

HỒ CHÍ MINH CITY: SEVEN YEARS' IMPLEMENTATION OF LAW ON FOREIGN INVESTMENT

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HCMC is a biggest city of Vietnam, a center of industry, trade, service, finance, techno-science and an important gateway of national transportation.

In order to keep on developing, maintaining the leading role in the national country, over the past seven years, HCMC actively called for, attracted foreign investment and made numerous achievements. From May 25, 1988 when the first project of Genpacific joint-venture was licensed to March 8, 1995 the city had 456 licensed projects with foreign investment capital totalling US\$ 4,866,223,031, accounting for 41% of the total projects and 42% of gross investment capital throughout the country. In the process of realization, 77 projects' licences were withdrawn with capital of US\$ 392,398,488 due to no feasibility and realization beyond planned target. Thus there were 379 effective permits with investment capital of US\$ 4,473,824,543, representing 83% of the whole licences and 92% of registered capital.

FOREIGN INVESTMENT IN HCMC (Mentioning only effective licences until March 8, 1995)

Year	Projects	Investment capital (US\$)
Total	379	4,473,824,543
1988	5	17,651,472
1989	12	160,456,660
1990	25	240,550,500
1991	54	385,627,086
1992	79	511,180,348
1993	91	1,295,858,770
1994	90	1,076,922,891
latest to March 1995	23	785,576,816

Source: HCMC Statistics Bureau



Based on the results of foreign investment in HCMC the following can be mentioned:

- In the period 1988-1993 HCMC was always the pioneer in the new and important field. The city ranked first in the number of projects, capital and growth rate of projects and capital in this period. But in 1994, the investment pace in HCMC tended to come to a standstill whereas investment capital flowed into Hà Nội,

Sông Bé, Đồng Nai increasingly. The reason was the HCMC investment procedures were still cumbersome and caused foreign investors to hesitate. These procedures were easier in other localities, especially in Hà Nội. Land rent in HCMC was regarded as too high one compared with surrounding areas, countries. So were the leasing price of house, hotel, service and fee of post services. The city's infrastructure was though better but not enough to attract foreign investors. After the State had reformed initially investment procedures, over the first

two months of 1995, twenty-three foreign investment projects in the city were licensed with a total registered capital of US\$ 785,576,816; accounting for 26% of the total projects permitted in 1994 and 73% of the total capital in 1994. Of which is the project to build the Saigon Cultural and Trading Center, capitalizing US\$ 524,562,371, a larger registered capital than ever throughout the country.

- **Scale of projects:** Although some great projects took shape in two past years but in general investment projects were of medium and small size. The average investment capital was US\$ 11.8 million per project. This figure was US\$ 14.2 million in 1993; US\$ 11.96 million in 1994. Particularly, in the first three months of 1995, each projects capitalized US\$ 34.2 million on average. Among effective projects in HCMC, the number of projects capitalizing under US\$ 1 million accounted for 29.2%; US\$ 1-10 million: 58.3%; above US\$ 10 million: 25%.

- **Operational term of projects:** Most of projects were of medium term (10-20 years). 11.3% of 379 effective projects had duration of under 10 years; 69.9%: 10-20 years; 18.8%: above 20 years. Long-term projects are recently increasing and

focusing mainly on such fields as tourism, restaurant and processing industry.

Mode of investment: To date, in HCMC every mode of investment defined in Law on Foreign Investment has come into being. The popular mode is joint-venture with 271 projects, accounting for 71.5%; twenty-four of business cooperation, 6.3%; and eighty-four of 100% foreign invested enterprises, 22.2% which foreign partners increasingly pay more attention to. In HCMC there are two export processing zones and in early April 1995, SCCI gave a green light to the first BOT project in Vietnam. This project will produce and supply clean water to HCMC and its vicinity.

Fields of investment: Up to March 1995 there were 13 out of 20 HCMC's economic fields obtaining foreign investment, centering on six major fields such as processing industry with 229 projects and accounting for 60.5% of the total licenced projects; tourism, restaurant: 53 and 13.99%; transportation, storage and communication: 27 and 7.12%; construction: 16 and 4.23%; finance and credit: 14 and 3.69%. On the whole the structure of foreign investment was fit to the city's development.

Foreign partners: foreign partners in HCMC's 379 projects came from Asia: 10 countries with 273 projects, accounting for 72.03%, 250 of which invested in from Nics and ASEAN; Europe: 10 countries with 79 projects and taking 20.84%; Australia: 16 and 4.22%; Central and Northern America: 9 and 2.37%; Arabian countries: 2 and 0.54%. Thus, foreign partners in HCMC are mainly from Nics and ASEAN (Hong Kong ranked first with 65 projects and the followers are Taiwan: 60; South Korea: 51; Singapore: 45). The European and American nations still show great caution when planning to invest in HCMC.

Capital contribution: Up to the end of 1994, foreign pooled capital was about US\$ 1 billion, accounting for 29.5% of the total investment capital and 52.1% of legal one. US\$ 100 million of foreign capital on average flowed into HCMC every year. In recent years this figure was bigger, around US\$ 200 million. Foreign contribution was almost machinery (48%) and money; Vietnamese share included land-use right, water surface (56%) and factory building...

Labor: There were 32,000 employees working for foreign in-

vested enterprises, 98% of which were Vietnamese. The average income of each Vietnamese worker was US\$ 75 per month.

Business performance: Up to the end of 1994, 52.5% of the total projects had been put into operation. In 1994 many great projects were brought in use such as: New World hotel, Omni Hotel, Chancery Hotel, Thủ Đức Golf Course, Tân Thuận Textile Factory No.1... The 1994 turnover of foreign invested establishments in HCMC reached US\$ 474 million, an increase of 48% over 1993, accounting for 6.7% of the city's GDP. Of which US\$ 249 million was gained by the processing industry, taking 9% of the HCMC's industrial turnover; post and transportation: US\$ 77.2 million and 12%; tourism, restaurant: US\$ 45 million and 10%...

The export and import turnover of foreign invested concerns was bigger and bigger. Exporters accounted 20% of the total foreign invested businesses and importers 30%. Their total export turnover in 1994 reached US\$ 100 million, representing 21% of the total turnover, an increase of 230% over 1993. The exports were mainly textile, ready-made clothes, footwear, handbag... There were 15 establishments having export turnover valued at above US\$ 2 million per year, they are International Ryo Co., Louitech Leasgo, Vietrosco, Triumph International Vietnam, Choongnam Co., Việt Thắng Textile Company... The Tân Thuận EPZ also had

two exporters. The 1994 import turnover of foreign invested enterprises reached US\$ 180 million, an increase of 28.5% over 1993. The imports were mainly raw materials, machinery, equipment for construction and production.

Together with expansion of operational scale, enterprises' efficiency was raised. About 66% of operating concerns did good business, an increase over previous years (1992: 54.7%; 1993: 52%). Payment to the national budget increased sharply, amounting to US\$ 53.8 million, an increase of 560% over 1993, 49% of which from sumptuary tax, 33.8% from sales tax.

In short, foreign investment has developed well in HCMC over the past seven years and had strong effects on the city's process of socio-economic stabilization and development. But it still faces some obstacles, especially investment procedures. Normally, an investment licence was granted after application for it went through with 20-door procedure (12 of central authorities and 8 of local ones). Afterwards the biggest hindrance was electricity and water supply, it reduced attraction for foreign partners. The management task for establishments after licence issuance was still loose and lacked efficiency.

With a view to strongly attracting foreign partners to make the city's development better and more sustainable, the following tasks should be done:

- To keep on reforming investment procedures in the direction of simplification, convenience and science, to carry out one-door policy to resume the city's attraction for foreign partners.

- To soon perfect the master plan of foreign investment so as to force investment activities develop properly and effectively.

- To strengthen management for the project after issuing licence.

- To show appropriate concern for and invest in training Vietnamese staff so that they have enough qualification to manage foreign invested enterprises; to train skilled workers for the demand of this area, especially in export processing zones.

- To multilateralize selection of foreign partners with a view to receiving advanced technology and avoiding dependence afterwards ■

