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**S**ince the open-minded policy has been taken by the Vietnam's government, nearly 1,200 projects of foreign investment with gross investment of US\$11 billion were licenced between 1988 and 1994. The capital flow increased rather quickly. It grew by 51.6 per cent from 1988 to 1992. It increased by 43 per cent compared with 1992, and 26 per cent in 1994 compared with 1993. In 1988, total foreign capital invested in Vietnam was US\$366 million and reached 3,500 million in 1994. Projects of US\$5 million or more presented only 27 per cent of total number of projects but 86 per cent of total capital. The average size of projects has climbed to US\$10 million. The manufacturing industry attracted 54 per cent of investment capital. In the past seven years, 70 per cent of foreign capital invested in manufacturing and 30 per cent in service; 60 per cent of total projects aimed at renovating and upgrading the equipment. As to the form of investment, 71 per cent of projects were of joint ventures, 17 percent of foreign - owned enterprises and 12 percent of co-operation. The Northern provinces attracted 35 per cent of total projects and 45 per cent of total investment. Hồ Chí Minh City, Hà Nội, Đồng Nai, Hải Phòng, Quảng Ninh, Bà Rịa-Vũng Tàu, Đà Nẵng and Huế are the favorites of foreign investors and have attracted 84 per cent of total investment in Vietnam. Over 700 companies from 44 nations and territories have had investment projects in Vietnam. Taiwan, Hong

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## ON FOREIGN INVESTMENT IN VIETNAM

by ĐỖ NGỌC TRINH

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Kong, South Korea, Australia, Singapore, Malaysia, Japan, France, Netherlands and England are top-ten investors. The big-name European companies interested in oil business and Asian firms in others. The Americans had projects to explore and exploit oilfield and produce consumer goods in Vietnam.

Up to late 1994, realized investment was of US\$3.5 billion (32 per cent of total investment). It has created new dynamic in steel, automobile and motorbike assemble businesses, light industries (textile, garment, fiber, leather, soft drink...) and afforestation. By cooperating with foreign partners, domestic and international telecommunications in Vietnam were improved, oil resources in Vietnam shelf were estimated, advanced technology of telecommunications, oil drilling, automobile and motorbike, chemical, agriculture (planting banana, mushroom, vegetable, corn and raising brackish shrimp), building hotels, producing consumer goods... has been transferred to Vietnam along with advanced knowledge about management. Around 80,000 skilled laborers and some hundred thousand others have found jobs in these projects or in supplying services, raw materials and in construction.

Up to late 1994, the total value of

180 cancelled projects reached US\$ 800 million. These revoked licences presented 15 per cent of projects and 7.5 per cent of total investment. Most of these revoked licences were of medium-size projects and were licenced between 1988 and 1990. The causes are: foreign partners ran short of capital, the fluctuation of market price made projects infeasible, there were conflicts between partners, some investors' operation didn't go according to what were stated in their licences.

Besides these achievements, there are many weaknesses and problems to be solved. Some are inherent in Vietnam economy such as poor infrastructure, lack of perfect legal system... and solving them will take time. But there are two major problems which hamper the operation of foreign business:

- Procedures have been so complicated that the investors have to secure many seals of approval from a lot of

ministries, departments and local administrators before they can carry out their projects. These procedures pave the way for corruption.

- Civil servants, especially those who work in joint ventures, lack managerial skill and knowledge about foreign languages and international trading practices.

The country's top leadership is aware of this and many measures have been taken in order to compete effectively with surrounding countries in attracting foreign investment. That is why in the past seven years, Foreign Investment Law has been amended two times after its promulgation on Dec 29, 1987 (the first time in June 1990 and the second in December 1992). It was amended with a view to creating conditions favorable for foreign investment such as: allowing every economic sectors to cooperate with foreign partners, allowing opening export-processing or BOT companies....

Under Foreign Investment Law, the investors' property and capital shall not be requisitioned or expropriated through administrative measures, and shall not be nationalized. The investors can transfer their legal profit, capital and other property to their home countries. Materials and equipment needed for building fac-

tories and producing goods for export will be exempted from import duty.

These facts showed that Vietnam's government has tried to perfect its legal structure and make it appropriate to new mechanism in Vietnam and to international practices.

Procedure for investing in Vietnam is the problem which SCCI and other government bodies have tried their best to solve. One of the most urgent tasks of the government in 1994 and 1995 is to reform administrative procedures, including procedure for foreign investment. The direction of this reform is: the government will codify rules and regulations and basing on them, inspect the operation of businesses and minimize investigating each particular case. This will simplify the procedure, shorten the time it takes to secure licences and ensure the government a good management of enterprise's activities.

In order to realize Vietnam's strategy for socio-economic development, Vietnam needs around US\$18 or 20 billion from now until 2000. This investment will be put in:

1. Developing oil industry
  - Exploiting around 20 million tonnes of oil in 2000.
  - Building an oil refinery before 2000 and other one after 2000.
  - Piping gas to the land in order to produce fertilizer, liquidized gas, electricity...

This program needs US\$8 billion. Many contracts in this program have been signed with foreign companies. Some of them are being carried out and many other contracts will be signed in the near future.

2. Building 10 industrial estates in HCMC, Sông Bé, Đồng Nai, Cần Thơ, Đà Nẵng, Hà Nội, Hải Hưng, Hải Phòng... In these estates, around 900 factories producing consumer goods with total investment of US\$5 billion will be built.

3. Renovating old factories and building new ones outside these industrial estates: This program needs US\$2 billion and a large part of it has been signed with foreign companies.

4. Building five or six cement factories in Hà Tiên, Sông Bé, Thanh Hóa, Nghệ An, Hải Hưng, Hải Phòng, Quảng Ninh with capacity of seven or eight tonnes each. This program needs around US\$1.5 billion.

5. Developing heavy industries (metallurgy, machinery, chemicals, electronics...): US\$1.2 billion.

6. Agriculture, forestry, mariculture: US\$800 million.

7. Infrastructure (road and transportation, telecommunications...): US\$1 billion.

8. Entertainment and tourist resorts: US\$1.5 billion ♣

## FOREIGN INVESTMENT IN HCMC LAST YEAR



In 1994, there were 90 projects of foreign investment with total registered capital of US\$1,076.9 million and legal capital of US\$525.6 million (74 per cent of which were from foreign partners and 26 per cent from Vietnamese) licenced to operate in HCMC. Of 90 projects, 26 were under the management of the central government and presented 28.8 per cent of total projects, 37.7 per cent of total capital (US\$406.4 million), 64 were under the management of local authorities with capital of US\$670.5 million.

The average size of projects has reduced to US\$11.9 million from 14.2 million in 1993. The average size of projects under central management is bigger than the ones under local management (US\$15.6 million compared with US\$10.4 million).

The favorites of foreign investors were manufacturing industry (52 projects worth US\$386.1 million presenting 35.8 per cent of total investment) and hotels (16 projects worth US\$551.8 million presenting 50 per cent of total investment).

In 1994, 18 nations were allowed to operate in HCMC. The leaders are Switzerland (3 projects worth US\$452.8 million), Hong Kong (16 projects worth US\$220 million), Singapore (8 projects worth US\$95.4 million), Taiwan (13 projects worth US\$46.6 million). Some major projects licenced in 1994 were: Sao Mai joint venture (a US\$233.8 million cement plant), Noga Trading Center worth US\$216.6 million, Thuận Kiều Office Block (US\$71.8 million), Grand Imperial Saigon Hotel (US\$48.5 million), Đại Dương and Mê Linh Plaza joint ventures (US\$45 million each).

Up till now, there are 356 valid projects with registered capital of US\$3.86 billion and legal capital of US\$2 billion (76 per cent of which were from foreign partners, and 24 per cent from Vietnamese). Of said 356 projects, 252 were joint ventures worth US\$2,864 million (72.7 per cent), 24 cooperation businesses worth US\$294.6 million (8.1 per cent), and 80 foreign-owned businesses worth US\$706.4 million (19.2 per cent).

As for economic performance, total sales realized in 1994 climbed to US\$75.7 million (increased by 27 per cent compared with the previous year). The most profitable businesses were manufacturing industry (51 per cent), hotels (9.4 per cent), post and transportations (17 per cent), finance-credit (3.7 per cent).

Export turnover in 1994 was estimated at US\$100 million (increased by 253 per cent). Total value of imports was US\$255 million, increased by 80 per cent. Foreign trade has employed 32,000 laborers ♣

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