

Chapter 4 :

MALAYSIAN INVESTMENT IN VIETNAM.

INTRODUCTION.

Vietnam and Malaysia have many similar economic conditions for cooperation and development of both countries. For last ten years, economic relationship between Vietnam and Malaysia has become closer. Vietnam's trade with Malaysia is increased very fast for the period 1989-1993 (see tab.A-4, appendix). For this period, rate of increase is 179.5% and growth rate of import is 25.9%; Total trade has increased from RM 137,923,000 in 1989 to RM 593,164,000 in 1993.

Malaysia is one of the earliest foreign investors in Vietnam and to the end of 1994, Malaysia is one of the "top ten" countries that have invested in Vietnam. The purposes of this chapter is to analyse the following issues :

- Why Malaysia is investing in Vietnam,
- When Malaysia began invested in Vietnam,
- What are Malaysian investors doing now in Vietnam,
Are they successful,
- What are the reasons of their successes and failures,
- What problems are faced by Malaysian investors in
Vietnam, etc.

For these purposes, the chapter is divided into the following sub-sections :

- Comparison of Vietnamese and Malaysian economies,
- Flow of Malaysian investment in Vietnam,
- Summarizing and analysing Malaysian investment in
Vietnam,
- The problems faced by Malaysian investors and some
suggestions.

4.1. Comparison of Vietnam and Malaysian economies.

4.1.1 Some basis comparable data between Vietnam and Malaysia.

The basis comparable data between Vietnam and Malaysia are shown in the table 4.1.

Tab.4.1 : Comparable data between Vietnam and Malaysia

	Date	Unit	Vietnam	Malaysia
1	Area	Km2	331,000	333,000
2	Climate	mm C	Rainfal=1350 Aver.T = 20	Like the South of VN
3	Population	mil.	70.6	18.2
4	University	unit	54	8
5	Language	-	Malayu	Vietnamese
6	People	-	54 minorities	Malay, Chine se, Indian
7	Labour force	% Mil	45 32.7	40 7.3
8	Wage rate	USD	1.0-4.0	2.4-7.2
9	Bank	unit	10	50
10	GDP growth	%	7.9	8.3

source : Vietnam:

- *SCCI , Jan.1994*
- *Socio-Economic strategy for VN up to the year 2000. State planning committee, Malaysia:*

- + *Booklet of Malaysia, Malaysian Industrial Authority, August, 1994*
- + *Sulaiman Mahbob & Michael Yap - Malaysian Institute of Economic research (MIER) "Inflatory pressures in Malaysia: the present situation and areas of concern"- Report on the Seminar " The fight against inflation- What can consumer do ?, 5/12/1994.*

From table 4.1, while Vietnam and Malaysia have the same area (331,000 sq.km and 333,000 sq.km respectively), Vietnam has the population of 4 times higher than that of Malaysia; the labour force of population of Vietnam is higher by 4.5 times than that of Malaysia; growth rate of GDP for 1991-1993 of Malaysia is higher than that of Vietnam (8.3 percent and 7.9 percent respectively); and wage rate in Vietnam is much lower than that of Malaysia. This is one of the attractive factor for Malaysian investors.

4.1.2 Beginning foreign investment policy: Vietnam began its foreign investment policy (at the end of 1988- one of the late countries in the region (China - 1978) later than Malaysia by nearly 30 years (Malaysia began it in 1960, the same time with the neighbours : Thailand , Philippine, Indonesia). Until now Malaysia has 34 years of experiences of attracting, deploying , implementing and managing foreign investment while Vietnam has only 6 years.

4.1.3 *Experience of attracting foreign direct investment capital.* Malaysia has much experiences in attracting and deploying foreign investment capital. Malaysia is one of the top ten developing countries at attracting foreign investment capital for decades of 70's and 80's (tab.4.2) while Vietnam has a little experience of attracting foreign investment capital.

Tab.4.2: Top ten developing countries at attracting foreign investment capital for decades of 70's and 80's.

Billion USD			
1970-1979		1980-1990	
Country	Annual Inv.Cap.	Country	Annual Inv.Cap.
1. Brazil	1.3	1. Singapore	2.3
2. Mexico	0.6	2. Mexico	1.9
3. Malaysia	0.3	3. Brazil	1.8
4. Nigeria	0.3	4. China	1.7
5. Singapore	0.3	5. Hong Kong	1.1
6. Ireland	0.3	6. Malaysia	1.1
7. Indonesia	0.2	7. Ireland	0.9
8. Hong Kong	0.1	8. Argentina	0.7
9. Iran	0.1	9. Thailand	0.7
10. Uruguay	0.	10. Taiwan	0.5

Source : World Investment Report 1992, United Nation New York, 1992, Page 317.

4.1.4 Strictness and stability of the law and regulations on FDI. Vietnam now is in the changing period, so its system of laws and regulations, especially that of foreign investment area are less strict and stable than that of Malaysia. In fact this makes difficulties for Malaysian investors in the course of formation of necessary documents and deploying projects in the provinces and small towns.

4.2. Flow of Malaysian investment in Vietnam.

In this sub-section the number of projects, investment capital, size of projects, and other issues of flow of Malaysian investment in Vietnam are considered.

4.2.1. Number of projects:

As mentioned above, up to now there have been over 700 corporations from 50 countries, regions and territories having their investment projects in Vietnam. But for short, in the following summarization and calculation, only 20 countries that have occupied the highest position in the List of foreign investors in Vietnam for the research period are considered. The results of summarization and calculation for the period 1988-1993 are shown in the tab.4.3.

The table 4.3 shows that :

a).Malaysia is one of the top ten countries that have the largest number of invested projects in Vietnam (with 23 projects.) for the period of 1988 1993. The biggest countries at the number of invested projects in Vietnam for the above period are Hong Kong (165

projects),Taiwan (116 projects), Republic of Korea (55 projects), Singapore (50 projects).

b).Malaysia is the fastest country at speed of increase of the number of projects invested in Vietnam for the period of 1988-1993. Following Malaysia countries at this criterion are Republic of Korea, Singapore, Holland, Italia, Japan, Philippine.

4.2.2. Total invested capital.

According to the Law on Foreign Investment in Vietnam, for a certain period, the total invested capital of a country can be changed. It is may be the cause of agreement of parties in the course of implementing the projects (Article 32, Decree 6/2/1991) or cause of revoking projects... This is one of the criteria appreciating quality of implementing licensed projects (their stability).

For the period 1988-1994, total investment capital of Malaysia into Vietnam has reached USD 456,962,690 (tab.4.4). In the term of capital invested, Malaysia occupies the seventh position in the List of foreign investors in Vietnam. From the table 4.4 we also can see that Taiwan is on the first position, Hong Kong-

**Tab.4.3: Number of invested projects of
the top 20 countries (1988-1993)**

Country	Number of invested projects					% change	
	88-90 (a)	91	92	93	91-93	88-93 (b)	a/b
1.Hong Kong	3	30	38	34	102	165	1.62
2.Taiwan	19	28	27	42	97	116	5.11
3.Korea	5	7	9	34	50	55	10.0
4.Singapore	5	6	14	25	45	50	9.00
5.Japan	-	11	10	17	38	49	3.45
6.France	18	9	6	14	29	47	1.61
7.Australia	13	5	10	12	27	40	2.07
8.Thailand	10	11	5	13	29	39	2.90
9.The USSR	14	18	-	-	18	32	1.28
10.Malaysia	1	5	6	11	22	23	23.0
11.Russia	0	0	13	6	19	19	-
12.China	0	1	9	8	18	18	-
13.Canada	10	1	4	1	6	16	0.60
14.Germany	7	0	2	4	6	13	0.85
15.Indonesia	3	3	2	2	7	10	2.33
16.Switzerland	3	2	1	4	7	10	2.33
17.Philippine	2	3	0	4	7	9	3.50
18.Holland	1	2	3	3	8	9	6.00
19.Italia	1	1	2	2	5	6	5.00
20.Hungary	2	1	2	0	3	5	1.50
Other countries	24	4	15	5	24	48	1.00

**Source : SCCI : List of licensed projects classified in
countries. Ho Chi Minh City Publishing House,
March, 1994 Pages 553-588.**

the second, France - the third . Singapore, UK, Netherlands, Russian follow Malaysia. From the data in the table 4.4 we can calculate the rate of invested capital of Malaysia in total invested capital of all remaining countries (19.8 percent approximately).

Tab.4.4 : Total invested capital of the top 20 countries (1988-1993).

<i>Countries</i>	<i>Total capital (USD)</i>
1. Taiwan	1,531,136,601
2. Hong Kong	1,303,694,830
3. France	613,985,225
4. South Korea	554,094,815
5. Australia	543,912,821
6. Japan	475,057,188
7. Malaysia	456,962,690
8. Singapore	389,441,877
9. UK	308,445,253
10. Netherlands	283,005,900
11. Russia	160,836,799
12. Thailand	150,815,365
13. Canada	131,911,522
14. Indonesia	118,467,021
15. Ireland	66,359,450
16. Sweden	59,647,400
17. Philippines	59,077,359
18. Ukraine	45,748,600
19. Belarus	37,820,000
20. Italia	28,922,650
Other Countries	195,420,746

Source: Vietnam Investment Review,
Vol.4, N.121+122, 7-20 Feb.1994, Page 16.

4.2.3. Scale of Projects.

According to SCCI, for the period of 1988-1993, the largest projects invested in Vietnam have concentrated in 1993. To define the position of Malaysia in accordance with criterion of scale of projects, 10 biggest invested projects that have around and over 50 million USD are collected in the tab.4.5

Tab.4.5: 10 biggest projects invested in Vietnam

<i>Date of issue</i>	<i>Name of project</i>	<i>Name of Country</i>	<i>Total Capital (USD)</i>	<i>Foreign Side contribution (%)</i>
1. 6/1/93	Orion-Hanel Picture Co.	Korea	70,574,000	70
2. 12/1/93	Hai Phong	Hong Kong	150,000,000	75
3. 19/5/93	PMH Corp.	Taiwan	242,000,000	70
4. 02/6/93	Vung Tau Resort	Australia	59,177,000	76
5. 3/6/93	Hiep Phuoc Power Co.LTD.	HK.	205,000,000	-
6. 19/6/93	FPSL WAT Co.LTD.	HK.	74,042,000	68
7. 2/7/93	DEAHA Co.LTD.	Korea	64,000,000	75
8. 10/11/93	West Lake Intern.Co.	Sing.	49,825,000	75
9. 30/12/93	HUALON CORP.	MALAYSIA	242,707,000	-
	VIETNAM			
10. 31/12/93	CARNAUD Metal Box (Saigon) LTD.	Sing.	54,000,000	70

*Source: SCCI : "Investment Licenses issued in 1993"
Ho Chi Minh City Publishing House,
March 1994, Pages 6-483.*

It is interesting, as shown in the tab.4.5, that Malaysia has the largest project in history of foreign investment in Vietnam (Hualon Corp. Vietnam with total investment capital of USD 242,707,000). As mentioned above, up to the end of 1994, Malaysia has 33 projects invested in Vietnam. The size of other remaining project will be shown and analysed in the sub-section 4.3 below.

4.2.4 In the term of *capital invested in Vietnam among ASEAN*, Malaysia occupied the first position. Fig.4.1 shows that Malaysia is on the first position not only in total capital invested (USD 456.962 million) but also in prescribed (legal) capital (USD 228.287 million). Singapore follows Malaysia with total investment capital of USD 389.441 million and legal capital of USD 219.960 million. Brunei has the lowest total investment capital (USD 1.5 million) and lowest legal capital (USD 0.5 million)

*Figure.4.1: Total capital of the ASEAN countries
invested in Vietnam (to April, 1994).*

Million USD.

	<i>Total Capital</i>	<i>Legal Capital</i>
Malaysia	456.962	228.287
Singapore	389.441	219.960
Thailand	150.815	104.795
Indonesia	118.467	83.51
Philippine	59.007	29.83
Brunei	1.5	0.5

*Source : Bulletin : "Sai Gon Economic Times",
N.5, 9-th June,1994, Page 4.*

4.3. Summarizing and analysing Malaysian investment in Vietnam.

Up to 10/11/1994 the aggregate data of the Malaysian investment into Vietnam are as follows :

*.Total number of projects	:	37
Operating Projects	:	3
- Finished and revoked Projects	:	6
*.Total Investment Capital (USD)	:	583,364,465
- Total capital of Operating projects	:	578,173,965
- Legal capital	:	215,393,058
*.Ratio of Legal capital/Total capital:		37,25%
*.Malaysia's contribution	:	183,203,058 USD = 85%
Vietnam's contribution	:	32,190,000 USD = 15%

In order to see Malaysian investment in Vietnam from various sides, the following aspects of investment are analysed:

- Types of investment,
- Time of investment,
- Sectors, and
- Locations and regions.

4.3.1. Types of investment.

Malaysia is one of the fastest investor in the term that he has cached all types of investment, allowed by Vietnamese government and written in the Law on foreign Investment in Vietnam. As mentioned above, according to the Law on foreign investment in Vietnam, there are three main types of investment :

- Joint ventures
- Enterprises with 100% foreign owned capital, and
- Business cooperation contract.

Now we consider how Malaysia adopts these types of investment (tab.4.6, tab.4.7, tab.4.8).

Tab.4.6: Malaysia-Vietnam Joint Venture Projects.

	Date of license issue	Company's Name	Total Cap.	Legal Cap.	Business
1	25/03/89	VIO Public Bank	10,000,000	10,000,000	Banking
2	12/07/91	Malavina Co	1,000,000	1,000,000	Games in big hotels
3	31.01.92	Torseco	674,000	294,000	Tourism services
4	14.04.92	Gold Nhabe coop.	7,576,500	2,808,600	Cooring oil process.
5	10.09.92	DSC Holidays	500,000	500,000	Tourism services
6	12.12.92	VIETRIA	1,500,000	1,000,000	Wood processing
7	06.04.93	Vietnam-M'sia Co	44,000,000	30,000,000	Construction hotels
8	1.05.93	Purel Vietnam Co	650,000	650,000	Exploitation min.wat.
9	04.06.93	Bong Lua	200,000	200,000	repairing machines
10	21.10.93	MASSDA	24,000,000	12,000,000	Construction infras.
11	26.10.93	Malay-Vietnam Gl	22,000,000	15,470,000	Glass production
12	16.11.93	Rice Frces.Co.	3,360,038	1,760,038	Rice grinding
13	12.04.94	Noi Bai Co.	29,950,000	11,667,000	Constructi on Infras.
14	23.04.94	Lang Ha Club	2,310,000	800,000	Sport instruments
15	09.06.94	Noi Bai resort	15,682,000	5,000,000	Construction court
16	06.07.94	Saigon Hotel	48,500,000	19,184,000	Construct.hotel
17	13.08.94	Vietnam Indust.	750,000	250,000	Gloves prod.
18	01.09.94	Saigon Pilecon	4,210,420	3,210,420	construction
19	01.09.94	VINAFLOUR JVC	15,000,000	10,667,000	Wheat grinding
	Total	-	231,882958	126,461058	-

Source: Collection from SCCI, Hanoi, Nov. 1994.

*Tab.4.7: Malaysian Enterprises with 100% Foreign
Capital as at 10/11/1994*

	<i>Date of License Issue</i>	<i>Company's Name</i>	<i>Total Cap.</i>	<i>Legal Cap.</i>	<i>Business</i>
1	08.03.91	Scansiaviet Co.	350,000	350,000	Rattan, wood prod.
2	16.11.91	Food Proces Co	3,140,000	3,140,000	Canned, far m prod.
3	03.12.91	Saigon resort	2,500,000	2,500,000	Tourism
4	20.03.93	Tropical VN Co	1,134,000	1,134,000	Sport equipments
5	27.07.93	Royal Craft	898,000	308,000	Rattan wood prod.
6	30.12.93	Hualon Corp.VN	242,707,000	80,000,000	Fibre, thre ad prod.
7	22.09.94	Sinaren VN Co.	1,500,000	1,500,000	Candles.
	<i>Total</i>	-	252,229,000	88,932,000	-

Source: Collection from SCCI, Hanoi, Nov. 1994.

*Tab.4.8: Vietnam-Malaysian Business Co-operation
Contracts as at 10/11/1994*

	<i>Date of License Issue</i>	<i>Business</i>	<i>Total cap. (USD)</i>	<i>Mal'sian Partner</i>	<i>VN'se Partner</i>
1	10.9.91	Oil exploit.	65,000,000	Petronas	Ptrovietnam
2	16.4.92	Tissue prod.	187,000	Paper Co.	Mailan shoes Co.
3	19.9.92	Anti-mosquito	689,088	Pokong Co.	Pesticide Co.
4	16.4.93	Oil exploit.	23,000,000	Petronas	Petrovietnam
5	6.10.93	Telephone serv.	5,185,919	Sapura Co.	HCM Post Office

Source : Collection from SCCI, Hanoi, Nov. 1994

Tab.4.9: Malaysian Investment in Vietnam by Types of Investment

	<i>Investment Type</i>	<i>Number of Proj. (Unit)</i>	<i>Total Cap. by Inv. Type (USD)</i>	<i>Total Inv. Cap. (%)</i>	<i>Total Legal Cap. by Inv. Type (USD)</i>	<i>Total Legal Cap. (%)</i>
1	Joint Venture	19	231,882,958	40.1	126,461,058	58.7
2	Enterprises with 100% FC	7	250,729,000	43.4	88,932,000	41.3
3	Business Co-operation Contracts	5	94,062,007	16.5	-	-
	<i>Total</i>	<i>31</i>	<i>578,173,965</i>	<i>100</i>	<i>215,393,058</i>	<i>100</i>

Table 4.9 shows that although the type of JVE has the highest number of projects (19), it has not the biggest total investment capital. The biggest total investment capital reached in the type of enterprises with 100% foreign owned capital. This is explained by the presence of the biggest project (Hualon Corp. Vietnam with investment capital of 242,707,000 USD, see tab.4.7). However, the highest legal capital is reached not in the type of enterprises with 100% foreign owned capital (USD 88,932,000) but in the type of JVC (USD 126,461,058). This is explained by the fact that at the moment of establishment of JVC, the investors of JVC have contributed more capital than investors of type of enterprises with 100% foreign owned capital. The lowest total investment capital can be seen in the type of business cooperation contract. This is explained by the fact that Malaysian investors are faced by many difficulties in the course of implementing business cooperation contracts in Vietnam because of changes of regulations on business cooperation contracts. These

difficulties are faced not only by Malaysian investors but also investors from other countries. Vietnamese government is amending, correcting the regulations on business cooperation contracts in order to make more suitable conditions for foreign investors of this type of investment.

Another special investment form is *Special Export-Processing Zone (SEPZ)*. Although this form is new for Vietnam, Malaysia has adopted it very quickly. Up to now, Malaysia is one of the two countries that have the biggest number of SEPZ projects in Vietnam (Tab.4.10)

Tab.4.10: SEPZs in Vietnam as at 10/11/94.

<i>Name of location</i>	<i>Date licensed</i>	<i>Area (Ha)</i>
1.Tan Thuan (in HCMC)	Sept 1991	300
2.Linh Trung (in HCMC)	Aug 1992	60
3.Hai Phong (in Hai Phong)	Jan 1993	300
4.Da Nang (in Da Nang)	Oct 1993	300
5.can Tho (in Can Tho City)	Nov 1993	57
6.Noi Bai (in Ha Noi City)	Apr 1994	100

Source : SCCI, Hanoi, Nov 1994.

Among 6 SEPZs, Malaysia has 2 : Da Nang SEPZ and Noi Bai (Hanoi) SEPZ. The data of the two SEPZs are collected in the tab.4.11

Tab.4.11 : Malaysian EPSZs in Vietnam as at 10/11/1994

	<i>Date</i>	<i>Danang EPZ</i>	<i>Noibai EPZ</i>
1	Licensed code	698	839
2	Date of issue	21/10/93	12/4/94
3	Company name	MASSDA JVC	NOIBAI Co.
4	Total Cap. USD	24,000,000	29,950,000
5	Legal Cap. USD	2,000,000	11,667,000
6	Business	Construction	Construction
7	Area, ha	300	200
8	Duration, year	50	40
9	Malaysian Partner	Malaysian SS (M) Sdn Bhd	V. Spectrum
10	Vietnamese Partner	Corp. for DN Development	Hanoi Corp.for Indust. const.

Source: Collection from SCCI, Hanoi, Nov. 1994.

While Noi Bai (Hanoi) SEPZ has just been licensed on 12/4/94 its effect cannot be appreciated at this moment), the Da Nang SEPZ was established one year earlier, in October, 1993. In accordance with opinion of some specialists in foreign investment area, deployment and implement of Da Nang SEPZ is not so fast as it is both sides (Vietnam and Malaysia) will strive for the goals to the year 1995 stated in their plan.

4.3.2 Type of Investment

We can see the flow of Malaysian investment into Vietnam by the time in the tab. 4.12.

Tab.4.12. Malaysian investment into Vietnam by the years

(USD)

<i>Year</i>	<i>Number of projects</i>	<i>Total cap.</i>	<i>Presc.cap.</i>
1988	0	0	0
1989	1	10,000,000	10,000,000
1990	0	0	0
1991	5	71,990,000	6,990,000
1992	6	11,146,588	4,602,600
1993	11	367,134,957	141,522,038
1994	8	117,902,420	52,278,420
<i>Total</i>	<i>31</i>	<i>578,173,965</i>	<i>215,393,058</i>

Source : Collection and calculation based on SCCI data, Hanoi, Nov, 1994.

Table 4.12 shows that the number of projects and investment capital mostly are increased by the time. For the first 3 years, Malaysia had only 1 project with total capital of USD 10,000,000. In 1993 Malaysia reached the highest number of investment projects (11) and the largest investment capital (over USD 367 million).The investment capital reached in 1993 is greater than that of 6 remaining years (USD 211,039,0. The reason of the fast increase in investment capital is that in this year (on 30/12/1993) Malaysia was licensed the biggest project of 242,707,000 USD. Only the investment capital of this project is greater twice than that of other 10 remaining projects of the year (USD 124,472,957).

4.3.3. Sectors of investment.

The Malaysian investment into Vietnam by sectors is summarised in the tab.4.13.

Tab.4.13: Malaysian investment into Vietnam by sectors
(USD)

<i>Sector</i>	<i>Projects</i>	<i>Total capital</i>	<i>%</i>
1. Industries	12	296,420,538	51.22
2. Oil and gas	2	90,500,000	15.72
3. Agriculture, Forest.	2	3,398,000	0.58
4. Transportation	2	5,879,919	1.02
5. Hotels, tourism	2	92,500,000	15.99
6. Services	4	5,710,420	0.98
7. Banking, finance	1	10,000,000	1.73
8. Others	4	19,815,088	3.43
9. SEPZ	2	53,950,000	9.33
<i>Total</i>	<i>31</i>	<i>578,173,965</i>	<i>100</i>

Source : Calculation from SCCI data, Hanoi, Nov,1994.

From the Tab.4.13 we can see that Malaysian investment has focused in industries (heavy industry, light industry, cloth-making industry, processing industry etc...) with total investment capital of USD 296,420,538 or 51.22%. The following proportions can be found in the Oil and Gas and Hotels and Tourism with 15.72% and 15.99% respectively. The highest proportion in industries states that Malaysia has power and advantages in this sector, of which Vietnam lack. Investment proportions in agriculture, forestry, Banking and transportation are low. We that the reasons of this situation should be considered continuously for the coming investment.

4.3.4 Locations and regions of investment.

The Malaysian investment into Vietnam by locations is shown in the Tab.4.14.

Tab.4.14: Malaysian investment into Vietnam by locations (Excluding Oil and Gas). (USD)

Location	Projects	Total capital	%
1. Baria-Vungtau	1	500,000	0.10
2. Dongnai	3	246,497,000	50.57
3. Hanoi	8	104,386,000	21.40
4. Quangninh	1	15,000,000	3.08
5. Quangnam-Danang	3	26,398,000	5.41
6. Songbe	1	350,000	0.07
7. Tiengiang	1	3,360,038	0.68
8. Ho Chi Minh City	11	91,182,927	18.69
<i>Total</i>	<i>29</i>	<i>478,673,965</i>	<i>100</i>

Source : Calculation from SCCI data, Nov, 1994.

Table 4.14 shows that :

- By number of projects, Ho Chi Minh City has occupied the first position with 11 projects (39% of total number of the projects); Hanoi follows Ho Chi Minh City with 8 projects (29% of total number of the projects); other 10 projects are invested in 6 provinces and cities. Thus, most of the projects are concentrated in big cities.
- By size of capital invested, however, province Dongnai has occupied the first position with USD 246,497,000 (50.57% of total investment capital); Hanoi and Ho Chi Minh cities follow Dongnai with USD 104,386,000 (21.40%) and USD 91,182,927 (18.69%) respectively.

Vietnam has three main regions that have different conditions for foreign direct investment, such as natural resources, climate conditions, people customs... The Malaysian investment into Vietnam by these regions is summarised in the table 4.15.

Tab.4.15: Malaysian investment into Vietnam by regions
(Excluding Oil and Gas) (USD)

<i>Region</i>	<i>Total capital</i>	<i>%</i>
1. The North	119,386,000	24.48
2. The South	341,889,965	70.11
3. The Central	26,398,000	5.41
<i>Total</i>	<i>487,673,965</i>	<i>100</i>

Source : Calculation from SCCI data, Nov, 1994

Tab.4.15 shows that Malaysia has concentrated its capital in the South with USD 341,889,965 or 70,11% of total investment capital. This is easily understood because the South is the most dynamic region in Vietnam in the term of market economy. In the North, Malaysia has invested only USD 119,386,000 (24.48%). However, according to SCCI, the flow of foreign investment into Vietnam is shifting from the South to the North. This tendency is clearer for the last months of 1994.

4.4. The problems faced by Malaysian investors.

4.4.1. Lack of information. One of the factors deciding the success of a investor is getting diversity information about the country that he wants to invest into. Malaysia is one of the successful investor in Vietnam, however, in our evaluation, he can be more successful if he get more information about Vietnam by setting up some "antenna" representative offices in Vietnam. Until 30/8/1993, Malaysia has not any representative office in Vietnam, while other countries have their representative offices. Note that representative offices cannot carry out any business activities in Vietnam, and as such not be used as an investment vehicles. Permitted activities include market research, marketing studies or feasibility studies for investment projects. Representative offices can collect information needed for investors, such as natural resources of Vietnam, land price, conditions of infrastructure (electricity, water supply, transport means), incentives for foreign investment, regulations on FDI etc.

4.4.2. Diversifying investment location. From the above

analysis, Malaysia has concentrated its investment in the South (70.11% of invested capital). However Malaysia did not pay much attention in the Central provinces and cities, where Malaysia has many competitive advantages in comparison with other countries: Malaysia has 3 operating projects in Quang nam-Danang province (especially the famous SEPZ Danang); He had had and have conditions to have more information and experiences in this area. Malaysia should expand its investment to the neighbour provinces and cities of Danang. Vinh City, for example, is located not far from Danang City. Vinh belonged to Nghe Tinh province - one of the largest province in area and highest in population, has a big seaport, river network, crowded population, etc. Especially, Vinh City is situated in the central point of Vietnam, Laos, Campuchia and Thailand. This make Vinh to become a big business centre in Vietnam. Infrastructure of Vinh City is good enough for investment (formerly, East Socialist Germany helped Vinh to build its infrastructure). Up to now, there is only a few foreign investors paying attention to this area (Tab.4.16).

Tab.4.16: Invested projects in Nghe Tinh (1988-1993)

<i>License Code</i>	<i>Date of issue</i>	<i>Transaction Name</i>
1. 84	29/05/90	MINPROS Ltd
2. 216	29/07/91	HUU NGHI JVC
3. 466	19/11/92	Nghean Wood Pro
4. 505	12/01/93	NAM FORIMEX
5. 700	23/10/93	Shell Bitumen

Source:SCCI,"List of Licensed projects",Hanoi 94,P.12

In our opinion, in 3-5 coming years, foreign investment situation in Nghe Tinh province will be changed. For the last months of 1994 number of projects invested in Nghe Tinh has increased fast. Vietnamese government has issued the "List of projects calling for investment", in which the projects concerning with Nghe Tinh can be found ¹³.

4.4.3. Investment in priority area. As said above, Vietnam and Malaysia have many similar and suitable for investment conditions. In Vietnam now there are some investment-needed sectors, in which Malaysia has much experiences and advantages, such as Oil palm plantation and processing, Coconut plantation and processing of coconut based products, Manufacture of latex products, Manufacture of tropical fruits juices and beverages, tin exploitation, etc. Vietnamese government has issued the 4 projects calling for investment in these fields¹⁴

Moreover, there are some sectors, actually having very large demand at the present and in the near future, but nobody has paid attention. For instance, in the electrical industry, there are many factories producing main goods, such as generators, cables, but there is not any one that produces the accessories, spare parts (electrical contacts, plugs, switches: push-button, antenna-switches, wave -length etc.) . The demand of these products is increased very fast, especially when Vietnam carries out the biggest project in his history- the electrical project of 500 KV,

13, 14. See Tab.A-5, appendix.

connecting all areas of the country, from the North to the South. At the present, import price of these products is quite high

4.4.4. Experience of choosing credible Vietnamese partners. One of the aspects that make Malaysian investors difficult in the course of investment in Vietnam is how to choose Vietnamese partners. Vietnam now is in the transition period, so not all enterprises have necessary conditions to work with foreign investors. Many projects were fallen because of uncorrect choice of Vietnamese partners. To do this well, in our opinion, Malaysia should:

Firstly, Set up enough powerful representative offices in Vietnam that can supply necessary information for investors (some literate Vietnamese can be employed). *Secondly,* Co-operation with one of the Vietnam Transaction Centres under State Committee for Co-operation and Investment.

4.4.5. Uncertain land price. One of the difficulties of Malaysian investors in the course of investment in Vietnam is defining the price of land rent. Before July 1993, the price of land rent in Vietnam was 0.5 to 18 USD/Sq.m.(Decision N-210 a/tc-vp of the Ministry for Finance). The big difference led to different prices for various pieces of land of the same quality. Since 3/7/93 Ministry for Finance has promulgated Guide N-50/TC/TCDN on land rent for various groups of cities (Tab.A-2, appendix) and outside-city areas (Tab.A-3, appendix).

To define a suitable price of land rent the Malaysian investors should research the above said Guide. On the other hand, they also should be careful in the course of defining the prices of the items that Vietnam's partners intend to contribute to the legal capital of the joint venture companies.

4.4.6. Complicated bureaucracy. Some Malaysian investors were shocked after they got the investment license. They thought that they have investment license, they can begin building factory, then produce and sell their goods. In Vietnam, in many cases the matter is not so simple. After getting the investment license, they have to get land-used right, factory construction license and sometimes, they have to change some items of their initial design. It takes much time of the investors (6-12 months).