$4 million, exported some US\$3 million worth of goods and employed some 200 workers. These indicators tend

to rise when their areas are rented out.

b. Biên Hoà 2 IP

This is the most successful IP in Dong Nai. This 339-hectare IP has attracted 96 investment projects (86 of which are foreign-invested ones) with total registered capital of US\$1,023 million. Only four years after being licensed, 55 projects in this IP have come into operation and 22 others are under construction and 24,870 laborers are working in it. In 1997, the total sales of the IP was US\$500 million, its export value was US\$380 million, contribution to the national budget income was US\$14 million. In the first five months of 1998, its sales were 296 million and export value was 213 million. Of 230 hectares available for factory building, 229 hectares have been rented out helping this IP come first in completing its development plan. Sonadezi, the state-run company that undertakes infrastructure building, has mobilized some US\$18 million to develop necessary facilities needed for companies to function, however, the central sewage works in this IP has just come into operation because of procedural difficulties.

c. Vietnam-Singapore



IP

Established in 1996, the infrastructure joint venture in cooperation with a Singaporean partner has spent US\$45 million on building infrastructure for an area of 100 hectares in order to supply services of international standard to IP factories. This is an IP of the highest attractiveness in Vietnam: up to now, 22 licensed projects with total investment of US\$228 million have rented 45 hectares, or 64% of area available for factory building. Most projects are under construction and are expected to come into operation by the year's end.

d. Cần Thơ IP

At its first stage of development, this IP has 102 out of 135 hectares to offer to investors. By the end of 1997, 28 licensed projects have occupied 72 hectares (or 70% of the area). In 1997, its sales reached US\$65 million, 80% of which came from exportation of goods. To help it develop better, the PM has allowed this IP to include 165 hectares more in its boundary, that is, increasing its area to 300 hectares.

e. Sài Đồng IP

This IP has a total area of 97 hectares, but in the first stage, it has had only 24 hectares to offer. In the second stage (July 1997), it was allowed to use 54.4 more hectares and the site clearance is under way. Up to now, 8 projects with total investment of US\$273 million have been licensed and in the first half of 1998, their export value was US\$40 million.

4. Causes of success and failure of IPs and EPZs

- Right policies on encouragement to foreign investment and development of IPs and EPZs.

- Local governments have tried their best to provide foreign investors and IP management boards with favorable con-

ditions.

- Most IPs and EPZs are situated conveniently and have good infrastructure.

- IP infrastructure companies are formed by good partners.

- IP companies have ability to mobilize necessary capital, market their goods and cooperate with governmental bodies.

- IP management boards could supply one-door services to IP companies. Although these services still need improvement but they, for the time being, could help to create favorable conditions for investors and reduce corruption.

However, certain IPs and EPZs still face difficulties in mobilizing capital for infrastructure development and site clearance, therefore they become less attractive in the eyes of investors. These difficulties come from:

- Changeable policies on foreign investment, complicated procedures and widespread corruption.

- Effects of the Asian financial crisis.

- Poor quality of the army of civil servants and inconsistency in the administrative machinery at both central and local levels.

5. Measures to help IPs develop

- a. Making the law on the IP and EPZ and on the one-door administrative service.

- b. Ministries and their equivalents had better delegate more power to IP management boards and at the same time, help these boards improve their skills and services.

- c. Linking the EPZ with local economy with a view to helping the latter develop.

- d. Concentrating resources on certain IPs (in HCMC for example) and carrying out pilot schemes to apply new economic mechanisms and policies (on infrastructure building, tax, land use right, one-door administrative service, etc.) to these IPs before introducing in a larger scale.

- e. Paying full attention to complaints made by investors, having direct talks with foreign investors, allowing them to form their own associations with a view to cooperating with them in improving the investment environment.

- f. Moving factories from inner cities to IPs: to carry out this measure, the following problems must be solved.

- + Reorganizing mode of production of these factories with a view to making it suitable to IP and EPZ statutes.

- + Supplying soft loans to help these factories cover removal expenses according to government's guidelines applied to HCMC.

- + Linking up small

factories of the same industry in order to form a financially stronger company, in the form of joint stock company for example (the HCMC plastic factories have succeeded in such a combination).

- + Allowing private companies to build small-scale IP or EPZ (with an area from 10 to 50 hectares) in order to house small factories.

- + Encouraging private persons to invest in IP and EPZ according to Decree 07/CP.

- g. Allowing both foreign and local investors to rent land in the IP and EPZ in order to develop their ability to attract investment, as what has been done in Vietnam-Singapore IP in Binh Dương.

- h. Launching marketing campaigns aiming at European and North American investors and changing the Asian financial crisis into a chance to attract more investment and import new machines at low price.

- i. Holding workshops on successful IPs and EPZs and forming clubs of IP and EPZ management boards in order to help them exchange experience and knowledge.

- j. Standardizing quality of IP and EPZ management boards and providing their members with training courses of both short and long terms.

- k. Working out IP and EPZ statutes defining titles, functions, rights and duties of IP and EPZ management boards at both central and provincial levels.

Generally, the best way to develop the economy is to make use of both foreign cooperation and internal resources. This is what has been affirmed in the Resolution 4 of the VCP Central Committee. And the development of IPs and EPZs is a process of tapping internal resources and encouraging international cooperation. ■

