



EVALUATION REPORT ON VIETNAM'S INVESTMENT IN 5 YEARS AFTER WTO ACCESSION

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Hanoi, April 2013

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I. IMPLEMENTATION OF THE INTEGRATION COMMITMENTS RELATED TO INVESTMENT

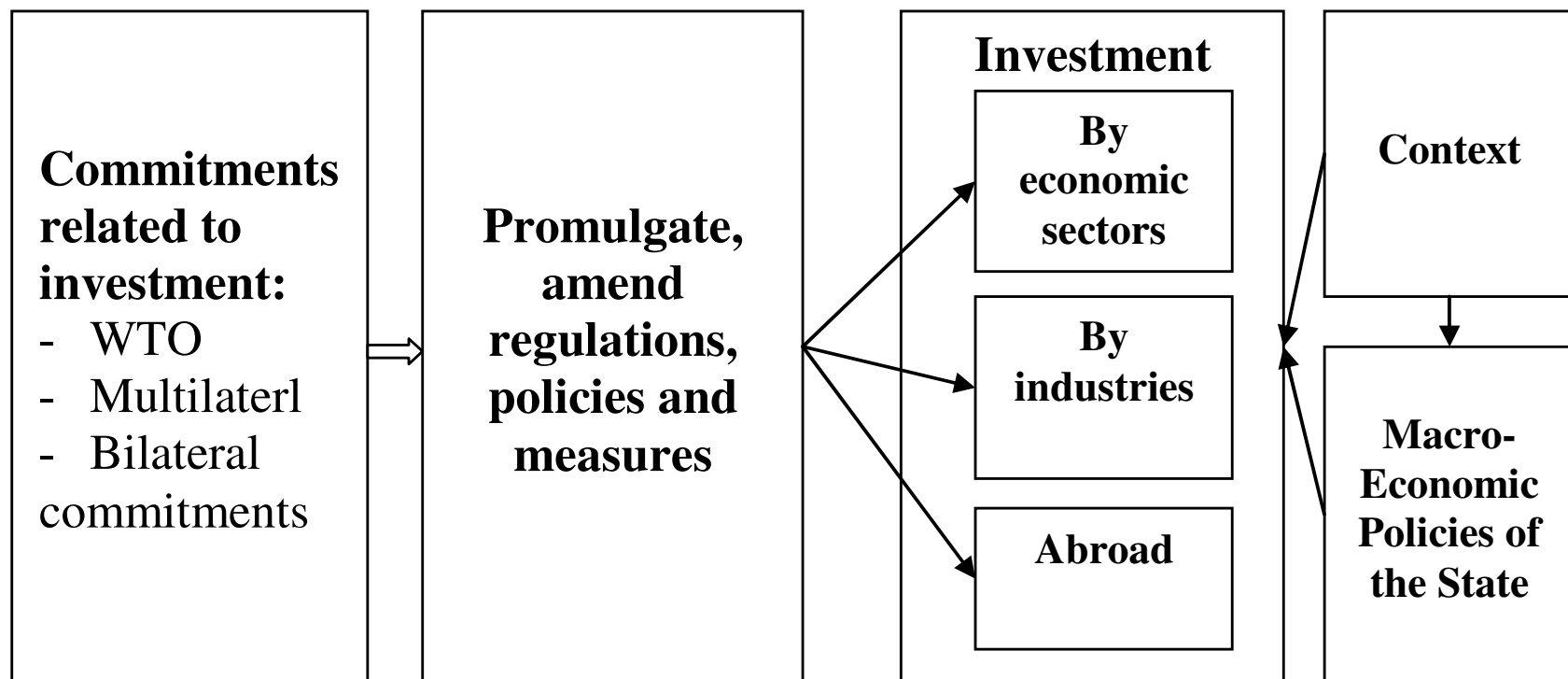
- ❑ Investment regulations have been issued, amended and supplemented to match international commitments (before, during and after joining the WTO)**
- ❑ The commitments have led to the opening of service markets and non-discriminatory treatment for foreign investors**
- ❑ Vietnam has seriously implemented the integration commitments**
- ➔ Contributing to improving investment and business environment**

SOME ISSUES WHEN IMPLEMENTATION OF COMMITMENTS

- ❑ Lack of specific and uniform guidance in a certain area (conditional investment, opening of service markets...)**
- ❑ Lack of treatment measures for projects registered with multiple targets, services sectors/sub-sectors having different opening commitments.**
- ❑ MFN Principles has not been fully recognized**

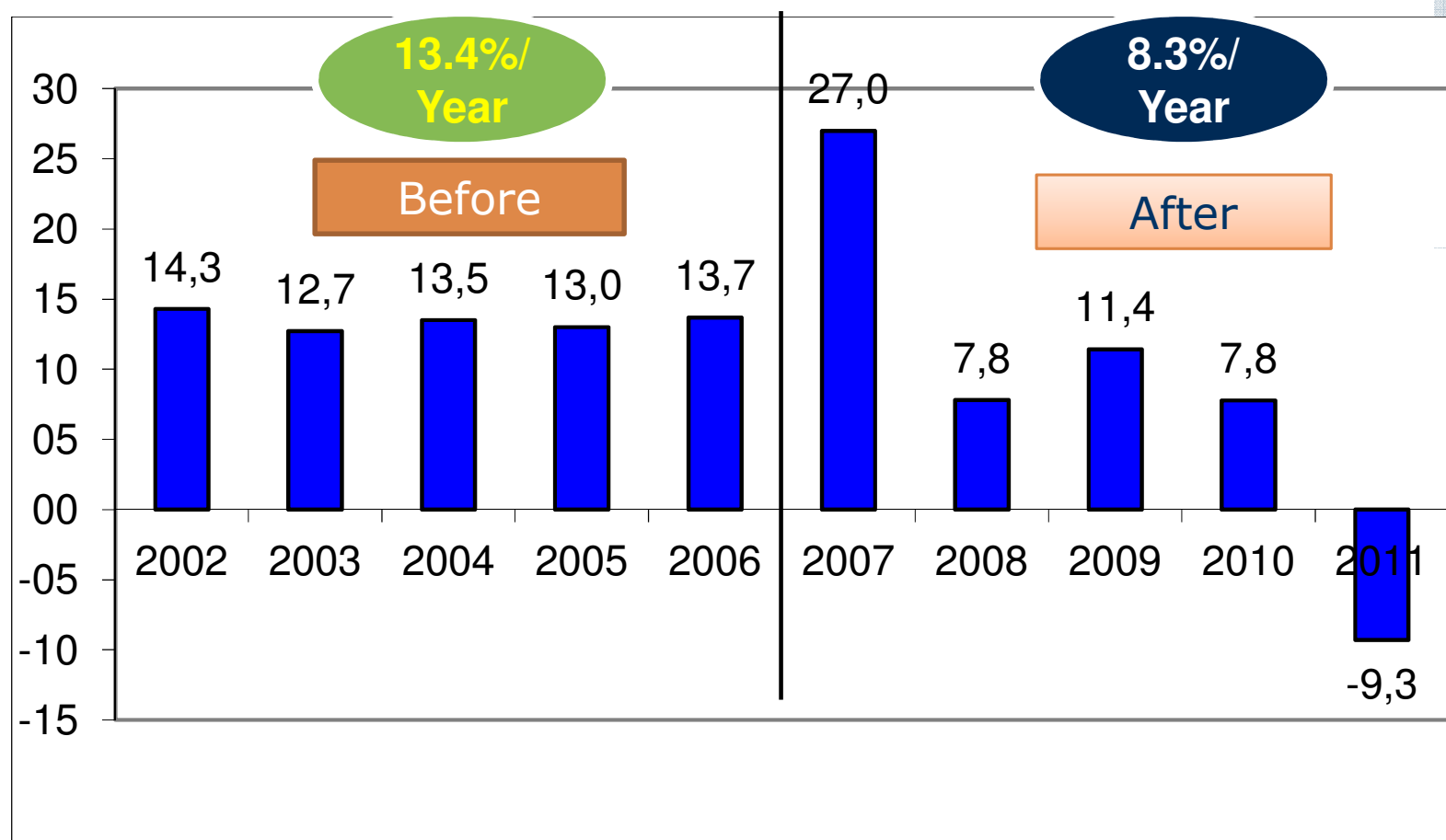
I. IMPLEMENTATION OF THE INTEGRATION COMMITMENTS RELATED TO INVESTMENT

Impact channel of the integration commitments related to investment



II. INVESTMENT SITUATION AND RESULTS IN 5 YEARS AFTER WTO ACCESSION

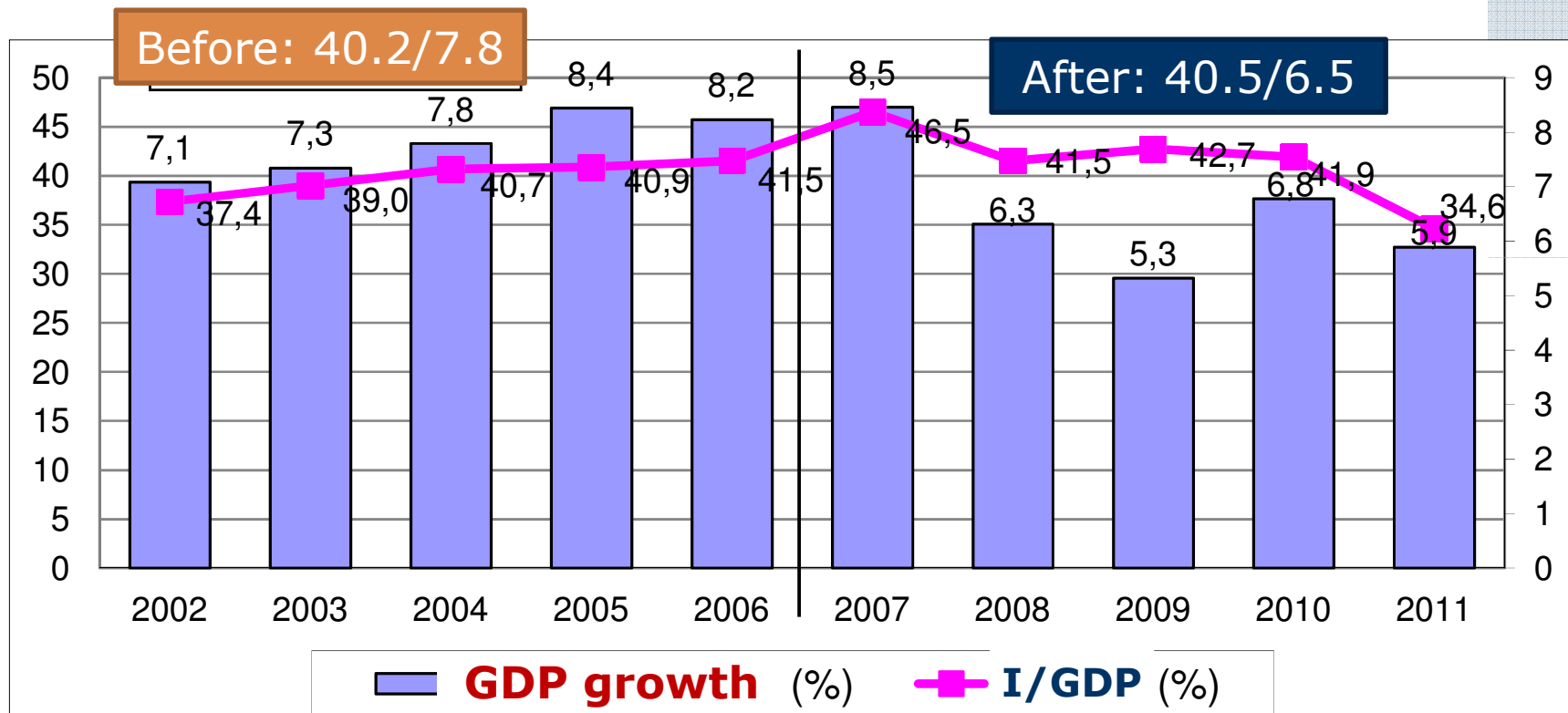
Total investment growth





TOTAL INVESTMENT

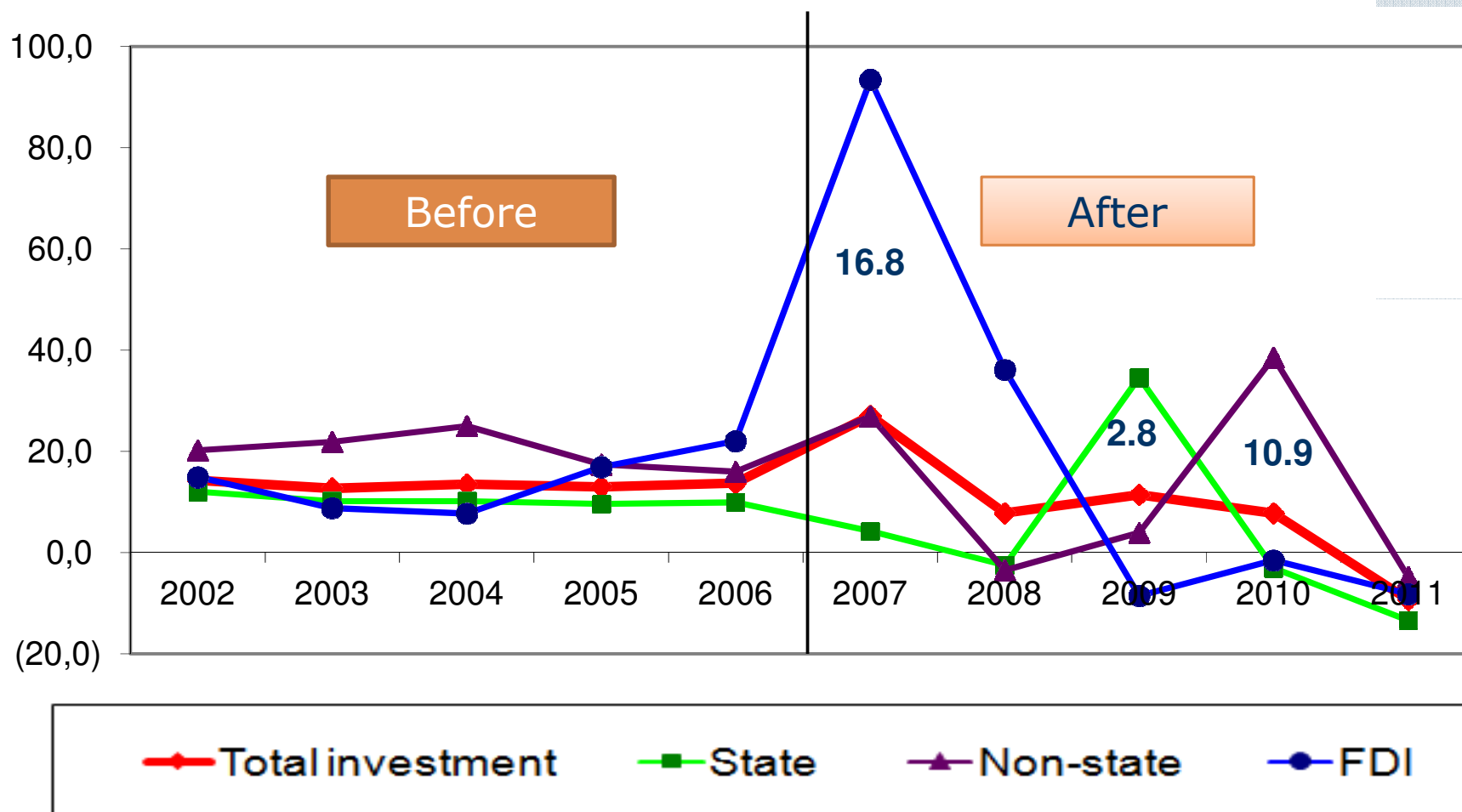
Total investment/GDP and GDP growth





INVESTMENT BY ECONOMIC SECTORS

Investment Growth

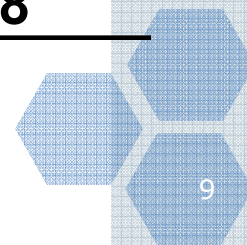




Investment structure

Unit: %

	Năm	State	Non-State	FDI
Before WTO accession	2001	59.8	22.6	17.6
	2002	57.3	25.3	17.4
	2003	52.9	31.1	16.0
	2004	48.1	37.7	14.2
	2005	47.1	38.0	14.9
	2006	45.7	38.1	16.2
After WTO accession	2007	37.2	38.5	24.3
	2008	33.9	35.2	30.9
	2009	40.6	33.9	25.6
	2010	38.1	36.1	25.8
	2011	38.9	35.2	25.8



FDI

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FDI 5 years before and after WTO accession

Indicators	Unit	Before (1)	After (2)	2:1
		2002-2006	2007-2011	
No. of projects	Project	4,367	6,737	1.5
Registered Capital	Mil.USD	29,581	151,685	5.1
Realized Capital	Mil.USD	15,502	51,530	3.3
Realized / Registered	%	52.4	34.0	

However, ***Realized / Registered ratio rose in 3 recent years***: from 16% in 2008 => 43.3% in 2009 => 55.3% in 2010 => 70.4% in 2011.

Annual FDI

Indicators	2006	2007	2008	2009	2010	2011
Registered Capital (Mill, USD)	12,004	21,347	71,726	23,107	19,886	15,618
<i>Growth rate</i>		77.8	236.0	-67.8	-13.9	-21.5
Realized Capital (Mill, USD)	4,100	8,030	11,500	10,000	11,000	11,000
<i>Growth rate</i>		95.9	43.2	-13.0	10.0	0.0

FDI

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Achievement

- Fastest growth in 3 sectors (16.8%/year > 02-06: 13.9%)
- Percentage: 15.6% -> 26.4%
- Contribute 18.6% GDP (02-06: 15.5%)
- Contribute Export, Tax
- Create high technical jobs

Shortcomings

- “Virtual” projects
- FDI declined in 3 recent years
- FDI in difficult areas is low
- Much import, trade instead of production
- Use much land, energy, resources, cause pollution
- Transfer Pricing...

FDI

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REASONS OF SHORTCOMINGS

- ❑ Legal documents are not synchronized
- ❑ The preferential policies are spread and lack appeal; yet encouraging production rather than trade.
- ❑ The decentralization reveals the inadequacies
- ❑ Inspection and supervision is limited
- ❑ Objective causes: global economic recession...

NON-STATE INVESTMENT

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Development of private enterprises

Indicator	Unit	2006	2007	2008	2009	2010	2011	2007-2011
New registered enterprises	1000	46.7	58.2	65.3	84.5	83.6	79.1	370.7 >2 times 99-06 (167)
Total capital	1000 bill. dong	146.3	473.8	569.5	517.0	489.6	496.0	2,545.9

NON-STATE INVESTMENT

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Growth and percentage in total investment

	Year	Growth (1994 price)	Percentage (current price)
Before	2002-06	20.1	35.1
WTO	2002	20.2	25.3
accession	2006	16.0	38.1
After	2007	26.9	38.5
WTO	2008	-3.5	35.2
accession	2009	3.9	33.9
	2010	38.5	36.1
	2011	-4.8	35.2
	2007-11	10.9	35.6

NON-STATE INVESTMENT

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- **Contribute 46.7% GDP (02-06: 46.1%)**
- **2010: 86.1% working labor**

Shortcomings:

- 2008, 2009: >25% non-state enterprises loss
- Vulnerable due to fluctuations in the world and domestic economy
- Competitive pressure from FDI enterprises and SOEs
- Mainly small and medium-sized, with low capital, management and technology

STATE INVESTMENT

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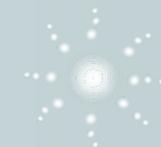
	Year	Growth (1994 Price)	Percentage in total investment (%)
Before WTO accession	2002-06	10.3	49.2
	2002	12.0	57.3
	2006	9.9	45.7
After WTO accession	2007	4.2	37.2
	2008	-2.5	33.9
	2009	34.6	40.6
	2010	-3.0	38.1
	2011	-13.5	38.9
	2007-11	2.8	37.9

STATE INVESTMENT

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- ❑ **Important contribution to the development of socio-economic infrastructure, social security and social welfare**
- ❑ **However, remains some shortcomings:**
 - Investment effectiveness of some projects is low
 - Loss and wasting, slow tempo, spread, beyond the ability to balance
 - Many SOEs have low business results, confused in switching (external sector investment, financial risk...)
- => Investment restructuring, emphasis on public investment**

INVESTMENT BY INDUSTRIES



FDI BY INDUSTRIES

Due to opening service markets, FDI in some service sectors rose sharply after WTO accession:

- Wholesale and retail
- Accommodation and catering services
- Transport, storage
- Real estate business (In first 2 years)
- Health and social assistance
- Arts, entertainment and recreation ...

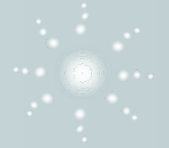
→ Service percentage:

30.7% (88-06) => 46.9% (07-11)

FDI by industries (cont.)

- ***Processing industry, manufacturing:*** grows at 31.6% và 257.8% in first 2 years => 44.3% *total FDI* (highest)
 - ***Mining, electricity, gas, water supply, waste treatment*** rose sharply in a number of years
 - ***Attracting FDI to manufacturing sectors for export*** (due to reduction of import duty in Vietnam and countries importing from Vietnam)
 - ***Initially attracting high-tech sectors:*** electronics, semiconductor, precision... (*Intel, Canon, Samsung...*)
- => **Economic structuring, value chain link, international production networks...**

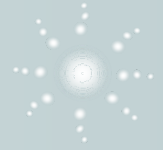
FDI by industries (cont.)



❑ **Shortcomings and undesirable effects:**

- ***Not strongly attract capital in desired areas*** such as high technology, agriculture (***88-06: 6.4% -> 07-11: 0.5%***), science and technology, education and training, infrastructure.
- ***A number of fast-growing areas but cause negative consequences*** such as real estate, mining, low-tech fields, forestry...***<=>*** Much exploited land, natural resources, minerals, energy, environmental pollution, affecting social security and national security.
- ***Spillover effect to Vietnam's industries is low.***

FDI by industries (cont.)



❑ Cause of shortcomings:

- ***Policy is not enough incentive*** to attract FDI into desired industries
- ***Planning, information and forecasts*** are also drawbacks to some extent
- ***Implementation***: coordination, decentralization, monitoring
- ***Lack of necessary conditions***: high quality labour, infrastructure, supporting industries, ...
- ***Due to the world economy***: The adjustment on the orientation and structure of FDI

Total investment by industries

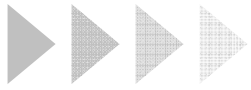
❑ FDI change has a certain impact on the total investment by industries:

- The fast-growing fields: Real estate, finance, banking and insurance, processing industry and manufacturing...

- Services increased by 8.5%/year, while the agriculture 4.4%/year => mainly by FDI and non-agriculture sector

❑ Investment structure shift slowly: Services 50.9 -> 51.6%, industry and construction 41.2 -> 42.2%, agriculture: 7.9 -> 6.2%

❑ Structure is outdated, inefficient => low development quality, unsustainability



INVESTMENT ABROAD



- ❖ 474 DN and ***registered capital of \$ 12.8 bill.***, 3.8 times and ***16.6 times of 5 years before joining the WTO***
- ❖ ***Realized capital: \$2.9/11.4 bill. valid (25,4%)***
- ❖ ***By industries:***
 - (1) Mining (2) Electricity, gas, water, air (3) Agriculture (4) Arts and Entertainment (5) Information and communication (6) processing industry, manufacturing
- ❖ ***Investment in 57 countries and territories***
- ⇒ **WTO accession has certain impact on investment abroad**
- ⇒ **Need to better monitor and manage, improve efficiency**

III. POLICY RECOMMENDATIONS

1. Orientation on development investment

- *Innovating implementation, restructuring investment*
 - Ensure rational, efficient, focal point
 - Renew growth model, develop all potentials, strengths, improve competitiveness
 - Ensure sustainable development
- (Urgent requirement when perform WTO commitments under the roadmap)
- *Reduce state investment, increase other investment*
- *Improve the quality and efficiency of FDI*
- *Ensure effective investment abroad*

2. Key measures, policies

2.1. Improve institutions and policies related to implementation of the integration commitment to effectively mobilize and use capital

- ❖ Issue full and uniform guidelines
- ❖ Amend and supplement Decree 108/2006/ND-CP
- ❖ Review and amend Laws: Investment, business, bidding; drafting: Investment Law, Procurement, medium term investment decree.
- ❖ Revise regulations on decentralization
- ❖ Complete the legal framework for PPP
- ❖ Strongly reform investment, business procedures...

2. Key measures, policies

2.2. Improve the quality of planning, information and forecasts

- ☐ Issue synchronically legal documents of plan, planning,
- ☐ Identify, publish lists of recommended and limit investment sectors; list of FDI attracting projects
- ☐ Strengthen information, forecasting and macroeconomic warning

2. Key measures, policies

2.3. Strengthen coordination, implementation and monitoring of investment

- ❖ Develop mechanisms to strengthen coordination between ministries, localities of investment
- ❖ Improve the quality of project appraisal, decision or certifying investment
- ❖ Strengthen investment promotion, promote disbursement.
- ❖ Publicity and transparency in investment, bidding; dialogue, exposure to investors, businesses
- ❖ Enhance investment inspection, monitoring, management and supervision of the people.

2. Key measures, policies

2.4. Develop factors promoting and improving investment effectiveness

- Ensure macroeconomic stability
- Improve fiscal policy (tax, fee, etc.), credit, land, foreign exchange policy...
- Appropriate policy support
- Develop supporting industry
- Develop labor resources
- Improve infrastructure
- Intensify international cooperation.

**THANK YOU
FOR YOUR ATTENTION!**