

**V**ietnam Socio-economic activities have developed stably and rather fast since taking "Đổi mới" policy. Particularly, after promulgating Foreign Investment Law, projects with US\$ 10.7 billion of investment have been registered, and half of this amount has been realized.

But this amount didn't mean a lot to our need and to potentialities and perspective of our economy. Therefore, we have to mobilize more capital, especially from domestic source. This was stated clearly by Mid-term Conference of National Delegation of VCP... we have to mobilize all of sources of capital and employ them effectively. The domestic source is decisive one and the foreign source plays an important role.

Why?

As we know, from 1975 till 1990, we had to depend on foreign source for spending and accumulation of capital. Until 1993, we accumulated just 10% of GDP from domestic source, which equalled 50% or 25% of rates of capital accumulation of regional countries.

"Economically dependent, politically disadvantageous" as the old saying goes. So, taking a long view, the economic development should be in harmony with the social development and sovereignty protection, and it should be based on our own attempts. A well-tapped domestic source is a basis for mobilization of foreign source. Experience from developing countries showed that when we receive foreign loans, we should pay at the right time, we can't be a defaulter. The bigger the foreign debts, the larger the damage to our resources and profits.

We have to accumulate an appropriate capital from domestic source before we can receive and use foreign capital effectively. Usually, half of starting capital coming from foreign source takes the form of equipment, technology and imported materials, the other half: salary and wage, building materials, local products and services. Lack of this second half can lead to an unbalancing effect on relation between money supply and goods, or inflation and other bad effects. Many countries such as China had to regulate the overflow of foreign investment recently.

The rate of capital accumulation in Vietnam has been improved recently: it swelled to 10% of GDP in 1993 from 4.8% in 1991.

The amount of personal savings is very big and it will be a desirable source of investment if we know how to mobilize it. The problem to be agreed on here is that the domestic capital need not take a bigger percentage in invest-

by TRẦN HỒ SINH

## ON MOBILIZING OF DOMESTIC INVESTMENT

ment. The most important thing is that we should attract and use foreign investment with a view to tapping domestic source, increasing the rate of capital accumulation and helping the economy develop stably and correctly.

But placing stress on the domestic

source doesn't mean neglecting the foreign source, especially at present time when we are going short of capital. It means that we should mobilize the domestic source and at the same time, attract the foreign investment as much as possible.

*The Strategy for Socio-economic Development Till 2000* estimated that in next 10 years, we could receive around US\$ 7 billion from ODA source, but as our diplomatic relations is increasingly improved, we hope that we could receive a bigger amount. This requires that we have to try harder to create favorable conditions and prepare trustworthy projects in order to attract both local and foreign investors. Recently, we have our hands tied when we couldn't perfect our legal infrastructure, make rules and regulations more consistent and reasonable, and struggle against the red tape successfully. We should realize financed projects effectively in order to attract bigger investment.

Law of Encouragement to Domestic Investment approved by the National Assembly recently is an advantage which needs to be materialized. Complicated or annoying procedures should be removed. We have to supply one-stop service to investors. Evaluating and approving projects, and granting licences should be done more quickly in order to win investors' trust.

Next, we should take measures to encourage investment in well-selected industries and localities in order to help investors feel secure about future of their projects.

Struggle against waste is a matter we should pay full attention to. This is easier said than done. In fact, the waste of time and public money in various industries and administrative level was a common knowledge already. We have to take stronger measures to reduce it.

Besides, we have to accelerate the processes of equitizing state enterprises, issuing shares and bonds, and forming stock exchange, capital market...

From now till 2000, we need a gross investment of US\$ 50 billion, we hope that we can mobilize around US\$ 29 billion from foreign investment of different forms: FDI, BOT, joint venture... Tapping all sources and using them effectively will help us pass socio-economic crisis and integrate our economy into regional and international economies. This is a matter of great urgency to not only the government, but also businesspersons who care about our country's future. Mobilizing domestic investment has become a challenge to us in the process of developing the economy ♣