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Vietnam eyes 8% annual growth for next five years

By Amy Kazmin in Hanoi

Vietnam's Communist rulers are aiming for economy growth of between 7.5 per cent and 8 per cent annually for the next five years, which would raise GDP per capita to $1,100 by 2010, up from the current level of $640.

In a media briefing on the sidelines of the Communist Party's Congress, Tran Dinh Khien, deputy minister for planning and investment, said Hanoi was seeking to mobilise both domestic and overseas investment to transform Vietnam into a "primarily industrialised country" by 2020.

Vietnam's economy has been growing at an average of 7.5 per cent a year for the past five years, spurred by rapid increases in export-oriented manufacturing and an increasingly vibrant domestic economy.

But members of the foreign community have warned that Vietnam's new investment law, due to take effect on July 1, may inadvertently hinder growth by making it harder for Vietnamese entrepreneurs to make large-scale investments and adding to authorities' discretionary power over foreign investment plans.

"It's a deterrent," a foreign lawyer said of the new law. "You have more bureaucracy, more corruption, and the problems that go along with it."

Until now, Vietnamese entrepreneurs have been able to set up legal companies through a simple registration process at local government offices, while foreign investors were subject to more arduous and discretionary processes to gain project clearance.

But in response to foreign investor demands for a "level playing field" between local and foreign companies, Hanoi has adopted a unified investment law that expands its control over Vietnamese-owned companies.

The additional bureaucratic hurdles for Vietnamese companies include a requirement that they gain permission from the Ministry of Planning and Investment for any investment project valued over $18m. Legal analysts say this additional discretionary power widens the opportunities for corruption.

Mr Khien admitted that high-level corruption -- recently illustrated by the embezzlement of millions of dollars of World Bank aid money for infrastructure development -- was a "painful phenomenon".

But he said he did not expect the unfolding corruption scandal to deter future foreign aid or investment.

“We have a strong resolve to combat corruption that would lead to a better investment environment,” he said.

Mr Khien also said he did not think there would be “more difficulties” as a result of the new investment law, which was heavily modified after the foreign business community objected to earlier drafts that would have imposed greater restrictions on them.

Foreign lawyers said they are still awaiting the new laws’ crucial “implementing regulations”, details that will determine the investment climate. Approvals for fresh investment have all but ground to a halt as bureaucrats await the new guidelines.

“What we don’t really know is how many sectors are they going to tie up as restricted, conditional or prohibited” for foreign investment, said Fred Burke, an attorney for Baker & McKenzie. Another foreign lawyer said, “we have clients screaming, ‘what do we do?’ what happens on July 1?” ■