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A3-0273/93

R E P O R T

of the Committee on External Economic Relations

on the European Community's economic and trade relations with
Vietnam

Rapporteur : Mr Ben VISSER

PL 205.388/fin.
Or. EN

* Consultation procedure requiring a single reading
** I Cooperation procedure (first reading)

** II Cooperation procedure (second reading) requiring the votes of a majority of the current Members of Parliament
*** Parliamentary assent requiring the votes of a majority of the current Members of Parliament

C O N T E N T S

	<u>Page</u>
Procedural page	3
A. MOTION FOR A RESOLUTION	4
B. EXPLANATORY STATEMENT	7
<u>Annex</u> : Motion for a resolution B3-0458/93	23

At the sitting of 28 May 1993, the President of the European Parliament announced that he had forwarded the motion for a resolution by Mrs Peijs on economic and trade relations between the European Community and Vietnam, pursuant to Rule 63 of the Rules of Procedure, to the Committee on External Economic Relations as the committee responsible.

At its meeting of 1 July 1993 the committee decided to draw up a report and appointed Mr. Visser rapporteur.

At its meetings of 6 October 1993, the committee considered the draft report.

At that meeting it adopted the resolution unanimously.

The following took part in the vote : De Clercq, chairman; Cano Pinto, vice-chairman; Visser, draftsman; Guermeur (for Mr. Guillaume), D. Martin, Miranda de Lage, Peijs, Rossetti, Sainjon, Suarez Gonzalez.

The report was tabled on 7 October 1993.

The deadline for tabling amendments will appear on the draft agenda for the part-session at which the report is to be considered

A.
MOTION FOR A RESOLUTION

on the European Community's economic and trade relations with Vietnam

The European Parliament,

- having regard to the motion for a resolution by Mrs Peijs on the economic and trade relations between the European Community and Vietnam (B3-0458/93),
 - having regard to its resolution of 12 June 1992 on the European Community's economic and trade relations with the countries of Indo-China,¹
 - having regard to the report by Mr. Visser on his visit to Vietnam from 26 September to 3 October 1992 (PE 202.388),
 - having regard to the report of the Committee on External Economic Relations (A3-0273/93),
- A. noting that, since the European Community began its programme of aid to the ALA countries, Vietnam was excluded from this programme for political reasons which are now no longer valid,
- B. whereas Vietnam is implementing a programme of economic reform and encouraging closer links between itself, its neighbours in South East Asia and the rest of the world,
- C. whereas Vietnam suffers from insufficient production and investment and is eager for international monetary and financial support, investment, technology transfer and help in training from Western countries,
1. appreciates the decisions on the economic reforms taken by the Vietnam's National Assembly leading towards a free market economy speeding up privatization of state enterprises which will give the Vietnamese the right to set up their own business and enter into joint ventures with Western countries;
 2. calls on the Vietnamese government to go further in political as well as in economic reforms;
 3. consequently considers that from now on the Community must strongly develop its relations with Vietnam;
 4. welcomes the recent steps taken by the Commission to improve EC relations with Vietnam and calls on the Commission and Council to ensure more presence and action of the Community in this part of the World in the economic and political fields;

¹ O.J. C 176 of 13.07.92 (rapport Tsimas A3-0197/92)

5. strongly urges the Community to expand its trade and economic relations with Vietnam, considering the rapid development of relations which are already taking place between this country and Japan, Taiwan, the Asean countries and Australia;
6. welcomes the decision of the Council to authorize the Commission to negotiate a comprehensive trade and cooperation agreement with Vietnam with a view to substantially increasing trade and development cooperation;
7. considers that such a trade and cooperation agreement should at least include
 - General economic measures (such as opening up new supply sources and markets, technology-transfer, development of job opportunities);
 - Investment in Vietnam on as large a scale as possible;
 - Training and technical assistance;
 - Development of agriculture, forestry, rural sectors, fisheries and protection of environment;
 - Development of energy resources;
 - Development of transport infrastructure;
 - Development of telecommunications;
 - Tourism;
 - Trade cooperation;
 - Education, sanitation and health care;
8. emphasizes that the respect for human rights and democratic principles constitutes the basis for the cooperation and is an essential element of the agreement; the agreement should therefore include explicit reference to human rights and democracy as expressed by the World Conference held in Vienna from the 15 to the 25 of June (see doc. A3-0222/93);
9. calls on the Commission to prepare aid projects in view of the economic development of Vietnam with particular attention to rural development and labour intensive schemes (vegetables, fruit cultivation, afforestation, fishery development);
10. asks for the intensification of the ECIIP financial instrument [European Community International Investment Partner] to Vietnam; loans of the EIB, public and private investment from the Community should be granted or extended to Vietnam;
11. considers that aid programmes should also aim at developing Vietnam's external trade;
12. expects that the funds provided by the Commission for the repatriation and reintegration of refugees will also help to stimulate the local economy

in Vietnam; if necessary this help should be continued after December 1994 and even additional financial means should be considered;

13. urges the IMF, the World Bank and the Asian Development Bank to rapidly implement major development programmes for Vietnam; welcomes the lifting of the financial blockage for the refinancing of the balance of payments as a first step; urges the US to abandon immediately its trade embargo;
14. welcomes the conclusion of an agreement on textiles between EC and Vietnam;
15. asks the Commission to implement programmes to assist Vietnam's transition to a market economy using PHARE and TACIS programmes as models, including training schemes for Vietnamese officials and managers;
16. insists that the opening of a delegation office in Hanoi should follow the conclusion of a cooperation agreement as soon as possible;
17. Reaffirms its decision to establish inter-parliamentary relations with Vietnam;
18. Welcomes with satisfaction the draft negotiating mandate of the European Commission, but is of the opinion that the following elements have to be strengthened:
 - increase of the normal development cooperation in addition to the aid for the boat-refugees,
 - the establishment of a trade and cooperation agreement in conformity with the GATT principles with a MFN-clause not undermined by exceptions,
 - the fast opening of an independent EC-representation in Vietnam.
19. Instructs its President to forward this resolution to the Commission, the Council, the governments of the Member States and the government of Vietnam.

B.
EXPLANATORY STATEMENT

Introduction : general survey of the country

1. Basic data on Vietnam

% active population		% of GNP
Agriculture	65 %	48 %
Mines	2 %	2 %
Industries	13 %	25 %
Services	20 %	25 %

1989/90	Vietnam
Population	71 M inh (1992)
Area	329 556 km sq
Absolute density	197 h/km sq
Main towns	
Hanoi	1 500 000 inh
Ho-Chi-Min City	4 000 000 inh
% cultivated land	21 %
Increase of population each year	1,4 million per year = 2,4 %

Source : ATLAS ECO

In 1975, just before the reunification, the per capita GNP in the South, was twice that found in the North.

Economic and cultural disparities between the North and South remain important. It is only now after 30 years of continuous wars and 15 years of isolation and mismanagement that Vietnam will really try to compete with the other countries of South East-Asia in the trade and economic fields.

2. Agriculture

Food production is rather unsatisfactory in the South and very insufficient in the North but could be easily developed.

The main production, of course is rice (about 50 % of cultivated areas). In spite of low output, 2 845 Kg/ha in 1989 (3 520 Kg/ha in the average of Asia), Vietnam became a rice exporter in 1990.

The other main crops are manioc (8 % of cultivated lands) and sweet potatoes (6 % of cultivated lands).

The principal commercial crop is the rubber-plant. Rubber sales brought in 40 million dollars in 1986 (0,3 % of the GNP). If we include rubber, the agricultural balance is more or less in equilibrium since 1983. In 1988 there was a surplus of 89 million dollars (0,5 % of the GNP).

3. Mines and industries

Vietnam disposes of non-exploited mineral resources.

Its main production is coal, about 6 million tons each year (6,1 million tons in 1989). The total value of the mining production was said to reach 283 million dollars (about 2,5 % of the GNP, of which in 1989 253 million was for coal).

Oil production is expected to be 6.5 million tons in 1993.

Vietnam is building hydroelectric plants (Hoah Binh expected to produce 8 milliard KWh, Tri-Anh central expected to produce 1,5 milliard KWh). Generally speaking Vietnam suffers from a lack of energy resources.

4. Industry

Industries suffer from a lack of energy resources, raw materials and component parts. It produces 50 % of what it could, essentially for its own consumption. Since March 1989, a lot of non profitable factories have no longer received assistance from the State and have closed (for instance 17 factories in the province of Tay Ninh).

I. General conditions : why we must take a greater interest in Vietnam ?

1. Vietnam is part of the Pacific basin

As we all know, one of the main developments of the 1970's and the 1980's has been the emergence of the Pacific basin as a major economic development centre of the world, including USA, Japan, Australia, New Zealand, Korea, Hongkong, Taiwan and all countries of South East Asia, including Vietnam.

Due to the geographical distance of this region from Europe and to various political circumstances, the European Community did not sufficiently monitor developments here for many years; and did not create a network of commercial and economic relations with these countries until recently.

Vietnam remained apart. It had become a member of the COMECON, and, as such, had very intensive links with the Soviet Union, preventing the development of other relations with the rest of the world.

Besides, the US embargo on Vietnam, after the end of the war, blocked every possibility of cooperation.

2. Vietnam is opening to the world

Although already started earlier, the fall of the Soviet Union and the end of the COMECON accelerated the important politic and economic reforms, among which the return to a market economy which could result in the birth of a new "little tiger" in South East Asia. It is certainly too soon to establish any comparison with Korea, Taiwan, Singapore or even Thailand but Vietnam disposes of a numerous and active population, eager to learn new technologies, ready to work hard for very low wages. Vietnam is only waiting for foreign investors.

3. We must participate in a political dialogue with Vietnam

Recent history has shown the very important part played by Vietnam in South East Asia, even from a direct military point of view, as its wars and its intervention in Cambodia has proved. Vietnam cannot be separated from all its neighbours in the region.

Technological cooperation, economic development, humanitarian assistance, not to speak of humanitarian aid to refugees and boat people would be much easier or even possible only if Vietnam were involved in a political and permanent dialogue between these countries and EEC.

II. Political and economic reforms and development in Vietnam

1. Political reforms

The European Community suspended its tentative relations with Vietnam after Vietnam's invasion of Cambodia in 1979. In the early autumn of 1989, the Vietnamese forces in Cambodia were withdrawn and diplomatic relations between EC and Vietnam opened in November 1990 and have steadily developed since then.

Vietnam's prolonged presence in Cambodia did not only alienate China and Thailand (together with the other ASEAN countries) but also the United States and the European Community. Vietnam, became a member of the CMEA (COMECON) and signed a treaty of friendship and cooperation with the Soviet Union in 1978, and became excessively tied to its COMECON allies in Central and Eastern Europe with catastrophic results. By comparison, the ASEAN neighbours were booming.

A political reform started already earlier, was accelerated by the collapse of COMECON and of the Soviet Union.

This created enormous disruption as regards trade, the balance of payments and economic development. But it resulted also in a strong disillusionment of the ruling elite who became ready to accept and promote the implementation of a quite different economic policy and a quite different type of relation with the rest of the world, and consequently with EEC.

2. Economic reforms

A soviet style economy was introduced in North Vietnam after 1954, and in South Vietnam after 1975. It became excessively dependent in trade with the Soviet Union and on large-scale development assistance from it. The fall of COMECON obliged the Vietnamese to accelerate a new economic system based on the following principles:

- firstly, switching from a policy which limits private economy to a consistent, long-term economic policy which allows the existence of many economic sectors and the interweaving of several forms of ownership with a view to developing productive forces and enhancing the effectiveness of the economy,
- secondly, shifting from a mechanism wherein the State directs all economic activities through command-style planning and subsidies to a market mechanism with macro-economic management by the State and a guarantee of the right to business autonomy of every enterprises and citizen,
- thirdly, shifting from an autarkic, closed economic structure to industrialization geared towards setting up an economy that is open both at home and in its dealings with the outside world,
- to establish, and to maintain good relations with all possible countries without any restriction;

In March 1989 following the opinion of the IMF, the Vietnamese authorities decided to move to a market economy in a very strong way with the following results :

- The dong floated according to supply and demand. The black market disappeared;
- Subsidies to state industries were abandoned, creating high levels of unemployment and enterprise closures;
- In 1986 inflation reached near 600 %. In 1992 it was less than 20 %;
- The price of rice fell from 750 dong for a kilo to 600 dong for a kilo in 1989;
- In June 1992 a programme of privatization began. According to a report of the Asian Development bank, GDP growth was estimated to be at 6.0 per cent in 1991, 8.3 per cent in 1992 and is expected to be at 7.5 % in 1993/1994.

3. Trade and economic relations between Vietnam and its main partners : first results

GDP breakdown : in % (estimation)

	1985	1988	1991
Agriculture	51	46	51.7
Industry	28	32	22.8
Commerce, construction	21	22	22.4
Incl. others	100	100	100

External trade¹ (in mio US \$) - Source : IMF **

	1976	1980	1985	1987	1988	1989	1990	1991
Exports	130.6	156.2	750	553	667	1,455	1,728	1,921
Imports	514.2	876.6	1590	1,267	1,483	1,517	2,055	2,063
Balance	-383.6	-720.4	-840	-714	-816	-62	-327	-142

** excludes trade with CMEA and other non-convertible areas until 1987

Community trade with Vietnam (Source : Eurostat)
(in Mio ECU)

	1980	1982	1983	1985	1988	1989	1990	1991	1992
EC Exports	140	74	66	70	89	132	128	185	301
EC Imports	10	12	28	36	32	66	33	173	319
Balance	130	62	38	34	57	66	45	12	-19

¹ provisional
Source : EC Commission

Community trade with Vietnam by Members States, 1992				
EC-imports (cif)			EC-exports (fob)	
1000 ECU - % -			1000 ECU - % -	
Total	319,468	100.0	300,763	100.0
of which :				
France	62,49 (?)	19.6	170,412 (?)	56.7
Belg.-Luxbg	21,008	6.6	11,829	3.9
Netherlands	16,952	5.3	9,550	3.2
Fr Germany	175,746 (?)	55.0	41,198 (?)	13.7
Italy	10,379	3.2	33,768	11.2
Utd.Kingdom	17,307	5.4	27,486	9.1
Ireland	1,155	0.4	166	0.1
Denmark	4,022	1.3	4,556	1.5
Greece	1,262	0.4	166	0.1
Portugal	420	0.1	484	0.2
Spain	8,725	2.7	1,050	0.3

Source : COMEXT, EUROSTAT

Production : European Parliament/Statistical Service

Community trade with Vietnam by commodity classes, 1992				
EC-imports (cif)			EC-exports (fob)	
	1000 ECU - % -		1000 ECU - % -	
Total	319,468	100.0	300,763	100.0
of which :				
SITC 0 + 1	48,492	15.2	37,402	12.4
SITC 2 + 4	7,504	2.3	2,322	0.8
SITC 3	30,419	9.5	273	0.1
SITC 5	2,183	0.7	53,255	17.7
SITC 7	7,285	2.3	162,975	54.2
SITC 6 + 8	222,880	69.8	43,028	14.3

Source : COMEXT, EUROSTAT

Production : European Parliament/Statistical Service

Note : SITC 0 + 1 : Food, beverages and tobacco
SITC 2 + 4 : Raw materials
SITC 3 : Energy
SITC 5 : Chemicals
SITC 7 : Machinery and transport eq.
SITC 6 + 8 : Other manufactured products

Community trade with Vietnam, 1982 - 1992			1000 ECU
	EC-imports (cif)	EC-exports (fob)	Balance
1982	12,127	76,204	64,077
1983	28,622	66,818	38,196
1984	32,591	82,407	49,816
1985	36,114	70,275	34,161
1986	40,968	58,251	17,283
1987	36,031	67,870	31,839
1988	32,489	88,715	45,226
1989	66,068	132,077	66,009
1990	82,977	127,655	44,678
1991 (1)	168,530	162,152	-6,378
1992 (1)	318,666	299,020	-19,646
1992 : average 1981/82/83 = 100	1,749.2	316.2	
1991 (2)	172,155	184,847	12,692
1992 (2)	319,468	300,763	-18,705

Sources : CRONOS-FRIC and COMEXT, EUROSTAT

Production : European Parliament/Statistical Service

(1) former West Germany only,

(2) former West Germany and former East Germany

II. Possible fields of cooperation between the Community and Vietnam

1. Priorities according to the Vietnamese authorities

On 29 September, during a meeting in Hanoi between the rapporteur and Mr. TRANG NGOC TRAN, Commissioner of the State Commission for planning, the following topics were reviewed¹

"

- As regards the transition from central planning to a market economy the initial results are now visible. Vietnam wishes to maintain good relations with all countries. The government sets prices for energy but in other areas pricing policy and services are determined by the market;
- As far as external relations are concerned, specific agreements, with specific aims are as follows :

¹ PE 202.388, p. 6 - 7

1st priority

- Infrastructure (transport sector, roads, maritime ports, airports);
- Energy generation, primarily the construction of power stations (hydro electric in North Vietnam);
- Sanitation;
- Better communications systems.

2nd priority

- Improved use of national resources (oil, coal, cement).
The industrial areas require large amounts of skilled labour. There is a lack of experience, and assistance with training is required.

3rd priority

- Promotion of the commercial sector, which is becoming increasingly important;
- Training is required here (retraining of present staff in the operation of free markets and training of new workers). Community assistance in funding such training, or part of it, is desirable. At present training is taking place in a number of countries, each of which has its own systems, resulting in problems of coordination within Vietnam itself. Preference is therefore being given to training in Vietnam, combined with fact-finding missions elsewhere. It was stated that as yet there have been no official contacts between the Community and Vietnam with regard to training programmes, although a German committee of inquiry has apparently been to Vietnam;
- Cooperation in the form of joint ventures in the commercial sector is feasible. Vietnam can compete with other countries in terms of costs. A start could be made on encouraging small and medium-sized businesses but this primarily requires capital".

The Vietnamese communist party has adopted a free market policy in agriculture and light industry.

It has encouraged foreign investment especially in the fields of oil exploitation and communications infrastructure though it continues to regard reform as a matter of party leadership.

There are many fields in which the Community could make a useful contribution. A cooperation treaty could be drawn. The agreement between EC and the Member States of the Cartagena agreement could be taken as a model enumerating a number of possible cooperation fields and describing possible actions of the Community.

2. Possible cooperation fields which should be mentioned in a future cooperation agreement between EC and Vietnam

a) **General economic cooperation**

Following the priorities of the Vietnamese government an agreement should be aimed at :

- Opening up new supply sources and markets;
- Encouraging technology transfers;
- Creating conditions favourable to the development of job opportunities;
- Encouraging rural development;
- Supporting the regional integration movement;
- Exchanging information on statistics and methodology;
- The three main needs seem to be
 - = Financial aid;
 - = Technical assistance;
 - = Training.

b) **Investment**

The country is extremely poor and investment seems to be the first priority : things are beginning to move.

For instance, in October 1992, in Ho-Chi-Min City, the setting up of private businesses was in evidence. There were more than 2 000 private businesses in operation, the largest of which having more than 6 000 employees. There were also 300 foreign firms, including five international banks from Thailand, France and Indonesia amongst others. 120 investment projects had already been approved.¹

The European Community certainly could :

- Improve the climate for investment, in particular by seeking agreements for the promotion and protection of investment between EC member states and Vietnam on a basis of non discrimination;
- Bring technical assistance for investment;
- Promote joint ventures, licensing agreements, transfer of know how subcontracting, etc;

¹

Report by Mr. Visser on his visit to Vietnam from 26 September to 3 October 1992 - PE 202.388. Declaration of Mr. Truong Vanda, vice-president of the People's Council àf Hoh Chi Minh city on 2 October 1992, p. 10

- Exchange appropriate information, notably as regards access to existing or future data bases;
- Set up business networks, particularly in the industrial sector.

c) **Mining**

Vietnam disposes of some resources but they could be better exploited. A cooperation treaty should

- Encourage Community companies to participate in prospecting, exploring for and extracting mineral resources;
- Create activities designed to boost small and medium-sized mining enterprises;
- Exchange experience and technology with regard to exploration and extraction methods and to set up joint research projects with a view to promoting technological development.

d) **Energy**

Vietnam has severe problems in producing enough energy in order to develop the other sectors. It should, therefore, be possible to

- Make joint studies and research;
- Organize consultations between those responsible for energy planning sectors;
- Implement programmes and projects in the energy fields.

e) **Transport**

Considerable improvements need to be made. Infrastructure is required. All this could be done through

- Economic, legal and technical training programmes for transport operators and government transport officials;
- Technical assistance, notably for infrastructure modernization programmes.

f) **Telecommunications**

Vietnamese networks are dramatically insufficient. Improvements could be brought by

- Experts working together;
- Expert assessments, studies and information exchanges;
- Training of science and technology personnel;
- Identification and implementation of projects of common interest;

- Promotion of joint R and D projects and the creation of information networks and data bases.

g) Tourism

There is a considerable potential : an attractive coastline, the old imperial city of Hue and so many other monuments. Many monuments suffered from the long war period and a great attention (and money) must be given to restoration and conservation. Many cruises could also be organized. Investment is required for hotels, entertainment and roads.

Cooperation with EC tour operators and travel agencies could take the form of

- Information exchanges, forward studies;
- Assistance in the field of statistics and data processing;
- Training;
- Organizing events.

h) Trade cooperation

Trading implies that a country has something to sell or money to buy goods and services from outside. This is not yet the case for Vietnam. But little by little such possibilities are developing and could be extended through a cooperation with the European Communities (and other countries) aiming at

- Promoting meetings, exchanges and contacts between heads of firms of each of the parties with the aim of identifying what products are suitable for sale on the market of the other party;
- Facilitating cooperation between Community and Vietnam customs authorities, particularly as regards professional training, simplification of procedures and the detection of branches of customs regulation;
- encouraging and supporting trade promotion activities such as trade and industrial fairs and exhibitions, trade missions, visits, business weeks;
- lending support to their respective organization and companies so that they can carry out activities to their mutual advantage;
- Taking into account the interests of the other party as regards access to domestic markets for raw materials, manufacturers and semi-manufacturers, and as regards the stabilization of international commodity markets, in accordance with the objectives agreed by the relevant international institutions.

i) **Agriculture, forestry and rural sector, fisheries, environment**

They need technical assistance for exports of processed vegetables and fruit. A wide variety of timber is available but they must ensure proper management. Support is also required for the management of the environment, the construction of paper mills and about 400 000 ha are available for afforestation¹. Fish plays an important part in Vietnamese feeding but catches must be increased.

Besides, EC cooperation could take the form of

- Agricultural research;
- Health, plant health and environmental proposals;
- Training, especially in the new agricultural technology;
- Research study projects on disasters and disease prevention;
- Promotion of subregional and regional trade;
- Encouraging the development of regional communications.

III. The starting point : What has already been done, what could easily be done or continued

1. Short term food aid (in special circumstances) like typhoon damages in 1986

The rapid increase of population in Vietnam could necessitate the renewal of such short terms forms of aid in the future, the best solution being of course the development of agriculture production.

2. Assistance to refugees and returnees

In 1990, 120 000 Vietnamese lived in camps in Hong Kong and Asian countries. About 80 000 of them could not find a new country and had to be sent back to Vietnam. Repatriation and reintegration concerned volunteers ready to return to Vietnam.

"Of the ECU 34,5 million allocated for the period 1 June 1992 to 31 May 1993 only ECU 25,7 million has been available and programmed".² This amount contributes to develop the country through various actions such as :

1 PE 202.388, p. 8

2 PE 202.388, p. 4

a) **Credit scheme**

Small loans, issued through Vietnamese banks, funded with EC resources up to 100 %, with larger loans being up to 50 % EC funded. The aim of the scheme is to create jobs for returners and constitutes the most important part of the programme and accounts for approximately 50 % of the budget.

b) **Vocational training centres**

50 % of returnees and 50 % for those who remained in Vietnam. There should be 140 centres at the end of the programme providing courses in 35 occupations in training periods of 3 to 6 months concerning people who have never been employed on the labour market.

c) **Micro projects**

They are short-term investments for a maximum period of six months, with a ceiling of US \$ 50 000. The aim is to improve the environment in villages to which the returnees have come back : reparation of a dyke, construction of a local clinic or of a school and so on. By the end of 1994, there should be about 140 micro projects.

d) **Health sector**

The initial phase covered two projects in the North of Vietnam each with a budget of US \$ 750 000 covering the construction or improvement of a hospital, an ambulance service and training of medical staff. A number of further projects are at the preparatory stage.

3. Agreements on special sectors such as textile

4. Opening of a permanent delegation of the Commission in Vietnam

This would be the best way to organize and guarantee a continuous political dialogue.

5. Opening of an EC chamber of commerce

would help to stimulate economic cooperation in the various fields.

6. ECIIP financial instrument and loans of the EIB

should be granted to Vietnam and the ALA countries.

7. Suppression of US embargo

and all types of financial freezing towards Vietnam economy which would be in the interest of the US too.

8. Application of the main GATT principles to Vietnam,

even if that country is not a member of GATT, it would be extremely important to prepare its future adhesion and to include Vietnam among free market economy countries.

CONCLUSIONS

As the other countries of South East Asia, Vietnam disposes of a numerous (and increasing) active population, very attractive for investors looking for people ready to work for low wages.

The opening of Vietnam to Western countries should result in an increasing of its GNP. A number of foreign enterprises have already signed agreements with Vietnam such as ACCOR, PULLMANN (French), SHELL (Dutch), PETROFINA (Belgium).

In September 1992, more than 500 licences had already been granted to foreign projects. There were 430 projects underway with a total investment of US \$ 3.4 million.

However, there are problems in promoting small businesses.

There is a great need for capital, assistance through loans at favourable interest rates. The recent lifting of its embargo on the IMF refinancing plan by the US is the first step. The World Bank and the ADB should also be involved in the negotiation of an economic programme. The trade embargo of the US should also be ended.

The guarantee to foreign investors that could be allowed to repatriate the invested capital should also stimulate these investors.

Vietnam is said to have a very favourable fiscal climate with low rates of corporation tax (top rate of 25 %), with a rate of only 10 % in the "export processing zones".

The priorities mentioned should be entered into a ten-year plan for industrial development for the period 1991 - 1999 with a separate plan for each sector. A number of projects should be carried out within two years, beginning in 1993 and require capital, machinery and equipment.

However, foreign companies and investors meet problems due to bureaucracy and corruption, language, the lack of infrastructure and communication.

The Vietnamese authorities intend to develop advanced technology for instance in the telecommunications sector.

They are also conscious of the potential for developing tourism. They aim at increasing the number of tourists from 300 000 in 1991 to 1,6 million by the year 2000. Special tourist areas will be created. Here cooperation with tour operators is required.

Unemployment and underemployment will continue to be a major problem in Vietnam. The expansion of labour-intensive industries is needed. But 1994 imports are expected to increase very quickly, at a rate of 25 - 30 % annually.

After a long period of crisis, Vietnam achieved remarkable progress in 1992, in spite of its difficulties. Per capita income increased and stabilization of the economy brought results beyond expectations : the inflation rate fell, the exchange rate steadied and a small surplus emerged in the current account of the balance of payments. All that should stimulate EC political authorities and EC investors to contribute to the development of Vietnam, in our mutual interest.

02.04.93

B3-0458/93

MOTION FOR A RESOLUTION

tabled pursuant to Rule 63 of the Rules of Procedure

by Mrs. PEIJS

on economic and trade relations between the European
Community and Vietnam

The European Parliament,

- A. whereas Vietnam is implementing an economic reform including a free market policy in agriculture and light industry,
 - B. whereas the Vietnamese government has opened the way to rapprochement between Vietnam and its neighbours in the ASEAN region,
 - C. whereas Vietnam is eager for international monetary support, investment and transfer of technology from Western countries,
 - D. whereas Vietnam hardly suffers from the falling of production and investment,
 - E. having regard to Vietnam's serious foreign trade problems following the collapse of COMECON,
 - F. whereas the full potential of economic and trade relations between the EEC and Vietnam has yet to be realized,
1. Instructs its Committee responsible to look into the development of and outlook for economic and trade relations between the Community and Vietnam.

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