

For the time being our country's most important task is to step up industrialization and modernization so as to create more jobs, accelerate growth rate, improve the people's spiritual and material living. The Party's mid-term conference (term VII) pointed out: "Industrialization and modernization is the way to get rid of the danger of lagging farther behind surrounding countries, to keep social rest, and to protect the independence, sovereignty and socialist orientation".

REALITY OF INDUSTRIALIZATION IN OUR COUNTRY

Any country which wants to change small-sized production to large-sized one has to industrialize. In our country industrialization is actually to build technical and material base of socialism to set up socialist great production. Industrialization not only increases the pace and ratio of industrial production in the economy, but also alter its structure along with technology reform, whereby the economy has fast growth and high efficiency.

Industrialization should combine and go together with modernization. In the process of industrial development we should try our best to fulfill the task of altering economic

is the most covering and feasible source.

Investment capital could be drawn inland and abroad, of which domestic capital is decisive and overseas one is important.

Domestic capital which is basic and decisive is accumulating or saving capital, because these sources are indispensable conditions for accepting and using effectively foreign loans and due to reinforcing the spirit of

MAJOR MEASURES TO MOBILIZE INVESTMENT CAPITAL FOR NATIONAL INDUSTRIALIZATION



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structure in every industry, every field and in the whole economy in favour of matching advanced technology with traditional one. This task is carried out both step by step in mechanization, automation, computerization and shortly in the leading industries.

Considering industrialization as the most important task in the coming time isn't to say that agriculture is played down. To develop fully agriculture as well as rural socio-economy is a decisive task for the socio-economic stability, making foundation for industrial development. To deal with this, we should step up industrialization and modernization of agriculture and rural economy, agriculture-forestry-fishery development along with processing industry.

INVESTMENT CAPITAL SOURCES FOR INDUSTRIALIZATION

It's necessary to mobilize a large number of capital sources as well as to use them effectively. The capital sources invested in industrialization consist of: money, technical materials, land, labor, scientific knowledge, of which money

independence, self-control, self-reliance in building our country.

To affirm foreign capital investment is important, especially in the present situation, there should be policies and mechanisms making social environment stable to attract foreign capital and use it effectively, concurrently to receive advanced technology and technique.

Of course, foreign capital cannot satisfy fully great demand for investment capital of the country's industrialization and modernization. Official development aid (ODA) isn't much and is attached with specific conditions, nominal interest rate is low but actual rate is higher due to exorbitant prices of equipment and materials appointedly bought. Our direct investment capital competes with many partners' in the region and the world. Attracting this capital depends on our country's investment environment and foreign investors' calculation. Loaning overseas capital have to count in capability of paying debt and in securing our independence and sovereignty in economy and politics. On the other hand, to use foreign

capital effectively we must have domestic one. According to experience of the countries in the period of industrialization and modernization, foreign capital only takes 20 to 30% of total invested capital which is continuously kept over 30% of GDP in many years.

Certainly it's unable to play down any capital sources in our country, we need to make an appropriate ratio between domestic investment capital and foreign one on the whole and in every project, avoid depending on foreign countries and being inferior to them in trading.

MAJOR MEASURES TO MOBILIZE INVESTMENT CAPITAL

The task from now till 2000 is to mobilize over VNĐ 100,000 billion for socio-economic development and to raise the percentage of drawing domestic capital from current 10% of GDP to 25-30% as countries in the region. This extremely difficult task could be realized by the following major measures:

1. The general measure: We should regard saving as national strategy to enrich and resist waste, loss, corruption. The people's confidence in the government's policy and capital safety in trading should be strengthened. There need be effective policy to encourage and realize investment. Investment projects are chosen in accordance with assurance of socio-economic efficiency and acceleration of trading capital turn.

2. The public accumulating capital is crucial, including two shares: one is about VNĐ 10,000 billion mobilized for credit and the national budget. The remaining is invested by the public in their own assets. Only in 1993 alone, total basic investment of the public was VNĐ 10,600 billion, 1.4 times greater than total investment of the state businesses, of which 65 % was used for building houses. To date there are 750,000 households registering trade with total capital of over VNĐ 11,000 billion, threefold compared with private businesses.

Direct investment for trading from the public isn't high due to lack of confidence, unwarranted investment safety, difficulty in using land for building, nuisance in trading registration, unstable value of Vietnamese currency.

The covering measure to attract people's capital is the State has just advocacy, mechanism and policy and implement them strictly and strengthen people's confidence in the State, then they put more and more their own capital in trading.

3. Accumulating capital from state-owned or private businesses is also decisive. At present there are about 12,000 private businesses with capital of approx. VNĐ 4,000 billion, amounting to 20% of the public's capital, nearly 6,000 state enterprises re-established with capital of about VNĐ 35,000 billion, eight times greater than that of private businesses.

There are many ways of creating capital in businesses:

- Raising trading efficiency of state businesses to build up and concentrate capital to the State. First of all, settling clearly thousands of arrears in businesses by investigating into responsibilities so as to manage, not using technical solutions. Next, dissolving loss-making businesses to concentrate capital to others. Eventually, profit-producing businesses are entitled to mobilize outside capital as issuing shares, bonds to invest.

- Encouraging every economic sector to establish newly enterprises in favor of investment in leading industries making high profit, investing only in the large scale project which will bring in high economic efficiency, focusing on investing in the medium and small-sized projects, less capital but high efficiency due to creating more jobs, investing according to the motto: "the State should not do which business the people could do"; "any project which the people inland could realize should not call for foreign capital".

4. Making investment capital through the national

budget is certain and stable.

Currently, investment for the economy through the budget capital takes 40% and this source could increase on the base of economic growth and regime reform of revenue and expenditure.

The revenue need be made just in accordance with laws and sublaws, not based on the budget plan, because the plan itself doesn't properly and adequately count in revenue sources defined by laws. If export and import duties alone are collected legally, revenue could increase by thousands of billion đồng right in 1994. The form of assigning fixed amount of tax collection to taxpayers in non-state businesses should be abolished. Proper assessments should be implemented on the base of vouchers, account book, balance sheet. As for small trading sources having no account book, taxpayers should cooperate with local authorities to assess precisely. Doing this will certainly limit failure in tax collection on large or medium-scale private businesses, and won't collect exceeding tax on small trading households.

The government should practise saving on budget expenditure for every spending which is not really pressing, quickly renew government bodies, streamline civil servants to reduce expenditure on bringing up this apparatus which is cumbersome at present. Resisting waste, loss, corruption is also a measure to save and create capital.

5. Mobilizing capital through credit channels.

We should not think enclosedly in banking system and traditional credit organizations. In the market economy, credit relation expands when it combines with investment. That is commercial credit and credit in hundreds of loaning relations in the monetary market and the stock market...

Besides forms and methods currently applied, we need study, design, form and put into operation the short-term capital market (the monetary market) and the long-term one (the stock market).

As for the monetary market, we should complete:

- Renovating credit relationship between commercial banks and customers by means of diversifying forms of capital attracting and loaning: Enlarging medium and long-term credit, granting loans to every economic sectors, especially to farming households and municipal ones doing handicrafts or providing services. The state banks' capital supplying to commercial banks is based on rediscounting and regranting capital.

- The market of treasury bonds or state banks' bonds so as to attract short-term capital to the treasury and so that the central bank realizes the open market to regulate money circulation.

- The inter-bank monetary market to replace two current foreign currency transaction centers and step by step forming the foreign exchange market later.

- The inter-bank home currency market to settle credit relationship among credit organizations. In this market the state bank is the last lender.

The stock exchange is the place to trade various kinds of long-term capital between investors and manufacturers through shares and bonds.

To make the short or long-term capital market operate effectively, we should complete interest rate tools, foreign exchange rate, compulsory reserve and discount interest rate for commercial banks, and modernize banking technology and improve payment services.

Investment capital mobilization aims at industrialization and modernization. And industrialization and modernization is the way to get rid of the danger of falling behind. Therefore the basic measure to resist lagging behind is to mobilize and use investment capital most effectively ♣