FOREIGN INVESTMENT: A TWO-SIDED PROBLEM

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According to IMF, in the period 1986-1990, the tendency to make investment overseas became more remarkable. The flow of overseas investment reached a record peak of US$650 billion. Adding to the gross investment in the previous 5-year period, (US$220 billion), the total sum was three times higher than overseas investment made during the 1970s. Moreover, overseas investment also made considerable increases: it increased by 8% in the 1970s, 10% in the 1980s, and between 12% and 13% in the first half of 1990s. These facts show that the share of the cake owned by powerful developed countries and multinationals was reduced to such extent that they had to take their chairs to a more promising table. Over the past quarter of the century, the way these flows of overseas investment crossed each other showed the keen competition between multinationals for a larger market share. One of the most important market shares today is the Southeast Asian nations. This region has seen a lot of conflicts between economic powers: the US, EU nations, Japan and even newcomers such as Australia.

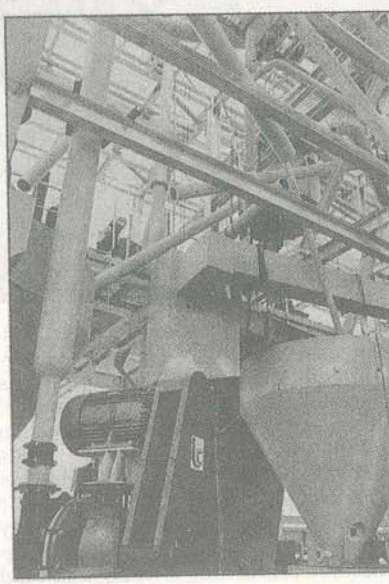
In Vietnam, during the period between 1991 and 1994, foreign investment has helped to develop the economy, create new jobs and increase the national budget income. To some extent, Vietnam is badly in need of capital for development, so foreign investment has stimulated many industries to develop. Foreign investment has also introduced into Vietnam new knowledge, business experience, managerial skills, industrial way of working. In addition, the importation of new machines and technology and the development of EPZs and industrial parks have helped to change the face of our technology... These are basic benefits brought about by foreign investment.

However, because of the race for market share, most foreign companies are trying their best to gain as much profit as possible with the lowest possible investment. This provides us with a basis for realizing the other side of the coin: foreign investment as a way to exploit developing countries which shows itself in the following facts:

- By investing overseas, capital goods are brought into Vietnam without paying customs duties. This will bring them in a considerable profit.
- In the fast development of technology in the world, a generation of technologies becomes old very rapidly. These generations, instead of being put in the dumping grounds (this will cost a lot) could be transferred to developing countries as capital goods, and thus, they could gain a profit from almost nothing.
- When in Vietnam there was no law against dumping and speculation, big foreign groups are trying to make their products flood the market, that is, they are trying to control the domestic market, and when they hold some 60% or 70% of it, it's very difficult to prevent them from acting together to block distribution channels of locally-made goods. It's quite possible then for them to control exportation and export prices. In many African countries, this situation usually leads to the dependence on foreign companies or economic and political crises when these companies refuse to back existing governments.

Analysing these two-sided effects, we wanted to lessen the enthusiasm for foreign investment showed by certain persons who think that foreign investment is everything we need, or foreign investment is the main dynamic of economic development. In fact, this is a foreign-dependence attitude which could develop into a philosophy if we don't keep it under control. Influenced by this philosophy, we could find no way to develop the economy without the help of foreign investment.

Up to now, we haven't got a perfect legal system for the safe development of foreign investment. In addition, there are gaps in our management mechanism because of which we had to suffer a lot of losses. In such a situation, we should improve the mechanism for controlling foreign investment as strongly as what we have made to the mechanism for attracting foreign investment. Another problem of great importance worth mentioning is the protection of local goods: we had better not allow foreigners to invest in any industry as they like, and we should give top priority to local production by realizing the Domestic Investment Law.



One encouraging fact is that on Nov. 8,1996, the National Assembly voted to remove import-substitution industries from the list calling for foreign investment. Moreover, encouragement is given, not to anybody or all localities as before, but to certain industries and localities, such as mountainous and remote areas, high-tech or import-subsitution industries, etc.

We hope that these are encouraging signs of improvement in the management of foreign investment■