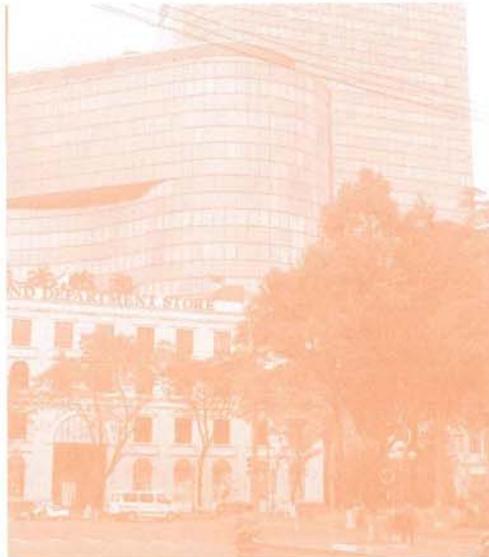


FOREIGN INVESTMENT IN VIETNAM IN 2001

by Prof. Dr. VŨ THANH THU



Although the world experienced recession and social unrest everywhere in 2001, Vietnam enjoyed certain progress, especially in the foreign trade: its export value rose by some 5%; the number of foreign tourists was beyond all expectations and Vietnam was considered as a safe destination for tourists. The most remarkable achievement, however, was the development of the foreign sector.

1. Foreign investment in 2001 in Vietnam

In 2001, the flow of foreign investment started increasing after slowing down for years:

- Total investment registered in 2001 (in newly licensed projects and addition investment in existing ones) topped the US\$3 billion mark increasing by 26.8% compared with 2000.

- Up to Dec. 26, 2001, the number of newly licensed projects rose to 460, increasing by 26% compared with 2000, with a total investment of US\$2,436.6 million, increasing by 22.6% compared with 2000.

- In 2001, 210 projects were allowed to increase their registered

capital. The additional capital was US\$580 million.

EPZs Board- rose by over 10% in comparison with 2000.

Table 1: Licenses Granted in 2001

Governmental bodies	Project	%	Registered capital (US\$ mil.)	%
The Ministry of Planning and Investment	42	9.13	1,660	68.13
Provincial People's Committees	246	53.48	279.7	11.48
IPs and EPZs Board	172	37.39	496.9	20.39
Total	460	100	2,436.6	100

The number of licenses granted by three bodies- the Ministry of Planning and Investment, provincial People's Committees and IPs and

Table 2 shows that the FDI flow tended to move to the manufacturing and service sectors helping with the modernization and industrialization process.

Table 2: FDI by Sector

Sector	Project	%	Registered capital (US\$ mil.)	%
Manufacturing and construction	373	81.09	2,066.4	84.81
Agriculture	20	4.35	25.26	1.04
Service	67	14.56	345.0	14.1
Total	460	100	2,436.6	100

In 2001, 38 provinces and cities enjoyed foreign investment, but the better part of it (some 80%) is in the Southern Vital Economic Zone as shown in the Table 3.

According to a report by the Ministry of Planning and Investment, all indicators of performance of the foreign sector are higher than 2000 ones.

Table 3: Foreign Investment by Provinces

Province	Project	%	Registered capital (US\$ mil.)	%	Change compared with 2000
Bà Rịa - Vũng Tàu	2	0.43	834.4	34.24	Up 21 times
HCMC	161	35.0	527.581	21.65	Up 1.76 time
Bình Dương	106	23.04	167.3	6.67	Decreased
Đồng Nai	45	9.78	431.69	17.72	Up 3.31 times
Hà Nội	37	8.04	165.2	6.78	Up 3.93 times
Others	109	23.70	310.429	12.74	NA
Total	460	100	2,436.6	100	0.26 time

In 2001, investment from America and Europe accounted for the best part of the FDI flow. Investors from Holland, Germany, England and France formed joint ventures to carry out two BOT projects to produce electric power in Bà Rịa- Vũng Tàu. As for the investment from Asia, Taiwanese investors still ranked first regarding the number of projects and ranked second in terms of registered capital.

- Realized capital was around US\$2.3 billion (increasing by 3% over 2000), 2.1 billion of which is from foreign partners, equaling 91% of the realized capital.

- Its total sales reached US\$4.7 billion (increasing by 6% compared with 2000), 4.5 billion of which is from companies in IPs, equaling 123% compared with the corresponding period the previous year.

- Exports from the foreign sector was worth US\$3.6 billion increasing by 9% over 2000, some US\$3.0 billion of which was from IPs, equaling 133% compared with the corresponding period the previous year.

- Its import value was US\$4.7 billion increasing by 8% as compared with 2000.

- Payment to the Treasury reached US\$373 million increasing by 15% compared with 2000, and 150 million of which was from IPs, equaling 136% compared with the same period the previous year.

- Employment: The number of worker in the foreign sector was 399,000 increasing by 5% (or 20,000) as compared with 2000, and 244,000 of which are working in IPs, equaling 106% compared with 2000.

In 2001, 68 projects worth US\$1,350 million in registered capital were dissolved equaling 79% compared with 2000.

2. Causes of success

a. Mechanism for attracting the foreign investment has been perfected to create a favorable business climate for foreign investors. In 2001 the Government decided on many strong measures to improve the statutory framework for this sector:

- Issuing the decree on foreign investment for the years 2001-05 providing measures to attract the FDI more effectively.

- Having the Ministry of Planning and Investment build some major plans for the foreign sector (privatization of foreign-invested companies, delegation of rights to control FDI projects to local governments, list of projects for foreign investment in 2001-05, classification of FDI projects, support to each class of FDI project, amendments to regulations on the foreign sector, etc.)

- Issuing guidelines and other documents needed for facilitating operation of foreign businesses, such as Decree 21/2001/ ND-CP dated May 28, 2001 on exit, entry and residency of foreigners in Vietnam, Decree 71/2001/ ND-CP dated Oct. 5, 2001 on houses sold or leased to foreign-invested companies, etc.

b. International integration policy helped encourage foreign investment. The U.S. - Vietnam Trade Agreement, effective from Dec. 11, 2001, made the Vietnamese business climate more attractive. It creates favorable conditions for not only American investors but also any companies in Vietnam that want to sell their goods and services to the US market.

Table 4: Foreign Investment by Origin

FDI From	Project	%	Registered capital (US\$ mil.)	%	Change compared with 2000 (%)
Europe	47	10.22	1,081.8	44.4	48.6
America	23	5.00	112.2	4.6	260.0
East Asia	298	64.78	826.67	33.93	85.6
ASEAN	47	10.22	332.3	13.64	42.4
Others	45	9.78	83.63	3.43	NA
Total	460	100	2,436.6	100	26.0

Table 5: Ten Leading Investing Countries (up to Nov. 30, 2001)

Country	Project	Registered capital (US\$ mil.)
Singapore	243	6,887.63
Taiwan	747	4,880.79
Japan	327	4,060.46
South Korea	322	3,229.57
Hong Kong	220	2,824.46
France	115	2,056.94
B. Virgin Islands	128	1,743.73
Holland	44	1,651.03
Russia	37	1,486.42
England	34	1,139.65

The Vietnamese Government also committed itself to promote cooperation with ASEAN countries on investment field: shortening the time for developing the AIA, taking part in investment promotion programs carried out by ASEAN, APEC, ASEM...

c. Many investment promotion programs were carried out actively in 2001. At the government level, these programs took many forms: workshops, conferences, forums, marketing research delegations, on-line marketing campaigns, etc. The programs also took place at provincial level in which local companies tried to get access to foreign markets and potential customers.

d. Administrative reform and infrastructure building projects were accelerated by local governments. The Southern Vital Economic Zone

permission to change into joint stock companies).

Delegation of rights to control the licensed foreign-invested companies to local governments is carried out slowly. This causes difficulties for both investors and local authorities.

There is no law on realization of the U.S. - Vietnam Trade Agreement that affects greatly the flow of FDI to Vietnam although the Agreement has come into effect.

b. Shortcomings in the policy to direct foreign investment: The agricultural sector is one of Vietnam's advantages. Seven out of 10 staple exports from Vietnam are farm products but this sector attracted only 1% of the FDI source in 2001. If no bold policies are adopted Vietnam will remain an exporter of unprocessed farm products for many years to come.

- Going on carrying out policies approved by both the central and local governments in 2001 to perfect the statutory framework, reform the administrative procedures and promote foreign trade.

- Making legislation on transformation of foreign-invested companies from private to public limited ones.

- Working out process by which the foreign-invested public limited companies could take part in the stock exchanges.

- Making plan with clear tracks to realize articles on investment of the U.S. - Vietnam Trade Agreement.

- Adopting schemes to give incentives (taxes, land use fee, etc.) to encourage investment in the agricultural sector.

- Using the ODA to develop the infrastructure in depressed and re-



and Hà Nội led the way in this effort. Many positive measures taken by local governments in 2001 met with investors' approval: improvements in procedures for getting investment licenses; reduction in time needed for getting licenses; removal of checkpoints inspecting exports from EPZs, etc. Many investors could get licenses within one day or two from HCMC and Đồng Nai investment authorities.

3. Problems to solve

a. Operating mechanism: The statutory framework should be perfected to ensure a more favorable condition for foreign investment. For example, there must be legislation on joint stock companies with foreign investment (in January 2001 many foreign-invested companies asked for

The FDI source was concentrated in the Southern Vital Economic Zone and Hà Nội in 2001 while 23 other provinces attracted no foreign-invested project because they are depressed areas that are badly in need of capital.

c. Business performance of foreign-invested projects: The export value made by the foreign sector rose only by 9%, lower than the rate it gained in 2000 while its trade gap reached US\$1.1 billion. Many projects were cancelled or had their licenses revoked, such as Hoàn Cầu Cement Joint Venture (capitalized at US\$260 million), Total Asphalt Co, Ltd. (US\$198.5 million) and Nissan-Vietnam Joint Venture (US\$110 million).

4. Suggested measures to develop the foreign sector

mote areas.

- Reforming the financial - monetary controlling mechanism (exchange rate, banking system, secured bank loans, etc.) in order to encourage foreign investors to do business in Vietnam and enhance the competitiveness of the financial and banking services.

- Reforming the investment regulations with a view to seeking admission to the WTO.

- Continuing the administrative reform and struggling against corruption to create a healthy investment climate.

With achievements gained in 2001 we can hope that the foreign sector will develop faster in 2002 thereby accelerate the economic growth. ■