

I. In a short period of time from 1990 to 1994, the Vietnam economy developed rather well: GDP increased regularly, by 8.5 per cent in 1994 (agriculture increased by 4.5 per cent, industry by 13 and service by 9 per cent). Price index reduced from 67.5 per cent in 1991 and 17.5 per cent in 1992 to 5.2 per cent in 1993, and climbed to 10.0 per cent in 1994. Income of the national budget increased from 13.8 per cent of GDP in 1989 to 22 per cent of GDP in 1993. Budget deficit was reduced to the lowest mark of 2.4 per cent in 1992.

The government has done its best to secure source of investment for development, cover public expenditures and complete many public works (high-voltage line of 500KV from the North to the South was the most remarkable work).

Policy on encouragement to investment and diversification of forms of international co-operation have made investment volume increase remarkably and made output of 12 main products rise speedily. Many social problems were solved: unemployment rate was reduced, average per capita income of rural inhabitants was improved. In 1994, Vietnam produced approximately 25.8 million tonnes of foodstuff (2 million tonnes of rice were exported), 245,000 tonnes of peanut, 200,000 tonnes of fresh tea bud, 105,000 tonnes of dried latex, 140,000 tonnes of coffee bean, 1,190,000 tonnes of sea products, 12.3 billion kwh, 6.15 million tonnes of coal, 7 million tonnes of crude oil (equivalent to one-third of total output of the past years), 5.2 million tonnes of cement, 310 million meters of cloth, 400,000 tonnes of sugar.

As for foreign trade, total value of exports and imports from 1991 to 1994 was equivalent to over 50 per cent of total GDP. Exports increased by 20 per cent per year. Vietnam's trade with Asia-Pacific accounts for 70 per cent of total value of foreign trade and increased by 30 per cent compared with last years.

As for direct investment, up to Sep 30, 1994, 1,085 foreign investment projects worth US\$10 billion were licenced, US\$30 billion which have been realized. Vietnam's renovation policy has encouraged international donors, monetary and financial organizations to resume relationship with Vietnam. Conference of Vietnam Donors held in Paris in 1993 promised to donate to Vietnam US\$1.86 billion in 1993 and US\$2 billion in 1994. This source of capital has helped Vietnam build its infrastructure (power supply, transportation, telecommunications, etc).

Although Vietnam has made good

INVESTMENT FOR DEVELOPMENT CHALLENGE AND OPPORTUNITY

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progress in recent years, it should accelerate its renovation process more speedily in order to catch up with international development. According to UNDP's Human Resources Development Report 1994, Vietnam's per capita GDP ranked 150th in 173 surveyed nations (calculated by using PPP method). If principal social indicators were taken into consideration Vietnam was graded 116th among 173 nations. Struggling against danger of falling behind is our greatest challenge now.

Being in the most active region of the world, basing on political stability, well-improved foreign relations and recent development of the economy, Vietnam could carry out plans to modernize and industrialize its economy.

II. To double per capita GDP by the end of this decade compared with 1990, Vietnam should mobilize investment of US\$ 48 to 50 billion, 14 per cent of which will be invested in agriculture, 36 per cent in industry and power, 50 per cent in service and infrastructure.

Targets of growth rate and changing the structure of industry from now until 2000: average growth rate should be at least 9 or 10 per cent, agricultural output should be increased by 4 or 5 per cent per year, industry by 13 to 15 per cent, service by 8 to 10 per cent. The relative importance of the primary, secondary and tertiary industries in GDP will be 25-30-45 per cent respectively.

One of the biggest difficulties is to mobilize and employ capital effectively. New capital accumulated from domestic sources is of US\$2 billion per year (around 15 per cent of GDP), because our living standard is low, so is the saving rate. In the next six years, we should accumulate over US\$20 billion (equivalent to 30 per cent of GDP). Saving for investment should be made a popular movement, the government can even take a compulsory saving policy in order to restrict spending on consumer goods or unnecessary construction works.

In recent years, Vietnam had a high growth rate although it had only moderate investment (from 1990 to 1993, Vietnam's ICOR index was 2.0), because Vietnam was in the early stage of development. To achieve the above-mentioned targets, Vietnam's ICOR should be 3.0.

Incremental capital of US\$48 to 50 billion for development from now until 2000 could be mobilized from:

- Domestic source: around US\$20 billion or 40 per cent. The public funds and state enterprises will contribute US\$10 billion, other 10 billion will come from the private sector.

- Foreign source: between US\$28 and 30 billion (60 per cent). US\$ 18 to 20 billion could come from foreign direct investment, US\$10 billion from ODA source, other US\$5 billion could come from FDI source and investment from Vietnamese expatriates.

Generally, these sources of capital could become a reality if the legal infrastructure of the economy is reformed actively. We can't let investors with their feasible projects wait for our reformations. Only 30 per cent of FDI capital or only US\$ 400 million from ODA source of US\$1.86 billion were realized in 1993 just because we are slow to reform our legal infrastructure. Capital accumulated in the public funds or banks can't be left unused. We can't let it become idle money. On the other hand, we can't limit investment for fear of inflation.

The government should examine and evaluate thousands of projects submitted by many provinces and businesses exactly and quickly. Good projects should be soon realized by supplying capital from the public funds, the government can even use inflation to finance these projects.

A country, a business or even a household, all need plan for development, look for opportunities and face challenges. Over-cautiousness means to fall behind ♣