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ECONOMY

Vietnam Sets New Goal For 7.5% to 8% Growth

Plan for Next Five Years Will Require an Increase In Investment in Economy

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HANOI, Vietnam -- Vietnam is targeting annual economic growth of between 7.5% and 8% for 2005 to 2010, according to a draft five-year plan released Thursday by the Ministry of Planning and Investment.

The ministry estimated that gross-domestic-product growth between 2000 and 2005 averaged 7.5% a year.

Economic growth in 2010, calculated using current prices, will total between $85 billion and $89 billion, the ministry said. Per capita GDP will reach between $950 and $1,000.

In the first half of this year, Vietnam's economy grew at 7.63% and total GDP was $24 billion.

In order to reach its GDP goals, Vietnam will have to raise total investment in the economy from an average of 35% of GDP in the current five-year period to between 37% and 38% between 2006 and 2010, according to the ministry.

Of that, 22% will be financed using the state budget; state-owned enterprises will contribute about 18%; private domestic firms will add a further 31%; and the foreign-invested sector will contribute about 14%.

Nine percent of all investment will come from the state via "preferential credit sources" that offer support to the poor and others deemed to be in need of government help, and the remaining 6% will come from "other sources," according to the report.

Foreign Pledges

The ministry said new pledges of foreign investment, into both new and existing projects, between 2006 and 2010 are expected to be valued between $23 billion and $25 billion, with between $17.5 billion and $19.5 billion of that being realized.

At least 70% of total foreign investment is expected to go to industrial projects, including those in oil and gas, with more than 20% going to service-sector projects.

Dispersed overseas development assistance, or ODA, meanwhile, is likely to total $10 billion over the five-year period.

The report said Vietnam hopes to mobilize a further $4.3 billion "through bonds, shares overseas...and other loans for medium-term and long-term investment."

Hanoi has long talked of a sovereign bond, but has yet to issue one because it doesn't need the money. Analysts say it might need to do so soon, regardless of its own financing needs, to set a benchmark for large domestic companies being encouraged to borrow overseas.

The five-year plan said government revenue will average between 21% and 22% of GDP during the coming period, while expenditure will average 26% to 27%, leaving Hanoi with a budget deficit of about 5% of GDP.

It plans to finance that deficit using government bonds and foreign loans.

Trade Deficit

In trade, the report predicts a $3 billion annual deficit between 2006 and 2010, as businesses import the machinery and raw materials they need to keep Vietnam's economy growing. This deficit is expected to be offset by ODA inflows and inward remittances from overseas Vietnamese, which now total about $3 billion a year.

The current account will be in deficit by an average of $2.1 billion a year in the coming period, but a capital-account surplus of $3.6 billion a year will ensure that Vietnam can maintain an overall balance-of-payments surplus, the report said.

The ministry said Vietnam will spend the next five years developing its labor force, moving toward a market economy, accelerating international economic integration, and strengthening the rule of law.

The report highlighted as crucial the development of industries such as electricity, oil and gas, coal, cement, machinery production, garments and textiles, and electronics.

Services such as telecommunications, tourism, transportation and financial services also will be developed, and foreign investment will be encouraged, the report said.

A "comprehensive change in administrative reform" and the "pushing back [of] bureaucracy, corruption [and] waste" will accompany "promoting democracy," the report said.

Vietnam is in the midst of redesigning its economy from an insular, centrally planned one to an internationally integrated one based on markets. It has instigated numerous trade and investment-related changes. The draft five-year plan is to be presented to the Communist Party Congress for approval early next year.

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