MORE CAPITAL FOR VIETNAMESE TOURISM INDUSTRY

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Tourism in Vietnam is still an infant industry but its future is bright: visitor arrivals and sales are on the increase, except for 1998 because of the Asian financial crisis, as presented in the following table.

Table 1: Foreign visitor arrivals in Vietnam in 1993-99

Year	1993	1994	1995	1996	1997	1998	1999
Visitor	669,862	1,018,244	1,351,296	1,607,155	1,715,637	1,520,128	1,781,754
Compared with preceding year (%)	136.5	169.6	132.7	118.9	106.8	88.6	117.2

Table 2: Tourist receipts in 1993-1999

Year	1993	1994	1995	1996	1997	1998	1999
Receipts (VND mil.)	3,813	5,579	6,007	6,330	7,000	6,400	7,400
Compared with preceding year (%)		146.3	107.7	105.4	110.6	91.4	115.62

From: www.vietnamtourism.com/v_pages/tourist/general/sltk.htm

The tourism industry is considered, by the Government and VCP, as "the key industry in the national strategy for socioeconomic development" (Government's Resolution 45/CP dated June 22, 1993), and "a strategic direction in the socioeconomic development policy by the VCP and Government." (Directive 46/TCTW dated Oct. 14, 1994 by the VCP Secretariat). In 1999, a Tourism Development Board headed by a Deputy PM was formed to direct the development of this industry.

Targets set for the year 2000-2020 by the development strategy for tourism development are 10 million foreign visitors and US$1.5 billion in tourist receipts. The Vietnamese tourism industry needs better human and material resources to achieve these targets.

Table 3: Prediction of tourism development in Vietnam in 2000- 2020

Indicator	2000	2005	2010	2020
Tourists (1,000)	12,000	18,600	26,000	40,000
– Foreigners	2,000	3,100	6,000	10,000
– Locals	10,000	15,500	20,000	30,000
Receipts (US$ mil.)	1,133	2,043	4,540	9,900
– from foreigners	198	369	640	1,500
– from locals	935	1,674	3,900	8,400

Source: Institute of Tourism Development and *Du Lịch* magazine December 1999, p. 8)

Of these resources, capital is the most important input that determines the success of the development strategy. With first achievements of the economic reform, various sources of finance could be mobilized. We want to discuss here possible sources of finance needed for the tourism development in Vietnam.

1. Internal sources

After the economic reform was launched, the capital accumulation in Vietnam becomes faster. The gross domestic investment in comparison with the GDP increased from 10.1% in 1991 to 21.5% in 1998 and 24% in 1999. With the policy to develop the mixed economy, it is easier to mobilize local sources of finance for development of all industries.

Table 4: Gross domestic investment to the GDP

Year	Gross investment as % of the GDP	Growth rate (%)
1995	29.2	9.54
1996	29.2	9.34
1997	30.9	8.15
1998	27.0	5.76
1999	26.0	4.77
2000 (est.)	27.9	6.7

Source: *Thời Báo Kinh Tế*, Nº 139, Nov. 20, 2000

- Investment by companies and private persons: this source could be used for making intensive investment, importing new technologies, diversifying product lines and expanding business scope and expanding markets (both foreign and local ones).

- Idle money: there is no statistic of how much money the public hold but the banking system handles immigrant remittances to the tune of billions of dollars every year. To mobilize this source of finance, however, is no easy task.

Internal sources of finance are rather great and it's a waste to leave it untapped. To make use of these sources, however, we need a lot of time and energy therefore we can't only focus on them when the demand for capital and better development is urgent.

2. External sources

There are three main sources foreign capital

- ODA: this source of finance is usually used for public investment projects and takes forms of aid and soft loans. Interest rate and terms of payment of those loans differ according to the relation between Vietnam and donors. Generally, this is a source of long-term capital. According to the Ministry of Planning and Investment, the ODA capital committed by foreign governments in 2000 has amounted to US$1,544.3 million (aid: US$282.7 million; soft loan: 1,261.6 million) equaling 92.7% of committed ODA capital in 1999. Of this sum, US$1,450 million has been disbursed, so far.

- Loans from international and regional financial institutions: this source allows borrowers more freedom to decide how to use these loans and helps Vietnam to integrate into the world financial business.

- Direct investment from foreign companies or persons: this source is encouraged and managed by the Foreign Investment Law. FDI could take many forms as allowed by law (foreign-owned company, BOT project, joint venture with local partners, cooperation contract or EPZ company). According to the *Saigon Times Weekly*, the tourism business attracted 157 FDI projects worth US$5 billion in 2000.

3. Measures to mobilize and make the best use of potential sources of capital for the development of tourism industry

a. Internal sources:

- Allowing private persons to develop new tourist resorts and contract with local government to run existing resorts.

- Encouraging private persons to tap local potential for new tourism products, such as developing ethnic and cultural tourism.

- Tourism companies, businesses and local governments cooperate in developing new tourist resorts.

- State banks offer soft loans to projects to develop the tourism industry.

- Giving tariff exemption to assets used for producing tourism products (vehicles, telecommunication facilities, etc.) or reduction in duties on raw materials used for producing goods for tourists.

- Leasing land at low rent with simple procedures with a view to encouraging investors.

- Forming joint stock companies specializing in supplying services to tourism companies or running tourism resorts; and equitizing state-owned tourism companies.

b. External sources:

- Making the national strategy to develop the tourism industry and inviting foreign entities to investment in tourism projects in Vietnam.

- Giving more incentives to foreign investment projects in the tourism industry.

- Allowing tourism companies to sell shares to foreign entities.

- Encouraging foreign investments in training tourism officials and agents.

- Using the ODA capital for developing or maintaining tourist resorts and attractions.

- Encouraging BOT projects in developing infrastructure needed for tourism development.

- Making incentive schemes to persuade Vietnamese expatriates into investing in their home provinces or cities.

- Allowing tourism companies to borrow from branches of foreign banks.

- The General Department of Tourism allows tourism companies to hire foreign experts in running tourism agencies, making business projects or giving advice on tourism development.

- The Government opens information offices in Vietnamese embassies with a view to bringing tourism business opportunities to the attention of foreign investors.

These measures should be linked together to form a suitable strategy to attract more investment in the tourism industry from both external and internal sources.■