



INDO-VIETNAMESE CHAMBER
OF COMMERCE AND INDUSTRY

NEWS LETTER

Vol. 7

No. 3-4

For Members only

January - June 1997

President Writes

Persistent deficit in India's trade with Vietnam seems to have been a matter of the past since 1994-95 when India had a marginal trade surplus of \$ 14 million. Exports from Vietnam to India have practically vanished. During 1996-97, India's exports to Vietnam declined by seven per cent to \$ 116.1 million. India's imports from Vietnam, on the other hand, declined by as much as 89 per cent to \$ 1.7 million during the same period. India, as a result, had a trade surplus of \$114 million with Vietnam (\$ 109 million last year). Interestingly, while two-way trade turnover between India and Vietnam declined to \$ 118 million from \$ 140 million last year, trade surplus increased.

Dramatic fall in exports from Vietnam to India, at a time when Vietnamese global exports are rising, is a matter of serious concern and needs to be rectified at the earliest in the interest of expansion of two-way trade between India and Vietnam. Commodities which could be considered for import from Vietnam include rice, rubber and coffee.

Since the promulgation of its Law on Foreign Investment in late 1987, Vietnam has licensed almost 1,700 projects with a foreign registered capital of \$ 27 billion. Of this, \$ 9.7 billion have been disbursed. Effective February 18, 1997, newly issued Government Decree has made the amended Law on Foreign Investment more investor friendly. Under the new Decree, the investment licence itself could be treated as a business permit. Instead of knocking doors all over again to apply for business permit, licensed investors now will just register themselves with the authorised bodies and start their business (details of the amended Law on Foreign Investment are given elsewhere in this issue).

At a time when the whole world is focusing its attention on Vietnam, Indian investment in various approved projects amounted to just US \$ 12 million. India thus ranked 40th out of 56 investing countries in Vietnam.

Recently one major problem has emerged, adversely affecting the two-way trade between India and Vietnam. In the existing framework, there is no way complaints of Indian parties vis-a-vis their Vietnamese counterparts is heard. IVCCI has strongly recommended to the Indo-Vietnamese Joint Economic Commission, which is scheduled to meet on July 29-30, 1997 in Hanoi, that an arbitration cell be created in the IVCCI in Mumbai, so that complaints of commercial nature are taken up with Vietco Chamber of Commerce & Industry (VCCI) in Hanoi through IVCCI. Setting up of such a cell on the lines of one functioning in VCCI in Hanoi will enable quick disposal of such complaints, which could promote two-way trade / investment between our two countries.

The Vietnamese premier, Vo Van Kiet, visited India in March 1997. At the end of the visit, following three agreements were signed:- (i) trade and economic cooperation; (ii) promotion and protection of investment and (iii) credit agreement and an MoU on cooperation in environment and forests.

An agreement urgently needs to be signed for establishment of direct shipping lines between India and Vietnam. Absence of this facility impedes the two-way trade between our two countries as freight charges from Mumbai to Vietnam are higher (because of transshipment at Singapore) than freight rates from West Europe to Vietnam, although the distance involved is less. It is to be hoped that such an agreement will be signed shortly.

N K Nayar

President

PROCEDURES TO ESTABLISH REPRESENTATIVE OFFICES IN VIETNAM

Can a foreign organization establish a representative office in Vietnam?

Any foreign party which has, or proposes to have, relations with Vietnamese economic and trade organizations may apply to the Ministry of Commerce for a licence to establish a resident representative office in Vietnam in accordance with the Regulations on Representative Offices of Foreign Economic Organizations (Issued by the Council of Ministers, 5 November 1990. Refer p. 143).

Such a licence, if issued, will set out the permitted activities of the office which may include:

- preparing for and implementing investment relationships where the amount involved is large; and
- acting as an agent for its head office in long term trading relationships.

The representative office of a foreign party is not permitted to provide services relating to remittances in foreign currency by overseas Vietnamese, to buy goods and commodities for export or to sell goods imported into Vietnam.

What is the procedure for making an Application for a Licence to establish a representative office?

A foreign party which wishes to apply for a licence to establish a resident representative office in Vietnam must submit an application to the Ministry of Commerce and to the people's committee of the province, city or special zone under central authority (the provincial people's committee), located where the office is intended to be established.

The application must be made in the standard form published by the Ministry of Commerce and must be in both Vietnamese and a widely used foreign language. It must also include the following details:

- name and address of the headquarters of the foreign party;
- the scope of the major activities of the foreign party in its home country;
- the prescribed capital of the foreign party;
- the purpose of establishment of the representative office in Vietnam;
- the proposed scope of activities of the representative office in Vietnam;
- the province or city where the representative office will be established;
- the number of personnel of the representative office, specifying how many are foreigners and how many are Vietnamese citizens;
- the principal assets of the representative office in Vietnam; and
- the signature of the person of highest authority within the foreign party wishing to establish the representative office and seal (if any).

The foreign party should also attach to the application form:

- its charter or equivalent document which proves its legal status;
- certificates from its bank or applicable foreign agency which confirm its prescribed capital; and

- other documents, as required.

The Ministry of Commerce of Vietnam is obliged to notify the foreign party of its decision within sixty (60) days of receipt of the application.

The licence to establish a representative office if issued to the foreign party will specify clearly the purposes, scope of activities and conditions applicable to the representative office.

The licence will be valid for a duration not exceeding three years from the date of its issue. The length of this duration will depend largely upon the scope of activities of the foreign party.

What are the obligations of a representative office?

Upon receiving a licence to establish a representative office in Vietnam, the foreign party must pay a fee of US\$ 5,000.

It must also, within 60 days thereafter, register its activities with, and submit the curricula vitae of the resident representative and foreign employees who are to work at the representative office, to the provincial people's committee at the place where its representative office is located. Within fifteen (15) days of this registration, the provincial people's committee will issue a registration certificate to the representative office, in the standard form issued by the Ministry of Commerce.

VIETNAMESE PREMIER VISITED INDIA

The Vietnamese Premier, Vo Van Kiet, visited India between March 7-9, 1997. Mr. Kiet was accompanied by the Foreign Minister, Trade Minister, Minister for Science, Technology and Environment and many other high ranking officials.

The Vietnamese premier had high-level meetings with the President and Vice President of India and Shri H D Deve Gowda, his Indian counterpart then.

At the end of the visit, three agreements :- (i) trade and economic cooperation; (ii) promotion and protection of investment; and (iii) credit agreement and an MoU on cooperation in environment and forests were signed between India and Vietnam.

Vietnam supports India for permanent membership of the UN Security Council once it is expanded and for India's participation in APEC

and ASEAN. India and Vietnam reiterated their stand to facilitate a favourable atmosphere for the development of comprehensive cooperation between the two countries, to continue to perfect the working modality; to improve the effectiveness of the Joint Commission through joint working groups. India continues to offer its recycled credit line for the purchase of Indian capital goods. A point was made that India increases its exports to Vietnam very fast, but imports very little from Vietnam and that steps are required to support businesses to increase exports from Vietnam to India.

Indian FDI into Vietnam is small but investment via third countries (Indian Overseas Nationals) has started. The Agreement for the promotion and protection of investment will encourage all kinds of Indian investors to invest in Vietnam.

Cooperation in the fields of science, technology, environment, education, training, especially in the fields of agriculture and industry, was highly stressed. The Indian Government was prepared to offer any assistance that Vietnam requests, including in the area of high-tech bio-technology.

At the invitation of the President of the Asian society, the Vietnamese premier delivered a speech at the conference on "Towards Market Economy : Ongoing Reforms in India and Asia". In his speech, he presented Vietnam's experiences in carrying out renovation in Vietnam, stressed the universalisation of reforms and renovation in the Asian developing countries and supported international and regional cooperation (extracts from the speech are published elsewhere in this issue).

India-Vietnam Two-way Trade				(\$ million)
Year	India's Exports to Vietnam	India's Imports from Vietnam	Total Trade	Balance of Trade
1988-89	17.1	8.0	25.1	9.1
1989-90	8.1	141.4	149.5	-133.3
1990-91	17.2	57.7	74.9	-40.5
1991-92	12.9	38.3	51.2	-25.4
1992-93	18.6	66.0	84.6	-47.4
1993-94	27.8	43.8	71.6	-16.0
1994-95	58.0	44.0	102.0	14.0
1995-96	124.4	15.5	139.9	108.9
1996-97	116.1	1.7	117.8	114.4

INDIA AND VIETNAM TO SIGN AGREEMENT ON PROMOTION AND PROTECTION OF FOREIGN DIRECT INVESTMENT : AMBASSADOR CHI VU



H. E. Dr. Nguyen Chi Vu, Vietnamese Ambassador to India, addressing the meeting. Others in the picture (from L to R) are :- Mr Hoang Huu Khuu, Vietnamese Consul-General in Mumbai, Mr N.K Nayal, President, IVCCI; Mr Nguyen The Phie: Vietnamese Consul in Mumbai and Mr Atul Bhagwati, President, IMC

February 17, 1997

A steep decline in exports from Vietnam to India, at a time when exports from India to Vietnam have continued to rise, is a matter of serious concern. All the more so for, during 1996, while Vietnam's global exports have increased by 32%, exports to India have declined (to \$ 1 million). This has resulted in a bulging trade deficit for Vietnam, said H.E. Dr. Nguyen Chi Vu, Vietnamese Ambassador in India, while addressing a meeting of members of Indian Merchants' Chamber and Indo-Vietnamese Chamber of Commerce & Industry (IVCCI). (Extracts from his address are given elsewhere in this issue. Vietnam is a major exporter of rice, rubber and coffee and India should import these commodities from Vietnam, so as to broadly balance two-way trade between our two countries., added His Excellency.

Mr Vo Van Kiet, Prime Minister of Vietnam, will be visiting India early next month and is expected to sign agreements on direct shipping arrangements and protection and promotion of foreign direct investment in Vietnam. Agreement on travel facilities to the citizens of these two countries has already been signed between two countries, but national airlines are yet to make specific arrangements, so as to make it effective. Dr Chi Vu was visiting Mumbai to identify measures which could be taken during the proposed visit of Vietnamese Prime Minister to India, His Excellency pointed out.

Vietnam continues to attract foreign direct investment in that during January 1997 alone, licences worth \$ 600 million were granted. Among major foreign investors are :- Japan, Singapore,

Malaysia, Thailand, etc. Actual inflow of foreign direct investment is about 30% of the total investment approvals. Vietnam has passed a new law on foreign direct investment only last year. Accordingly, the period of approval for foreign direct investment has been reduced from 60 days to 30 days.

Earlier in his welcome address, Mr Atul Bhagwati, President, IMC said that with the lifting of US embargo on the Vietnamese economy in February 1994, aid from multilateral agencies and foreign direct investments from all parts of the world have started flowing in. Yet another important milestone in the economic history of Vietnam is its joining ASEAN since August 1995. As a result, commitments of Foreign Direct Investment to Vietnam have accelerated. As of today, more than

1200 projects have been licensed with foreign capital of US \$ 18 billion from more than 40 countries, added Mr Bhagwati.

In his theme presentation, Mr N K Nayar, President, IVCCI, said that south-east Asian countries are going to be the power house for the world economic growth in the 21st Century, where Vietnam will play a major role.

Though Vietnam has taken steps towards constructing a legal system which responds to the needs of a market economy, investors still face a risky situation, where many rules and enforcement mechanisms have yet to

be defined. Creating a more investor-friendly environment including progress on the civil code and commercial law as well as development of new dispute resolution mechanisms, economic courts and arbitration bodies is urgently required in order to attract investment in expanding labour-intensive industries. In the existing framework, there is no way complaints of Indian parties vis-a-vis their Vietnamese counterparts is heard. Mr Nayar recommended that an Arbitration Cell be created in the Indo-Vietnamese Chamber of Commerce and Industry in Mumbai so that complaints of commercial nature are taken up with Vietco Chamber of Commerce &

Industry (VCCI) in Hanoi through IVCCI. Setting up of such a cell on the lines of one functioning in VCCI in Hanoi will enable quick disposal of such complaints, which could promote two-way trade/investment between our two countries, Mr Nayar added.

Mr Suresh Kotak, Vice-President, IVCCI, while proposing a vote of thanks suggested that as India has placed import of pulses on open general licence, Vietnam should consider export of moong to India to balance the two-way trade between our two countries. Rubber could be yet another item for this purpose.

DOI MOI-ELIMINATING HUMAN AND INCOME POVERTY IN VIETNAM

Viet Nam has approached poverty at two levels, seeking first to understand the phenomenon and then to formulate strategies to overcome it. The centrepiece of the government's socio-economic development strategy since 1986 has been Doi Moi, the reform process aimed at transforming the Vietnamese economy from a centrally planned system to one that is market-based and dynamic.

While Viet Nam has reduced income poverty by an estimated 35% since launching Doi Moi, the incidence remains high, ranging from less than 20% according to a national poverty line to around 50% based on an internationally comparable income poverty line. Income poverty is concentrated among ethnic minorities, who live mostly in the northern uplands and central highlands.

Even with a per capita income of \$200, Viet Nam has made much progress in reducing human poverty. It has achieved a life expectancy of 66 years, an adult literacy rate of 93% and access to health service for 90% of its population. And between 1990 and 1995 it reduced under-five mortality from 55

per 1,000 live births to 46. As measured by the HPI, human poverty in Viet Nam is now 26%.

Much of the remaining poverty in Viet Nam appears to be linked to five broad underlying causes:

- Isolation-geographic, linguistic and social.
- Excessive risks-such as typhoons, floods and illness.
- Lack of access to productive resources, particularly land and credit.
- Unsustainable financial and environmental conditions.
- Inadequate participation of the people in planning and implementing development programmes.

A major aim of Doi Moi has been to create an enabling environment based on growth, stability and equity to ensure that poor people can better help themselves and that poverty reduction is sustainable. This broad-based strategy has been quite successful, in part because, besides creating an enabling environment for poor people, it has emphasized a supportive environment for the non-poor and some

social assistance for those who may not rise on the tide of development.

In rural areas Viet Nam has taken significant steps in land reform. Between 1992 and 1995 the number of borrowers from the Viet Nam Bank of Agriculture increased almost sevenfold from 900,000 to 7 million. And construction of rural infrastructure through local initiatives has been initiated to reduce isolation and the risks of poverty.

An important future challenge is to further develop the enabling environment of growth, stability and equity while working to ensure that poor people can participate in that environment by strengthening the economy, incentives, institutions, organizations, families and human resources.

The government aims to eliminate chronic hunger by 1999, to eradicate income poverty by 2010 and, ultimately, to catch up with its more prosperous neighbours in East Asia.

Source :

UNDP, Human Development Report, 1997

ADDRESS* BY H. E. MR. NGUYEN CHI VU, VIETNAMESE AMBASSADOR TO INDIA ON 17TH FEBRUARY 1997 AT IVCCI.

As regards the bilateral relations, the past two years have seen a steady political development. Vietnam supported India to become a full dialogue partner of ASEAN and the latter's participation at ARF. Vietnam also cast its vote to support India in its candidature for a non-permanent seat at the UN Security Council in 1996. Vietnamese Prime Minister Vo Van Kiet is making a visit to India shortly, thus laying down another landmark to cement further the already close and time - tested relationship between the two countries. During the visit, some agreements will be signed to create more favourable legal environment for the cooperation between our two countries.

As you are aware that since the visit of then Indian Prime Minister P.V. Narasimha Rao to Vietnam, new agreements and MOUs have been signed on two occasions and therefore scope and range of cooperation have been expanded and diversified and that agreements on trade, promotion and protection of investment and shipping, to be signed at the forthcoming visit of our Prime Minister, will constitute another opportunity to broaden further the legal framework.

The Government of India signed with the Government of Vietnam in 1996 an agreement on the recycling of debt repayment into a new credit line. So far, contracts on the utilisation of this credit line have been finalised, thus making possible for the increase of import of Indian goods to Vietnam. Since

1988, the year that the law on foreign investment was promulgated, until November 1996, the value of Indian investment in various approved projects has totalled US\$ 12 million and India ranked 40th out of 56 investing countries in Vietnam. Vietnam highly appreciates Indian technology, training quality at various educational institutions and has utilised to the optimum extent the number of scholarships provided by Government of India to Vietnam.

The two sides have given impetus to the cooperation in the agriculture sector considering it as the efficient and fruitful sector of cooperation. Vietnam received in 1996 many hybrid seeds from India and handed over five thousand one - day old meat giving ducklings to India. The Agriculture Work Plan for 1996-1997 has been signed. In the course of the past two years, on our respective Fiftieth Anniversary of Independence, India organised "Vietnam Culture Days" in India and Vietnam organised "India Culture Days" in Vietnam. Such organisation went off well and left behind vivid impressions. With a view to improving the efficacy and effectiveness of the cooperation between our two countries, the Meetings of the Joint Working Groups of the Joint Commissions were held in New Delhi in January 1997 to review the implementation of the previous agreements and prepare the groundwork for the forthcoming Joint Commission Meetings to be held in Hanoi in July 1997.

As far as Vietnam's economy is concerned, we continue to implement and improve the reform policies, opening further towards the export orientation, subsequently integrating our economy with other economies in the region and the world over. For the period 1996-2000, the economic growth is targeted at 9 to 10 percent annually. The growth was 9.5 pc in 1996 and it is likely to be of 9 to 10 pc in 1997.

Export increase is projected at 28 pc per annum for the period of 1996-2000 with the total export value of US \$ 58 billion and the year 2000 alone export value is targeted at US\$ 22 billion. The export value in 1996 was US\$ 7 billion, an increase of 32 pc and it is expected that export value will be US\$ 8.5 billion in 1997. Major export commodities consist of crude oil, rice, rubber, coffee, ready made garments, footwear, aquatics etc... There will be a reduction in export of agricultural products and primary materials and an increase in export of processed products. Agricultural products accounted for 43 pc of the total export, light industry 30 pc, heavy industry 25 pc. In 1997, that order will be 40 pc, 35 pc, 25 pc and in the year 2000 the highly processed products will account for 52.5 pc of export, materials and agricultural primary products 30 pc and service 17.5 pc. Total export will be valued at 40 to 50 pc of GDP and export per capita will be US\$ 200 by the year 2000.

*Extracts

The indigenous products will be considerably substituted for imports especially with regard to the raw and primary materials. In 1997 the import of cement has to be reduced as the cement production in the past three years has increased to the capacity of 8 million tonnes, out of the consumption requirement of 10 million tonnes. By the year 2000, cement production will be 20 million tonnes. Thus, instead of being imported, cement can be exported. In the steel sector, in 1997 consumption stands at 1.4 to 1.5 million tonnes, the production increases by 50 pc as compared with the previous year, therefore import stands at 0.4 to 0.5 million tonnes. By 2000, the domestic production will be 2 million tonnes while the consumption requirement will be 2.1 million tonnes. There is a big import demand for fertilisers being at 1.4 to 1.5 million tonnes. Vietnam is in the process of building the offshore to the mainland gas pipelines for the production of fertilisers and power generation. In 1997, 60 million cubic metres of gas will be produced for power generation and preparation is underway for the production of fertilizers. By the year 2000, Vietnam will produce 16 million tonnes of oil and 4 million tonnes of oil equivalent from gas.

For sustaining the growth rate at 9 to 10 pc of GDP it is required that Vietnam invests an average of 30 pc of GDP. The total investment in the five year period 1996-2000 will be US\$ 40 to 42 billion of which foreign investment and ODA will account for 40 to 50 pc. Foreign Investment in Vietnam continues to increase. There was an

increase of 14.3 pc in 1996 as compared with 1995, being US\$ 8 billion and the actual realized investment increased by 25 pc being US\$ 2.5 billion. Out of the total amount of registered investment of US\$ 23.6 billion so far the actual realized amount accounted for 30 pc. Upto December 1996, leading investing countries are Singapore, Taiwan, Hong Kong, South Korea, Japan, British Virginia, Malaysia, USA.

There are several changes in the external economic policies such as the change in the import-export structure (related to products, markets), integration of Vietnam's economy with those in the region and the world, participation at ASEAN members. Vietnam is preparing to lower the import tariff, eliminate the unnecessary free-duty restrictions so that by 2003, it will be able to implement the AFTA along with other ASEAN members. ASEAN investment in Vietnam accounted for one third of total registered investment capital upto December 1996. Of which, Singapore's share is US\$5 billion, Malaysia \$ 1.1 billion and Thailand \$ 735 Million.

In October 1996 Vietnam's National Assembly passed a revised Law on Foreign Investment aimed at attracting more foreign investment. The contents of revision are focused on :

Firstly: Elaboration of the incentive policies with regard to the sectors, occupations, localities : Those areas and sectors prioritised to receive investment capital, encompass goods production for export, agricultural forestry, aquatic produce, cultivation

and processing industry, those applying high technology level and modern techniques, those engaged, In ecological, environmental protection, those intensively utilizing domestic raw materials and effectively tapping the country's natural resources, construction of infrastructure and important industrial production units and investment in mountainous and remote areas and those having difficult socio-economic conditions.

Sectors and localities are made known where investment is prohibited; to reduce and exempt profit tax for the prioritized projects at 3 levels of 10pc, 15 pc, 20 pc within 8 years starting from the first profitable year to reduce profit tax in case of transfer of primary shares in the joint venture and to be exempted totally in case of transfer of primary shares to Vietnam partners, to be exempted from paying import duty in case of import of capital goods for the joint venture. As far as capital contribution is concerned, foreign partners may contribute in Vietnamese, currency of reinvest the proceeds in the existing or new joint ventures. For the projects in the infrastructure sector, they are entitled to loans in foreign currencies from Vietnam banks to balance the expenditure receipt ratio.

Secondly : to reduce the period of project appraisal from 60 days to 30 days.

Thirdly The Prime Minister empowers chairmen of Provinces and Central administered Cities to give approval to joint ventures of certain types.

NEW INVESTMENT LAW MADE MORE FRIENDLY

According to MR. Nguyen Nhac, deputy minister of Planning and Investment, a newly-issued Government decree has made the amended Law on Foreign Investment much more easily applicable, doing away with most of the trouble some procedures which have been targets of complaints by investors.

The new decree, Mr. Nhac said in a press conference in Hanoi on February 20, has significantly simplified such procedures as land assignment, site clearing, design evaluation, licensing of construction permits, importing and exporting and business operations.

Decree No. 12-CP, which was signed into effect by Prime Minister VO VAN KIET on February 18, gives detailed provisions for the implementation of the Law on Foreign Investment amended by the National Assembly last November.

Experts say its most prominent feature is the shift in the investment-licensing mechanism from an "apply-grant" basis to judging all applicants by publicised standards.

The licensing process is now strictly "one-door", which means that investors do not have to address more than one authority to get their licences. The functions of the concerned authorities and the work co-ordination among them are more clearly defined.

Faster and more convenient procedures

The problems related to land assignment and site clearing have been the leading reason for delays in the implementation of investment projects.

But, with Decree 12-CP, the Government now assigns the task of site clearing to all provincial governments where foreign-invested ventures are to be located and to Vietnamese enterprises which contribute to the joint ventures in terms of the value of their land-use right.

The land rent is now set to remain fixed for at least five years and any change to it is not to increase it by more than 15 per cent.

Under the new decree, the investment licence is at the same time the business permit. Instead of "knocking doors" all over again to apply for their business permits, licensed investors now will just register themselves with the authorised bodies and start their businesses.

Licensed investors also do not have to seek endorsement from the Minister of Planning and Investment (MPI) each time they wish to make a duty-free batch import of what is specified in their licences.

The Ministry of Trade will now base itself on the specifications in the investors' licences to determine the

authorised duty-free imports. This determination is not to exceed 15 days.

The new decree also allows foreign-invested enterprises to open bank accounts at foreign banks if such is requested by their lending banks and agreed upon by the State Bank of Vietnam. Formerly, these enterprises were allowed to open an account only for their borrowed capital in a foreign bank.

Low Profits Tax

A more attractive provision in the new decree is the lower profits tax on investors. Foreign-invested joint ventures will now enjoy a profits tax of only 20 per cent if they satisfy one of the following criteria:

- Exporting 50 per cent or more of their products;
- Employing 500 or more labourers;
- Employing advanced technology;
- Making R. & D investment;
- Operating in cultivating and processing agricultural, forest or aquatic products;
- Utilising a substantial amount of materials and supplies available in Vietnam, efficiently processing and tapping Vietnam's natural resources, and having a high local content in their products.

This profits tax rate of 20 per cent is to be applied for a period of 10 years from the time when the project

commences production or business activities, the decree says. Those which satisfy two of the above criteria will have their profits tax reduced to 15 per cent.

- The 15 per cent profit tax rate is also applied to projects which satisfy one of the following criteria
- Building infrastructure projects;
- Exporting 80 per cent or more of their products;
- Operating in the fields of metallurgy, basic chemicals, machinery manufacturing, petrochemicals, fertilisers and the manufacturing of electronic components, automobiles and motorcycle spare parts;
- Cultivating perennial industrial crops;
- Investing in regions facing difficulties;

This 15 per cent tax rate is to be applied for a period of 12 years from

the time when the project commences production or business activities.

The lowest profits tax rate is 10 per cent, applied to projects in infrastructure construction operating in regions with difficult natural, economic and social conditions, or in mountainous or remote regions, and those projects in which investment has special Government encouragement. This tax rate is to be applied for a period of 15 years from the time the project commences its production or business activities.

For BOT, BTO and BT projects, the above-said tax treatments will be applied for the duration of their implementation.

However, the period for tax reduction and exemption is provided

only on a temporary basis in the decree. It ranges from two to eight years, depending on the investment priority for each project.

Delegation of licensing authority

The new decree, which is to take effect as from March 1, also provides grounds for relief to foreign investors as well as localities across the country who have long wished to get the licensing process much quicker and closer to the base of operation.

Vietnam has, since the promulgation of its Law on Foreign Investment in late 1987, licensed almost 1,700 projects with a total registered capital of over 27 billion USD, of which over 9.7 billion USD have been disbursed.

Vietnam to Export 2.5 million tonnes of rice in '97

The Prime Minister has decided that this year Vietnam will export 2.5 million tonnes of rice, all between March and September. About 150,000 tonnes will be used as a bonus for efficient exporters.

In September, the Ministry of Agriculture and Rural Development and Ministry of Finance will review the rice production and export situation and recommend to the Prime Minister a quota for rice export for the remaining months of the year.

The number of exporters licensed to handle direct export of rice may be increased if the situation dictates. For provinces which are already producing more than 1 million tonne of rice a year, the Ministry of Trade and other concerned agencies may consider licensing one more exporting enterprise for direct rice dealing if such a licensing is required and if the enterprise is capable of doing it, the Prime Minister decided.

46 Years of Dedicated Service to the Nation

THE INDIA THERMIT CORPORATION LIMITED

**A COMPANY HAVING QUALITY SYSTEMS
CERTIFIED AS PER**

ISO : 9002 : 94

for the manufacture of Alumino-Thermic portions
and pre-fabricated moulds used for rail welding.

SPECIALISTS IN

- ❑ THERMIT RAIL WELDING : For ECONOMY, High Speed and noiseless travel on Railway track prolonging life of rails and rolling stock and saving in fuel.
(Winner of Certificate of Export Excellence for the period 1978-79)
- ❑ SKV RAIL JOINTS : For quick welding with short preheat, reducing blocking time.
- ❑ INSULATED GLUED RAIL JOINTS : For effective insulation of track for signalling purposes.
- ❑ THERMIT REPAIR WELDING : Broken heavy machinery parts like Steel Mill Rolls, Sugar Mill Rolls, Pinions, Axles, etc. reclaimed and given a fresh lease of life.
- ❑ THERMIT BEARING METAL : Lead - base bearing metal with highly Superior anti-frictional properties.
(National Award Winner) 1975
- ❑ ORGO V 738 and TEGOTENAX V 841 BEARING METALS. : Tin - base bearing metal with exceptional fatigue resistant and corrosion resistant properties.
- ❑ LINING OF BEARINGS : Exceptionally sound bearing linings produced by our specially developed Centrifugal process.
- ❑ FERRO - ALLOYS : Low-Carbon Ferro-Chrome, Ferro-Titanium,
Ferro-Boron, Ferro-Molybdenum, Ferro-Vanadium, Ferro-Manganese, Ferro-Tungston and Chromium Metal, etc.

84/22, FAZALGANJ, KANPUR-208012 (U.P.)

Telephone : 215161 (4 Lines)
Telex : 0325-331 (ITCL IN)

Gram : 'THERMIT'
Fax : (91) - 512-216423

TOWARDS MARKET ECONOMY : ONGOING REFORMS IN INDIA AND ASIA : VO VAN KIET*

At this meeting, let me share with you some experience Vietnam has learnt from its diverse practice of renewal for the last ten years.

In early 80's right after the country got out of many decades of fierce wars against foreign aggression, we were faced with fatal challenges : declining production rocketing inflation rate of 700% in 1986, difficult people's life, the state of economic blockage and political isolation of the country. In addition, changes in the world situation in late 80's did have a great influence on us.

Under such circumstances, the Communist Party of Vietnam summed up public initiatives and reviewed experiment of the State for previous years and finally worked out the policy of renewal in 1986. From the very beginning, the Renewal was warmly welcomed by the entire people and quickly brought about obvious results : in 1989, inflation was curbed; Vietnam's economy was at the dawn of growth. During the 1991-1995 period, the average annual GDP growth was 8.2% and the 1995 figure reached 9.5%. The inflation rate went down to 4% in 1996. Vietnam has destroyed its blockage and broadened its relationship with countries on all the continents in the

world. The average annual increase of export was 20%. Vietnam is becoming an interesting market; the average increase of FDI goes up by more than 30% annually, bringing up the total ODA value to more than US \$ 8 billion.

According to the assessment by the VIIIth National Congress of the Communist Party of Vietnam, due to the achievements of the first 10 years of renewal, the country has got off its socio-economic crises, moving to the new development stage - modernization of the country. The Congress also confirmed to continue the Renewal, develop the multi-component economy, broaden external economic relations, encourage foreign investment and actively take part in the process of regionalisation and globalisation.

So, what has helped us overcome difficulties and enter the new stage of development?

President Ho Chi Minh always said : "Without the help from people, the most easy task is never fulfilled, but with their help the most difficult task is done". His saying fully reflects not only an Oriental philosophy - "the people are the root" - but also our principal - "The State is of the people, by the people and for the people. Our experience for rages shows that thanks to the best use of the strength of people, we have overcome fatal challenges and preserved our national independence.

As an agricultural country, we started the renewal right in agriculture in the direction of keeping the close linkage between each household and rural land, giving farmers the right to use cultivation land and opportunities for free exchanges of agricultural products in the market. After only a few years of the implementation of the renewal policy, Vietnam has shifted from a country of food shortage to a rice exporter as it was before the World War II despite the fact that its population quadrupled during the same period.

The bureaucratic and based-on-subsidy mechanism has gradually been removed. The market-driven multi-component economy with the State management is being formed and completed. The role of management by the State has been re-defined and separated from production and business activities, thus creating a legal environment for the exploitation by enterprises of their autonomy in production and business activities, the enhancement of competitiveness and the protection of consumers' interests.

In the time to come, we will continue elements of the market economy to complete and perfect the legal environment conducive for the development of all economic sectors. The new mechanism has indicated its vitality although much need to be done for its completion. Particularly, we need to double our efforts to address newly

*Speech delivered by the Vietnamese Premier at the conference "toward market economy : On-going reforms in India and Asia", New Delhi, 8th March 1997

emerged problems such as income disparity among different walks of life and different regions, to meet new demands of the social and cultural life and of the environmental protection.

In the cause of renewal, we always set the motto of political and social stability as the prerequisite for the economic reform which, in return, need to help secure the political and social stability.

The accomplishments of Vietnam over the past few years have indicated the correctness of that policy. At present, along with the endeavour of economic restructuring, we are to intensify the administrative reform for the benefit of a higher level of development of the country. The practical experience in Vietnam shows that the process of administrative reform boasts in itself some distinct difficulty and complexity from the economic reform and therefore needs to be conducted without any interruption.

We are fully aware that since there exists no single optimal model of reform and development to all countries we cannot duplicate in rigid manner any given model even if it was successfully tested in other countries. It is not our policy to design a separate model for Vietnam itself. In the process of renovation policy making and implementation, we very seriously study and learn experiences of other countries across the world, especially the Asian countries who have a great deal in common with Vietnam and subsequently

apply them in a flexible manner in the specific conditions of Vietnam. We have been enjoying cooperation, support and assistance from many countries and international organisations. From his forum, I would like to express the sincere gratitude of the people and Government of Vietnam to them for these valuable cooperation, support and assistance.

We also understand that the support and encouragement of the international community to Vietnam are at the same time manifested through the broadening of its cooperative relations with us. Today, Vietnam becomes a partner of over 100 countries and is actively involved in the process of economic integration in the region and the world at large. Together with the full participation in the programme to establish the ASEAN Free Trade Area (AFTA), Vietnam is actively preparing for and wishes to early join the Asia-Pacific Economic Cooperation (APEC) Forum and the World Trade Organisation (WTO).

Also on this occasion, I would like, on behalf of the people and Government of the Socialist Republic of Vietnam, to confirm Vietnam's policy in striving to make active contribution to the process of further strengthening the all-sided cooperation between states within Asia and between Asia and other continents in the interest of each country and prosperity of Asia and that of peace and development in the world.

On the path of striving to become an industrialized country by the year

2020, Vietnam is still confronting many great difficulties and challenges. We will strongly push ahead our reform, maintain the growth rate, pay due attention to the balance between economic growth and social and environmental issues and continue to encourage and facilitate foreign investors in discovering and exploiting the opportunities to do business in Vietnam. The Vietnamese people, encouraged by the achievements of the 10-years renewal, are strongly confident that the course of industrialization will successfully be realized, building a Vietnam of wealthy people, strong country and just, democratic and civilized society.

During the visit to India this time, we have the opportunity to express our admiration to the country that had brought into life one of the most brilliant civilization of mankind and to further understand the latest reform that has been conducted by India for years.

Today, the Indian people have set a bright example to the Vietnamese people on the way of industrialization and pushing forward the reform for development. The Indian people could be proud of the new achievements recorded in the decade of the 90s. The Vietnamese people share with the Indian people the joys at the achievement as well as the concern over the new challenges on the road of development. The experience of the reform in India is extremely valuable for Vietnam, encouraging the latter to further speed up the course of renewal.

INVESTORS' CORNER

Projects calling for foreign direct investment

A. Transportation

1. Ho Chi Minh City-Vung Tau Highway :
Estimated capital : 314 million USD.
Technical specification : 59 km, 28-30m width, 8-lane ground, 4-lane surface.
Location : From the Saigon Bridge to Vung Tau
2. South Thang Long-Hung Vuong Highway :
Estimated capital : 100 million USD
Form : BOT.
Technical specification : 6,7 km, 60m width.
Location : Hanoi
3. Thi Vai Port :
Estimated capital : 104 million USD.
Technical specification : 35-40 ha.
Capacity : 1.5 million approved tonnage.
Form : BOT.
Location : Cai Mep, Vung Tau area.
4. Aircraft Maintenance Centre :
Estimated capital : 20 million USD
Technical specification : Repair and maintenance of Airbus, Boeing and ATR 72 aircraft.
Location : Ho Chi Minh City.

B. Telecommunication

5. Transmission Network :
Estimated capital : 400 million USD.
Technical specification : Digital micro wave, optical transmission, North South sea optical cable; SHD transmit technology
Location : Intra-provincial and international links.
6. Rural Telecommunication Network :
Estimated capital : 100 million USD.
Technical specification : Digital system equipment; final subscribers.
Location : Districts and communes not yet reached by telephone lines.
7. Telecommunication equipment assembling and manufacture :
Estimated capital : 50 million USD
Technical specification : Mobilephone switchboard equipment, station, final standard outlet.
Location : Hanoi and Ho Chi Minh City.

C. Fuel & Energy

8. South Con Son gas pipeline, gas processing plant, LPG plant.
Estimated capital : 1 billion USD.
Technical specification : 400 km of gas pipeline; 3-4 billion m³ in capacity, supplying to gas turbine, urea fertilizer production.
Location : South.
9. Oil refinery plant No. 2 .
Estimated capital : 2 billion USD.
Technical specification : Gas supplying to the industrial zone capacity of 6-7 million tons/year.
Location : Central or North (deep sea port).
10. Oil services :
Estimated capital : 1 billion USD.
Technical specification : Construction of port, assembling and repair of oil rig equipment, development of fleet.
Location : South

11. Ba Ria No. II thermo electric power station :
 Estimated capital : 300 million USD.
 Capacity : 320 MW.
 Form : BOT.
 Location : Ba Ria town.

12. Quang Ninh thermo electric power station :
 Estimated capital : 1.2 billion USD.
 Capacity : 1,200 MW.
 Form : BOT.
 Location : Quang Ninh.

D. Engineering, Electrics and Electronics

13. An equipment and accessories manufacturing plant for building materials production :
 Estimated capital : 30 million USD.
 Capacity : 30,000 tons/year.
 Location : Haiphong city

14. Handy construction tools-manufacturing plant :
 Estimated capital : 5 million USD.
 Capacity : 2,000 tons/year.
 Location : Hanoi city

15. Ship building and repairing :
 Estimated capital : 60 million USD.
 Capacity : Lifting equipment of 10,000 DWT, 5,000 DWT, 30,000 DWT.
 Location : Haiphong, Quang Ninh and Khanh Hoa provinces.

16. Transformer production of electric :
 Estimated capital : 6.2 million USD.
 Capacity : 2,000 KVA.
 Location : Quang Ninh province.

17. Produce IC chips
 Estimated capital : 60 million USD.
 Capacity : 1 million items/year.
 Location : Hanoi and HCM City.

18. IC & optical electronic component factory :
 Estimated capital : 80 million USD.
 Capacity : 500 million items/year.
 Location : Hanoi.

Import-Export Plan in The Second Quarter Of 1997

Export :

Key export items in the second quarter will include :

Rubber	:	30,000 tonnes
Tea	:	5,000 tonnes
Rice	:	850,000 - 900,000 tonnes
Footwear	:	US\$200 million
Coal	:	850,000 tonnes
Coffee	:	30,000 tonnes
Groundnut	:	50,000 tonnes
Seafood	:	US\$200 million
Crude Oil	:	US\$2.5 million
Electronics	:	US\$30 million

Import :

Estimated import volume of several items :

Cement	:	100,000 tonnes
Petroleum	:	1.5 million tonnes
Urea fertilizer	:	350,000 tonnes
Motorbike	:	80,000 units
Steel & Iron	:	300,000 tonnes (including semi-processed steel)
Clinker	:	100,000 tonnes
Automobiles	:	800 units (less than 12 seat one)

SINGAPORE BECOMES VIETNAM'S BIGGEST FOREIGN INVESTOR

Singapore has replaced Taiwan as the biggest foreign investor in Vietnam.

This is based on the calculation of January investment figures when thirty-four more foreign investment projects involving more than 596.55 million USD were licensed to operate.

Singapore now has 150 projects valued at more than 5 billion USD compared to 258 projects and 3.8 billion USD of Taiwan; 178 projects and over 2.46 billion USD of South Korea and 162 projects and over 2.35 billion USD of Japan.

The Ministry of Planning and Investment (MPI) said that of the 34 licensed projects in January, 29 concerned oil and gas, industry, infrastructure and housing development.

The remaining five projects were in hotel building, service, culture and health care.

HCM City remained the biggest location of foreign investment projects.

It has received up to 492 projects with a pledged investment of 7.77 billion USD. Next came Hanoi where 259 projects were licensed involving 6.58

billion USD, followed by Dong Nai province, north of HCM City, with over 3.18 billion USD invested in 183 projects.

The fourth place went to Ba Ria Vung Tau, southeast of HCM City, with over 1.47 billion USD invested in 55 projects, i.e. only just 355 million USD and four projects bigger than Haiphong.

Up to 170,000 jobs have been generated for Vietnamese workers in these joint ventures while several hundred thousand other jobs have been created for part-time workers, the MPI said.

ADVERTISEMENT TARIFFS FOR IVCCI NEWS LETTER

Quarter Page	8 cm x 12 cm	Rs. 1,000/-
Half Page	16 cm x 12 cm or 8 cm x 24 cm	Rs. 2,000/-
Full Page	16 cm x 24 cm	Rs. 4,000/-
Back Cover		
Quarter Page	8 cm x 12 cm	Rs. 1,500/-
Half Page	16 cm x 12 cm or 8 cm x 24 cm	Rs. 3,000/-
Full Page	16 cm x 24 cm	Rs. 6,000/-

Contact : Executive Secretary, Indo-Vietnamese
Chamber of Commerce & Industry
C/o. Indian Merchants' Chamber, IMC Marg,
Churchgate, Mumbai - 400 020. Tel. : 204 66 33, Fax : 204 8508
E-Mail : imc@IMCnet.org
Web address : <http://www.IMCnet.org>

SURE, SHE'LL COME ACROSS
POVERTY, EPIDEMICS AND POWER CUTS.
IN HISTORY BOOKS.



The India she will grow up in is very different from the India her parents have seen. Her India is one of the world's fastest growing economies, with a booming middle-class population. Her India is a country rid of killer diseases of the past. And her India is fast-emerging as an industrial superpower.

This turnaround has been possible because of tremendous progress in various sectors. And it's in three of them—healthcare, energy and finance—that the Torrent Group is making its presence felt.

By the turn of the century, the Group's asset base and turnover will cross Rs. 10,000 crore. In the process, helping build the great Indian tomorrow for her.

The companies in the Group include:

Torrent Pharmaceuticals Limited, our flagship company, is one of the top ten pharma companies in India. Torrent is one of the largest exporters of medical formula-

tions from India, having registered 668 products in 33 countries. Torrent exports under its own brand name with over 70 marketing personnel posted abroad.

Torrent Gujarat Biotech Limited, an associate sector project by Torrent and GIC, has commissioned a Rs. 210 crore plant to manufacture Penicillin and derivatives (the largest plant of its kind in Asia).

Gujarat Torrent Energy Corporation Limited, in collaboration with GPCL, Siemens AG of Germany and PowerGen PLC of UK, is setting up one of India's largest private sector power plants. The Rs. 2455 crore environment-friendly plant will generate 655 MW of power.

Torrent Cables Limited, the fastest growing company in its field which has crossed a turnover of Rs. 100 crore.

Gujarat Lease Financing Limited, one of the five largest non banking finance companies in India, has an asset base of Rs. 1100 crore.



Healthcare • Energy • Finance

THE GREAT INDIAN TOMORROW

Torrent House, Off Ashram Road, Ahmedabad-380 009. Tel: 658 5090 Fax: 658 2100

Editorial Board - Shri Ranjan Bhatnagar, Shri P. N. Mogre, Shri Jitendra Sanghvi,
Edited & Published by Shri Jitendra Sanghvi for INdo-Vietnamese Chamber of Commerce & Industry
C/o. Indian Merchants' Chamber, IMC Marg, Churchgate, Mumbai - 400 020, &
Printed by him at Zenith Printers, Lower Parel, Mumbai - 400 013. Tel. : 497 23 15, 497 23 16