

Production and distribution

INTERVIEW WITH HE VU HUY HOANG

MINISTER OF INDUSTRY AND TRADE, VIETNAM



VU HUY HOANG has spent his career in Government service. Born in 1953 and after studying at the Academy of Mine in Germany, he spent 11 years at the State Planning Committee (1976-87). After working at the Ministry of Foreign Economic Relations in 1988, he joined the State Committee for Cooperation and Investment (1989-95) and subsequently the Ministry of Planning and Investment (1995-2003), as Deputy Minister from 1997. From 2003-06 he was Chairman of the People's Committee of Ha Tay Province and spent a further year as Secretary of the Party of Lang Son Province, before assuming his present role in July 2007.

What are the main responsibilities of the Ministry of Industry and Trade?

In 2007, the Ministry of Industry and Trade was established by merging the former Ministries of Trade and Industry with its functions and mandate stipulated in Decree 189/2007/ND-CP. Accordingly, the Ministry of Industry and Trade is the state management agency regulating all industrial and trading activities in the following areas: engineering, metallurgy, power, new energy, recycled energy, petroleum, industrial explosives, mining and mineral processing, consumption industries, food industries and other processing industries, domestic commodity circulation and distribution, market management, trade promotion, e-commerce, trade services, international trade and economic integration, competition management, monopoly control, application of self-defence measures, anti-dumping activities, anti-subsidy, consumer protection, and state management of public services provided by this ministry.

How important is the role of the private sector to Vietnam's economic growth?

In the last decade, the growth of the private sector has been an important factor contributing to the overall growth of the country in general. The Government of Vietnam has been attaching importance to the role of the private sector and applied correct policies to help its development, considering it as one of the engines of the economy. In 2006, the private sector in Vietnam accounted for half of the country's GDP. During 2001-05, this sector created 6.75-7.5 million jobs, or 90 per cent of the total jobs created. Its average growth in the last 5 years stands at over 10 per cent, as compared to 8 per cent of the entire economy. In particular, many private companies have attained a growth of more than 50 per cent per annum.

This is a very dynamic and flexible sector, suitable to the modest resources of the Vietnamese economy. Constantly in touch with the market, the private entrepreneurs can make quick decisions in their business. After a relatively short time pursuing the reform policy in the country, the non-state sector has stretched itself to almost all areas of the economy and, thanks to its capability of rapid capital accumulation, it could now enter some spearheading industries. The private sector could be seen in all areas of the economic life from high-

tech industries like electronics, software, automobile, motorbike, finance and banking, securities, etc.

Vietnam's membership to the WTO further creates a new environment and momentum for the development of the private sector, while at the same time promoting the reform and restructuring of the state-owned enterprises (SOEs). It helps broaden the labour market and sources of capital for various industries to improve their competitiveness in the international market. All these opportunities combined with the accumulation and development of the private sector in recent years would further increase the importance of this sector in Vietnam.

Vietnam has been successful in attracting foreign direct inward investment. How do you account for this success and what special incentive regimes will make further investment growth possible?

After 21 years of reform, international integration and cooperation with the region and the world, the Vietnamese economy is taking off. One of the most important achievements that we cannot fail to mention is the attraction of foreign investment. Many foreign investors have come and stayed in Vietnam. According to statistics from the Ministry of Planning and Investment, Vietnam has been able to draw US\$97 billion of pledged FDI in more than 9,000 projects. This is by no means a coincidence. It is the attraction of the Vietnamese economy plus the strong reforms in various areas, particularly following Vietnam's WTO membership. With political stability and rapid economic growth, Vietnam's image has been much improved in the international arena, hence the stronger interest by foreign investors.

Besides, the country's business environment is also improving by the day. A series of laws have been promulgated including the Commerce Law, Enterprises Law, Investment Law and Bidding Law, etc. At the same time, the decentralisation of administrative procedures regarding the power of making investment decision and granting of investment certificates to the localities will provide a new level of openness and convenience to investors. The infrastructure has been given more attention to make the investment environment better. Internationally speaking, there is a trend of pouring investment into countries that have stability and openness. Vietnam is now on the investment map of

many corporations around the world.

In order to further attract investment in the time to come, I believe that we should continue to improve Vietnam's legal system and its investment and business policies to better meet the requirements of international economic integration, creating an equal, open and transparent legal environment for both domestic and foreign investors. This is an issue of great concern to the international community. Adding to this, the positively developing political ties between Vietnam and most countries serve as an important factor to boost economic and investment cooperation.

The above factors, combined with the efforts to improve infrastructure, reform the administrative procedures and regime and combat corruption are creating the favourable conditions to enhance our competitiveness and kick start a new wave of investment into Vietnam.

How is export-led industrialisation being stimulated?

In recent years, Vietnamese industries in particular and the Vietnamese economy in general are pursuing an export-oriented development policy. In 2007, Vietnam's export turnover reached US\$48.6 billion, accounting for 70 per cent of GDP. Under the set targets, the average annual growth of export turnover in the 2006-2010 period is expected to be 20 per cent, with a focus on the promotion of exporting high value-added products, increasing the percentage of manufactured and high-tech goods and reducing the export of raw materials.

To that end, it would be necessary to carry out the following works:

On the State's side:

- To further attract investment, particularly investment in the production of export items. To give priority to the improvement of infrastructure for trade and commerce, especially at the seaports and border areas. To enhance the role of trades associations in assisting businesses.

On the enterprises' side:

- To proactively conduct market surveys and analyses and assess their own financial and production capabilities, paying due attention to effectively utilising the State's encouragement policies on products and item lines listed in the country's strategy of developing key export items, the strategy of developing new products for export and the strategy to improve access to key markets. Besides, enterprises should also design their own strategy to broaden their connectivity and cooperation in order to rationalise, specialise and collectivise production to tap their respective strengths and expand production, reduce cost and enhance competitiveness.
- To improve quality and efficiency of their human resources with a deeper degree of specialisation and modernisation in order to enhance productivity and

reduce cost. To restructure and re-organise enterprises, rationalise production lines to cut down expenses and improve operational quality. To strengthen the business and production management regime to reduce risks and the percentage of poor quality products, and to economise. To make the supply chain more effective from the production of input materials to the organisation of production lines to enhance competitiveness during the period of international economic integration.

Do you have a policy of economic diversification away from the agricultural sector?

Vietnam's agriculture is facing no small difficulties and weaknesses, most notably the imbalance between the high ratio of cultivation and the low ratio of husbandry, as well as the poor development of processing industries. If this continues, agriculture would not be able to make a breakthrough for economic growth. As such, it is our policy to pay more attention to the industrialisation of agriculture, since this sector remains quite important with the involvement of a large section of the population. It is also a sector enjoying good advantage in terms of climate, soil, etc. and has the full potential for industrialisation. ►

Halong Bay: A cornerstone of Vietnam's tourist potential



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◀ How important is the small business sector to the Vietnamese economy?

Like many other countries, the small and medium enterprises (SMEs) in Vietnam play various roles in the economy. Generally speaking, they do have a rather important position and are indeed the pillars of the economy in certain localities. They could be worthy sub-contractors for big corporations and form an important pool of supporting industries and services.

In order to encourage the development of this sector and help it play its important role identified in the Socio-Economic Development Plan, the Government of Vietnam has released Decree No. 90/2001/ND-CP dated November 11, 2001 on assistance to SMEs and the Decision No. 236/2006/QĐ-TTg dated October 23, 2006 on the approval of SME Development Plan for 2006-2010. After several years of implementing these decisions, Vietnamese SMEs have seen strong development and contribute their parts in overall socio-economic development of the country.

What is your vision for the commercial and industrial landscape of Vietnam in the medium term?

In the process of international economic integration, the assessment of the industrial and trading environment must be conducted from the viewpoint of an open economy, particularly following Vietnam's WTO accession. As such, the assessment of the production and business environment shall be made comprehensively in connection to trade, export and domestic production, as well as the observance of integration commitments. It could be said that now and in the near future, despite certain difficulties, Vietnam's trading and industrial environment enjoys several advantages, including a significantly improved production capacity and the development prospects of various industries in the future. Vietnam's position and image in the international arena have been much improved, particularly in terms of economic and trade cooperation. The important reforms in mechanisms, regulating policies for general economic activities and import-export in particular provide more openness, making them more commensurate with international standard and bringing into full play the combined strength of all economic sectors. Our strategy is to develop a firm and modern domestic trade by 2020, that is founded on logical distribution channels and a system participated in by all economic sectors and organisations (including foreign invested ones), and operating in a competitive environment regulated by the State. On such a basis, the enhancement of the role of domestic trade in guiding the development of production to improve the quality of life of the people of Vietnam would be ensured.

The Vietnamese Government will continue to fully observe its commitments in respect of the industrial

environment. The Ministry of Natural Resources and Environment has issued the standards on safeguarding the industrial environment in which each and every industrial project must follow the 3 steps of making a strategic environmental assessment, a project environmental assessment and an environmental audit.

In regard to the reform of domestic institutions and policies, we shall continue to improve and approve the master plans for development of trading infrastructure in the time to come. We shall also enforce the Commerce Law, Competition Law, Enterprises Law, Investment Law, Intellectual Property Law and Electronic Transaction Law, etc. At the same time, we shall also implement the WTO commitments regarding the opening-up of the distribution market and encourage domestic businesses to strengthen connectivity and development.

The merger of the two Ministries of Industry and Trade into the one Ministry of Industry and Trade is a correct decision of the Government of Vietnam, creating the foundation to connect production and distribution to form a new strength for development. Under the Government's direction, the Ministry has been actively reviewing, adjusting and designing existing and new legislation and regulations in the context of international economic integration, thus creating a favourable environment for investors in line with WTO regulations, so that both domestic and foreign enterprises could prosper alike. I strongly believe that Vietnam's trade and industries will continue to grow in 2008 and the following years. **F**

In 2007, Vietnam's export turnover reached US\$48.6 billion, accounting for 70 per cent of GDP

Her parents will barely recognise her Vietnam after another 20 years of Doi Moi

