CHAPTER III
Vietnam's Tourism Before and After Economic Revolution Reform (Doi Moi Policy)

In this chapter the researcher will study the history of Vietnam's tourism development before and after Doi Moi economic revolution reform, answer the research question in first chapter and explain how the influence of economic revolution policy (Doi Moi) in developing Vietnam's tourism industry.

A. Tourism before economic revolution (Doi Moi Policy): Post-war era in 1975-1985

The war resulted in many deaths and injuries, South Vietnamese people have died of 220,357 people and injured a total of 1,170,000 people, while the North Vietnamese people who have won, which are actually Vietnamese people, also have died and lost around 1,176,000 people and the total deaths in this war including those who helped North and South Vietnam from various alliance countries it was found that 1,463,277 people were killed.[20] After the end of the war, South Vietnam and North Vietnam merged into one country namely Socialist Republic of Vietnam. After the integration, Vietnam faced many problems in politics, governance, economy and society due to the long war, the state has been damaged, and it is difficult for Vietnam to start building a new nation again.

The first period after the unification of the Socialist Republic of Vietnam in 2 July 1976, In April 1976, the first meeting was held by the Communist Party: Le-Duan, the Secretary of Communist party announced that The Socialist Republic of Vietnam has accelerated into socialism in which northern Vietnam is the example. Vietnam's government supporting modern socialist economic development by eliminate the capitalist system and the feudal. Meanwhile, the

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[20] Ljunggren, Börje (1996), "Doi Moi in the Year of the Eight Party Congress: Emerging
Contradictions in the Reform Process", mimeo, Hanoi.

industry and trades of private capitalists, agriculture, self-employed, skilled craftsmen, laborers including small traders under the socialist system will transfer of these businesses to the state owner.[21] The main goal is adjusting the economic system of South Vietnam in the same direction as North Vietnam. The development of the socialist system is based on three revolutionary conditions that need to be done at the same time: 1. the revolution of country's production 2. the science and technology revolution and 3. cultural and ideological revolution.

During the period of the development of country between 1975 - 1985, the Vietnamese government had to face many problems such as economic, political, and social these problems affecting to the country development as follow:

1. The problem of the political structure, governance and economic system of the two countries, North Vietnam which is a socialist in both politics and economy and South Vietnam is a liberal who accepts capitalism as a guideline for development. After the reunification, some South Vietnamese people are dissatisfied and are against the reunification at this time.
2. Socialist development approaches cannot boost agricultural production for both consumption and export. Resulting in the country being a trade deficit for many consecutive years.
3. Investment promotion is not yet motivated to see future results, which reflects the lack of confidence of a group of foreign traders or investors going to do business in Vietnam.

[21] Kokko, Ari (2000), "Structure, Performance and Reform Requirements in the Vietnamese Private Sector", Studies on Private Sector Development 2000:1, Swedish International Development Cooperation Agency, Stockholm.

4. Lack of trade facilitation systems, especially banking systems or private commercial banks, which will be a mechanism to drive financial readiness.
5. The lack of potential and efficiency in controlling the inflation problem of the country. Due to the strict control of the financial and fiscal system, which occurred because the political parties wanted to use the money as a base for the stability of politics and economy. Therefore, unable to respond to the true needs of businessmen in both inside and outside Vietnam.
6. The establishment of many state-owned enterprises has become a financial burden or a state budget, by which the state must be responsible for.
7. Many battles made it difficult to develop the country. Due to the loss of money and opportunities such as war with China, it has been destroyed by Chinese industrial production or military stationed in Cambodia and Laos causing many countries not to help.
8. The corruption is still the main problem in the government of Vietnam. As a result, illegitimate business became a cause of social problems and at the same time, resulting in inflation problems that are difficult to solve.

From the above problems, therefore, pushed the Vietnamese government to not develop or repair tourist attractions such as historical, culture, art, nature and entertainment place after the reunification of the country in 1975 to 1985 from the damage caused by the war. However, the government instead gave priority to solving the differences between North and South Vietnam under the same rule.

B. Doi Moi Policy

During this period, it was an important point for Vietnam's adjustment for development that has been in operation until now. The modifications began after the end of the Cold War in 1985. When President Mikhail Gorbachev, the

Soviet Union leader, reformed the country more democratic and emphasized on cooperative policies with various countries to solve global problems such as famine and nuclear problems etc. Gorbachev uses a policy called Glasnost –Perestroika or an open-adjust policy in February 1986.

The policy of Glasnost is to open or expand the country to be more democratic to the people and free to express the opinions.[22] The Perestroika policy is to adjust the economic and social conditions of the Soviet Union to freeze the stagnation in order to improve the standard of living of the Soviet people better.[23] For this reason, Glasnost-Perestroika policy is giving people freedom and participation in governing the country and adjusting their political, economic, social and cultural structures to be more capitalist and more cooperative with countries outside the communist countries. This policy created peace and led to many open negotiations between the United States and the Soviet Union between 1985 – 1989, both powers agreed to reduce nuclear weapons and find a way ending the world political conflict.

When the mother countries change their political and economic policies, Vietnam then turned to review its policy as well, because at that time Vietnam was very dependent on the Soviet Union, the chaos that occurred in China and Eastern Europe in 1989. As a result, the Communist leaders of Vietnam were also afraid of the effects of these events on their own government and emphasized the Communist Party's new policies regarding economic reform. Nguen Van Linh, the Secretary of the Communist Party, has rejected the idea of a multi-party political and pluralist system for Vietnam. And

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[22] Kokko, Ari (2005b), "Excess Capacity in Swedish Industrial Development", International Journal of Learning and Change, 1, 1, pp 122-140.

[23] Martin, Lawrence (1999), "Determining a Level Playing Field for Public-Private Competition", Grant Report, PriceWaterhouseCoopers.

when the collapse of the socialist system in the Soviet Union and Eastern Europe, it also increased the economic crisis of Vietnam to be worse as well.

As former members of the former Soviet Union were beset by crises in their own country, they were unable to provide any assistance. Although, Vietnam's new economic policy was adopted in 1979 to alleviate domestic problems during the 1980s, because of the worsening economic conditions, people still suffer from starvation and insufficient food to distribute in many areas.

Until the Sixth Meeting in 1986, Vietnam followed in its footsteps. According to Glasnost-Perestroika policy Of the Soviet Union, by which the party decided to implement the country's social economic reform program called "Doi Moi" under a new leader, Nguyen Van Linh. The new economic system began in 1989 to encourage Vietnamese people to cultivate crops on their land, resulting in higher productivity, including industrial production, agricultural crops.[24]

Doi Moi policy is different from Perestroika policy of the Soviet Union, to Implement Doi Moi policy make the Communist Party leaders consider to destroy the party's role and make conservative groups carefully open for the economy, that causing the implementation of Doi Moi policy to occur slowly. The word "Doi Moi" in Vietnamese which means renovate, it is Vietnam's economic policy that proposed by Nguyen, the Secretary of Communist Party by focusing on the free market but using the socialist political system. This policy was proposed at the National Council Meeting 6th in 1986 and 7th in 1991, the proposed policy at the National Council was caused

[24] Roberts, Mark and James Tybout (1997), "An Empirical Model of Sunk Costs and the Decision to Export", American Economic Review, 87, 4, pp. 545-64.

by the failure of the Communist Party of Vietnam to improve the country's economic problems.

The Doi Moi policy is evident in the economic development plan issue 4 (1986 - 1990), it is a state-oriented planning focusing on agricultural production and industrial promotion of state-owned enterprises[25]but focuses on agriculture rather than industrial. The idea of Socialist only exists into politics, in order not to be an obstacle to the economy that uses market mechanisms for expansion of economic relations using the market mechanism to expand international economic relations, by trying to get into a member of a regional cooperation group like ASEAN and attention to the problem of unemployment and poverty. And use the liberalization measures has enabled Vietnam to develop more and more foreign investors to do business. The result of the use of liberalization, in 1989, rice production in Vietnam was sufficient to export for the first time in foreign markets. And economic growth during the years 1989 - 1990 up to 4.5 percent[26]and increased significantly at the rate of 8-9 percent during the year 1991 – 1995.[27]

In addition, in the mid-1990s, Vietnam began to conduct relations with foreign countries such as China and the United States, until in September 1990, Vietnam was signed as a member of the United Nations. After reviving the relationship between Vietnam and the United States, it is causing more countries to invest in Vietnam. At the same time, Vietnam emphasizes the policy of continuously building relations with

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[25] Central Institute for Economic Management and Asian Development Bank. 2017. Formalization" of Households Business in Viet Nam. Hanoi.

[26] Viet Nam Chamber of Commerce and Industry. 2010–2016. Business Annual Report. Ha Noi: National Politics Publishing House.

[27] Organization for Economic Co-operation and Development and the World Bank. 2014. Science, Technology and Innovation in Viet Nam. Paris: OECD Publishing http://dx.doi. org/10.1787/9789264213500-en

foreign countries, in the form of exchanges and visits by the leaders of Communist Party[28]such as visits to Malaysia, Singapore and the European Union. Meanwhile, the leaders from Many countries also visited Vietnam and Vietnam hosted the ASEAN Leaders Summit in December 1998 to show that Vietnam is a good member of the world community. That makes Asian and European companies are getting into Vietnam for investment opportunities in both Hanoi and Ho Chi Minh cities until these cities became a city that grew rapidly, with hotels and renovated more international airlines flying to Vietnam.

The 8th National Assembly in June 1996 and the 9th in April 2001, The Communist Party of Vietnam still adheres to the old principles of development, using only socialism and political liberalization of the economy, because still believe that the socialist approach is a principle that can be successful.[29]

Since Vietnam implemented Doi Moi policy, Vietnam has truly entered the era of reform and reflects that the Communist Party of Vietnam plays a role in economic policy formulation.[30]The Government of Vietnam under the Communist Party believe that the use of capitalist concepts under the socialist political system can lead Vietnam to a better country. In this regard, the Doi Moi Policy has many basic goals or objectives as follows: 1) Determining the economic structure that will give priority towards the agricultural industry, service sectors and technology sectors to both in the city and in the countryside. 2) Investment policy formulation for economic infrastructure 3) Defining investment policy for national

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[28] Economica Viet Nam. 2013. The Non-farm Household Business Sector in Viet Nam. Hanoi.

[29] Viet Nam's Economy, the Other Asian Tiger. The Economist. 6 August 2016. pp11–12.

[30] Dinh Truong Hinh, Deepak Mishra, Le Duy Binh, Pham Minh Duc and Pham Thi Thu Hang. 2013. Light Manufacturing in Viet Nam: Creating Jobs and Prosperity in a MiddleIncome Economy. Washington DC.

defense 4) Determining policies to promote heavy industry or light industry, and will focus on production for sale or for consumption 5) Financial policy formulation 6) Policy formulation of human resource development 7) Policy formulation of environmental 8) Foreign trade policy formulation, such as determining the scope for opening a trade market especially, the prohibition of importing or exporting of certain products, quota determination and determination tax etc.

Therefore, the policy of the Government of Vietnam in the early 1990s, emphasized the strength of the government economy and less emphasis on heavy industry and promoting collective economy including promoting production for export especially, agricultural products which means rice is the main product. When considering through the Doi Moi policy in general, after the year 1986, it reflects that the Vietnamese government is trying to play more roles in economic reform by defining more capitalist development approaches, but it is capitalism that limits the scope of the government on important issues, such as the control and opening and financing of commercial banks. Which the government hopes that the bank will be a central mechanism for driving develop or stimulate the economy, while that state is open to the private sector both inside and outside the country can enter into business, trade and investment more.[31]

Therefore, The Vietnamese government and political mechanisms within the Communist Party of Vietnam accept reforms such follows: 1) Rural agricultural reform, more liberalized by providing each farmer with the right to determine production and can use of land in the long term 2) Adoption of a more free price mechanism, with the termination of price controls for almost all types of goods and the market

[31] Bernard, Andrew B. and J. Bradford Jensen (2004), “Why Some Firms Export”, Review of Economics and Statistics, 86, 2, pp. 561-69.

mechanism to determine product prices 3) Allowing the floated exchange rate system 4) Interest rate reform to be closer to the reality, which considered that the state has accepted the mechanism according to capitalism 5) Fiscal reform by reducing the large subsidies of existing state-owned enterprises while reducing the cost of the military, and improvement in the efficiency of the government also adjusting new tax system 6) Encouraging the private sector to participate in the economy because the state uses the policy to stimulate the private sector by issuing legislation, establishing private corporations and private enterprises, including granting loans to small private businesses. 7) Exposure to foreign investors with the investment law, which has been amended several times to facilitate investment by allowing foreign private sector to have a greater role and participation in Vietnam economic development 8) Adjusting social spending by canceling free services on social services and initiate various programs to support the unemployment problems arising from economic reforms.

In addition, the impact that occurred during the implementation of this policy from the year 1986 until now although, the reform of Vietnam is aimed at economic, social and political. but economic reform is the most advanced because the Communist Party paid more attention to economic development than other sides the political and social reform develop slowly, the main cause is the suspicion within the party that the fear about political reform will reduce central control and to increase economic freedom,[32] which would reflect the loss of political power. However, the Communist Party of Vietnam is still wishing for the Vietnam's economy to develop through expanding foreign investment in Vietnam and reducing economic control, but there are still some parts that have been centralized. Resulting the economic development in agriculture,

[32] Athukorala, Prema-Chandra, (2006)," Trade Policy Reforms and the Structure of Protection in Vietnam",The World Economy, 29, 2, pp. 161-187.

commerce, industry and foreign investment in Vietnam during the last two decades before the end of the year of 2000 has grown a lot.

C. Tourism after Implementation of Doi Moi policy in 1986

After the economic relief in 1986 through the Doi Moi policy as a result, Vietnam's economic system is a mixed form of capitalism and socialism. In the first 10 years from 1986 to 1995, the Vietnamese government emphasized economic and social development, job creation, poverty reduction of people and focusing on economic relations as well as focusing on creating equality for people in society. However, the implementation of the economic and social development policy during the first 10 years has not given any importance to the development of domestic tourism management but is still in the development phase or prepared for develop infrastructure, improve people's quality of life and economic stability rather than domestic tourism development.[33]

After 15 years of Doi Moi policy implementation, Vietnam's government focused on developing the country from an agricultural society to industrial society and began to pay more attention to the development of tourism in the country since 2001. Vietnam's tourism has grown and developed into an important economic branch of the country in the period from 2001- 2018, there are interesting tourist statistics. Shown in table 3.1:

[33] Bee, Ng. (2008). Tourism and Economic Development in Vietnam. (Unpublished master's thesis). University of Birmingham.

Table 3.1: Tourism statistics of Vietnam during 2001-2018.

Year	Tourist Arrivals
2001	2,330,800
2002	2,682,200
2003	2,429,600
2004	2,927,876
2005	3,467,756
2006	3,583,486
2007	4,171,564
2008	4,253,740
2009	3,772,359
2010	5,049,855
2011	6,014,032
2012	6,847,678
2013	7,572,352
2014	7,874,312
2015	7,943,651
2016	10,012,735
2017	12,922,151
2018	15,497,791

Source:http://vietnamtourism.gov.vn/english/index.php/cat/15/10

It can be seen that, the number of tourist in Vietnam increased steadily since 2001-2015, different from the years of 2016-2018, the number of tourist from 7 million in 2015 increases to 15 million in 2018.

However, the number of foreign tourists visiting Vietnam is still low compared to other countries in ASEAN. In 2005, Vietnam has a market share from foreign tourists visiting the region. There is a proportion that is similar to Thailand, which is 27.7 percent, Malaysia has 20.9 percent of tourists visiting and Singapore has 37.6 percent of tourists visiting. And during the first month of 2006, there were 1,287,000 foreign tourists visiting Vietnam, up 15.9 percent from the same period last year.[34]

Vietnam has improved travel facilities to visit Vietnam by visa exemption for tourists from various countries. This is including Thailand, Philippines, Indonesia, Malaysia, Laos, Cambodia and Singapore, the tourists from these countries can visit Vietnam by holding only passports and can stay in Vietnam for 30 days. In addition, Vietnam also provides visa exemptions for travelers traveling from Japan, Korea and 4 more from North European countries, which tourists traveling from these countries will be able to stay in Vietnam for 15 days,[35] hoping to make tourists from these countries come to visit Vietnam more in particular, the target is a group of tourists from Japan and Korea.

In 2005, tourism laws were passed through the 11th national conference (7th of communist) and became effective

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[34] Heinemann, B. (1995). Tourism development in Vietnam. Journal of Tourism Management, 16(4), 315-325.

[35] Thanhnien News. (2014). Vietnam may grant visa waivers to 9 more nationalities. [Online].
Available from http://www.thanhniennews.com/travel/vietnam-may-grant-visa-waivers-to-9-more-nationalities-30425.html. [Accessed: 26-03- 2019].

from 1 January 2006. The law provides basic information about tourism activities and provides full support for tourism in Vietnam to contribute to regional tourism development. In addition, various tourism activities in Vietnam are fully supported and publicized by the government. There are many international events and exhibitions and public relations of political and tourism images such as attending the World Expo in Japan, especially at the ASEAN Tourism Forum (ATF) and various meetings. For within Vietnam, there are various national events. For attracting tourists such as Nha Trang Brach Festival, Nghe An Visit Year 2005, organizing 3 cultural events namely Vietnam, Laos and Thailand at Hue, flower arrangements at Dalad (Da Lad).

D. The Influence of Doi Moi Policy to Develop Tourism Industry by Increasing the Role of Private Sector

The past twenty years have witnessed a number of important milestones for Vietnamese private sector development. The Doi Moi policy was launched at the Sixth Party Congress in 1986, where a program of major reforms to abolish the system of "bureaucratic centralized management based on state subsidies" and to move to "a multi stakeholder, market oriented" economy, which included a role for the private sector, was adopted. Several changes in the legal framework for the private sector followed during the first half of the 1990s. In 1990, the Private Enterprises Law established a legal basis for the establishment of sole proprietorships and the Company Law opened up for limited liability and joint-stock companies. Tax reforms introduced special sales taxes, turnover taxes, and profit taxes. The role of the private sector was officially recognized soon thereafter, in the Constitution of 1992. In 1993, the Bankruptcy Law was approved, and the Domestic Investment Promotion Law that gave domestic investors access to some of the incentives available to foreigners was promulgated the following year.

After Vietnam implemented Doi Moi policy, the private enterprise was increase by allowed people in the country and foreigner to have their own business such as hotels or accommodation, restaurants, tout business or guides, transportation business, souvenir business, etc.

1. Private enterprise

Since Doi Moi policy implemented, the registered businesses has dramatically increased, reflecting both the formalization of existing household businesses as well as the creation of new firms. Formally registered enterprises were non-existent before 1990 as the laws simply did not allow the establishment of private sector enterprises. The first private enterprises were established in 1991 after the Sole Proprietorship Law and Company Law were promulgated in 1990. But establishing a private company was both complicated and prohibitively costly during the time. Within 9 years after the laws were introduced until 1999, only 14,500 private enterprises were established. The Enterprise Law adopted in 2000 triggered a rapid growth in the number and size of private enterprises. It eased restrictions and conditions in market entry. Since then, the number of enterprises has increased at an amazing rate in 2016, almost 110,000 private enterprises were registered,[36] and this figure increased to 126,800 in 2017. The incidence of number of enterprises over 1,000 population increased slightly to 10 enterprises per 1,000 population in 2017.[37]

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[36] Webster, Leila, 1999," SME in Vietnam: On the Road of Prosperity", Private Sector Discussion Paper, No 10, MPDF, Hanoi
[37] Van Arkadie, Brian and Roymond Mallon, 2003, Vietnam: a transition tiger? Asia pacific Press at the Australian National University, Cenberra

2. Foreign Enterprise

Besides the robust growth of the private enterprise, the government has made real effort in changing its mindset toward a more open market economy, lowering the cost of doing business and putting regulation in place to ensure rights and orders. In 1986 the government passed its first Law on Foreign Investment, allowing foreign companies to operate in Vietnam. The constitution has come a long way since, with the law being revised regularly to cater for a more investor-friendly business environment while aiming to reduce red-tape and accelerate foreign investment into the country.

The FDI enterprises are flourishing in Vietnam and the country has become increasingly accessible to foreign investments. After the US-Vietnam Bilateral Trade Agreement and the milestone adhesion to WTO, Vietnam signed a free trade agreement with the EU (EVFTA) in 2016. Viet Nam continues to diversify its economic partners, such as through increased ASEAN integration, the proposed Regional Comprehensive Economic Partnership, covering 3.4 billion people and most recently through the Comprehensive and Progress Agreement for Trans-Pacific Partnership (CPTTP).[38] FDI inflows into Vietnam have been steady and strong. Total FDI inflow reached US$24.4 in 2016 and US$35 billion in 2017. Between 1998–2016, US$336.7 billion have been registered to be invested into Vietnam by foreign investors from 112 countries and territories. Of the amount, US$154.5 billion or 45.9% of the total have been disbursed.[39]

[38]Aitken, Brian, Gordon Hanson and Ann Harrison (1997), “Spillover, Foreign Investment, and Export Behavior” Journal of International Economics, 43, 1-2, pp.103-32.

3. Investment Measures and Investment Classification

3.1 Investment measures

Vietnam adopted the first foreign investment law on January 1, 1988 then in 1992, has been modified to promote and attract more foreign investment. Currently, the latest foreign investment laws used are Unified Enterprise Law and Common Investment Law, announced in July 2005. Vietnam's investment law is quite clear and will benefit investors with the government promoting foreign investment and insisting not to take ownership of the state, as well as allowing the return of capital and profits, the government will not collect taxes on imported production machinery and construction materials. In addition, relevant departments have improved the approval of foreign investment projects by using the "One stop Service" system to solve the delay regarding investment requests. The Vietnamese government has implemented various measures in promoting and controlling investment in Vietnam, many measures are as follows:

1. **Tax measures**

1.1 Corporate income tax beginning year 2009 at the standard rate of 25% (equal to both Vietnamese and Foreign company)

1.2 Businesses that are supported by the government, the tax rate is based on a license such as 10 percent or 20 percent, in the case of tax exemptions, such as 2-4 years, the exemption shall start from the year of profit. (Not the year of operation)

1.3 Transfer of profits back to the country can be done on a quarterly basis and without having to pay Withholdings Tax.

2. Financial and banking measures: the Vietnamese government allows foreign commercial bank

branches to operate in foreign currency. Allowing businesses to use international settlement services and increase business agility.

3. Establishment of an export promotion zone and various industrial areas: Currently, Vietnam has two investment zones, Export Processing Zone (EPZ) and Industrial Zone (IZ), especially in Ho Chi Minh City, Haiphong, Hanoi, etc., to attract foreign investors. By specifying a special low tax rate For businesses that invest in both types of industrial zones.

4. Other measures given to foreign investors such as: Period of rights to lease land This depends mainly on investment licenses. Foreign investors are normally granted leasehold rights for approximately 50 years and may expand to 70 years if the project is supported by The Standing Committee of the National Assembly. For the project Build-Operate-Transfer Contracts for BOT foreign investors. Foreign investors do not have to lease land when they agree to start the project and the government will grant the land to operate, when the project is completed, investors must transfer their rights of that project to the government in the BOT format

- foreign investors may have the right land and can be used as collateral for loans and allow a branch of a foreign bank in Vietnam to be able to accept the land use rights.
- Assurance for foreign investors by certifying that if the Vietnamese government has issued new laws that may damage foreign investors, investors can choose to receive the same benefits as they previously received.
- Elimination of Dual Pricing in various business sectors such as plane tickets, train tickets, utility bills

- Amendments to the labor law on 2 April 2002, for example foreign companies are able to recruit workers without the need to hire workers through recruitment agencies.

1.1 investment classification

Vietnam is one of the countries that gives importance to investment in various projects. Therefore, to invest in Vietnam, investors must submit the project and get approval from the board. On Cooperation and Investment (The State Committee for Cooperation and Investment (SCCI) before proceeding, which the board of directors may approve by stipulating the conditions of approval as well Types of foreign investment Can be classified as follows

4. Business Cooperation Contract (BCC) is a joint venture to do business between foreign investors and investors in Vietnam. Without establishing a joint venture or a juristic person entering into an agreement between two parties regarding the proportion of investment responsibility and equal profit sharing, the duration of the contract depends on the agreement. The nature of the business and its objectives must be approved by SCCI.
5. Joint Venture Enterprise is a joint venture established between single or multiple foreign investors to conduct business operations together or in some cases it may be an operation between a foreign government and a Vietnamese government. This type of investment is carried out as a partner with limited liability, having a legal juristic person in Vietnam. The establishment must be licensed and registered by SCCI. Foreign investors may invest in foreign currency, factories, patents, technical procedures and technical services. Regarding Vietnam's investment may invest in the form of

Vietnamese currency or foreign currency, natural resources, land and factories. Normally, the ratio of foreign investment must not be less than 30 percent of the total investment but may be less than this. It must be approved by the SCCI and the joint venture period is not more than 50 years. However, the government with the approval of the Parliament may extend the period to not more than 70 years.

6. 100% foreign investment (Enterprise with One Hundred Percent Foreign Invested Capital) is an investment of the organization. All foreign or private business owners must be licensed and registered for establishment by SCCI, with the investment period being equal to the type of venture capital. If this type of investment is invested in some important economic areas, SCCI may require that the business be transformed into Joint venture by allowing Vietnamese state-owned enterprises to buy some shares in which have the principles, investment proportion and duration clearly.
7. Investment business has proceeded and transferred to the state (Build-Operate-Transfer Contract: BOT) is an investment model that is an agreement between investors and government representatives in the construction of basic public utilities such as roads, bridges, ports, airports, etc. The investor will be responsible for the project for a certain period of time according the agreement after the project is finished, the project must be transferred to the government without conditions of compensation.

However, the total registered capital added to the economy in the first quarter of 2018 was VND 763,964 billion, including the registered capital of the newly registered enterprises (VND 278,489 billion) and the increased registered capital amount (VND485.475 billion) with 7,893 turns of enterprises registering to increase capital. Compared to the first quarter of 2017, the total registered capital increased by 28% in the first quarter of 2018, showing that the level of private sector contribution to the economy continued to increase. The average registered capital per enterprise in the first quarter of 2018 was VND10.4 billion/enterprise, nearly doubling that of VND5.5 billion/enterprise in the first quarter of 2015.[40] In addition, types of investment in 2015, the 100% foreign investment have around 1742 project, compare with others type such as joint venture have around 255 project, The type have the smallest project is BOT only 3 project, the last one is Business Cooperation contract, which have 13 project at the same time. See the figure 3.2

Figure 3.2: The number of projects in each type of investment.

Table 2 Different types of FDI in 2015

Types of investment	Number of new projects	New registered FDI (million USD)	Number of increased-capital projects	Increase in registered FDI (million USD)	Increased and newly registered FDI (million USD)
100% foreign investment	1742	10,274.34	726	6729.4	17,003.7
Joint venture	255	2508.88	87	449.0	2957.9
BOT, BT, and BTO contracts	3	2772.36			2772.4
Business cooperation contracts	13	22.02	1	1.3	23.3
Total		15,577.6	814	7179.7	22,757

Source: General Statistic office of Vietnam

The Ministry of Industry reports that many foreign companies have traveled to study in Vietnam with the intention

[40] Dr. Tran Thi Hong Minh, 2018, SOME POSITIVE INDICATORS ON SITUATION OF ENTERPRISES' ENTERING THE MARKET IN THE FIRST THREE MONTHS OF 2018, Director General of Agency for Business Registration, 04/27/2018 08:40, https://dangkykinhdoanh.gov.vn/en/News/615/4467/some-positive-indicators-on-situation-of-enterprises%E2%80%99-entering-the-market-in-the-first-three-months-of-2018.aspx

of investing or expanding their investments in Vietnam. Such as the company of Vietnam's Samsung recently asked the Ministry and government agencies of Bac Ninh province to create conditions favorable to the Group's operations, especially Samsung Display Vietnam company, in order to enable the company to expand investment and support more economic growth. In 2016, Samsung is the largest foreign investor in Vietnam with a total registered capital of over 17,000 million US dollars. In addition, the Vina Capital company, is a major company in investment and asset management in Vietnam, in 2016 managing assets more than 3,300 million US dollars, the company wants to cooperate and invest in Vietnam in many fields including liquid natural gas, tourism technology, consumption and real estate. and the company of Fitbit Inc and Tile Electronics Inc., is a US electronics company, said they would move production from China to other neighboring countries consisting of Vietnam, to avoid tax pressures from the United States and avoid the trade wars. Sharp and Kyocera of Japan and many other companies are planning to open factories in Vietnam.[41]Nowadays, many foreign entrepreneurs want to invest and expand their investment in Vietnam, because Vietnam as the latest Global Competitiveness Index (GCI) and Vietnam has increased by 10 levels globally.

E. The Influence of Doi Moi Policy to Develop Tourism Industry by Liberalization of Investment

Since the late 1980s, Vietnam's trade reforms have been progressed steadily, consisting of the creation and amendment of a system of taxation of imports and exports, the gradual removal of non-tariff barriers, progressive deregulation of trade regimes and relaxation of restrictions on entry to trading activities. The tariff system introduced in the late 1980s has been simplified and rationalized, and tariff rates have been lowered. The average weighted tariff rate dropped from 20% in early 1990s to around 15% in the early 2000s prior the accession to the WTO.[42] Export duties have been lowered and the number of exports subject to duties has been reduced over time.

With the recent acquisition of WTO membership, further progresses have been made toward the liberalization of trade and investment regimes. Under the WTO deal, Vietnam has agreed to lower the tariff- and non-tariff barriers and bring the trade policies in conformity with WTO rules and regulations. The tariffs on industrial products are to be cut by 13% on average, and the tariffs on agricultural products are to be reduced by 21% over the period of 3 to 5 years.[43] Quantitative restrictions and state-trading rights will be abolished for all products with the exception of petroleum and sugar industries. Export subsidies of all kinds are no longer allowed, while other subsidies need to be brought in conformity with WTO rules and regulations.

Despite the progressive trade reforms, Vietnam's trade regimes have remained rather restrictive. While intermediate inputs and capital goods are largely subject to zero or low tariff rates, high tariff and non-tariff barriers are employed to protect many consumer goods and certain production inputs that are being domestically produced such as cement, fertilizers, or steal. The protection through tariffs is also provided to some so-called infant industries, such as automobile or petroleum products. The automobile sector continues to enjoy the high level of protection after the accession to the WTO as the tariff reduction for this sector is scheduled until 2019. Given this

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[42] Vu Minh Khuong and Jonathan Haughton (2004), "The Competitiveness of Vietnam's Three Largest Cities: A Survey of Cities in Hanoi, Haiphong and Ho Chi Minh City" Private Sector Discussion Paper, No 17, MPDF, Hanoi.
[43] World Bank (2006), Vietnam Development Report 2006: Business, World Bank, Hanoi.

structure of protection, the effective protection provided to domestic products, and consumer goods, is much higher than that offered by the nominal tariff rates.

Together with trade liberalization, the investment regimes have been gradually liberalized during the last 20 years to attract foreign investment. Restrictions on trading activities have been removed and foreign firms are allowed to conduct trading activities for a majority of products. Export requirements and the local content requirement previously imposed to promote the spillover effect on the domestic economy was abolished as part of WTO commitments and joined many world stages see figure 3.4. The differentiated pricing of land rents, water and electricity has been abolished. Foreign investors are allowed to set up their own plant, and enterprises fully owned by foreign investors now account for more than 70% of total FDI flows to Vietnam.[44]Figure 3.3: Vietnam's extensive free-trade agreements

The investment regimes have been further liberalized with the promulgation of the Law of Investment in 2005, which combined the two separate laws on domestic investment and foreign investment in an attempt to create an equal playing field for all enterprises. The Investment Law has substantially improved the environment for both foreign and domestic investment through the simplification of administration procedures and deregulation and has provided a greater autonomy for investors through sectoral liberalization. Except for the sectors of conditional and prohibited investment, most of other sectors are now opened up for domestic and foreign investors, and they are allowed to conduct business in any sector that they wish.[45] The conditional investment sectors, as

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[44] Nguyen Tien Dung and Ezaki Mitsuo. 2007. "Regional Economic Integration and Impacts on Growth, Poverty and Income Distribution: The Case of Vietnam", Forum of International Development Studies, Vol. 33, March 2007, pp.159-187.

[45]Tan Kim Song and Hoe Ee Khor. 2006. "China's Changing Economic Structure and Implications for Regional Patterns of Trade,

stipulated in the Law of Investment, consist mostly of service sectors, whereas the prohibited list is specified for health and security purposes.

In addition to the new Investment Law, restrictions on foreign investment have been relaxed in a substantial way through the commitments made by Vietnam in regard to trade in services under the WTO deal. During its accession to the WTO, Vietnam has committed to opening most of the services sectors to foreign providers, ranging from trade, transports, telecommunication, banking and finance to tourism and consultancy services. In many areas, foreign investors can set up their own establishment without limits on the scope of activity and equity participation. Foreign investors are allowed take different forms of investment, ranging from direct investment, acquisition and merging to portfolio investment.[46]

Trade liberalization and the open-door policy have contributed to the rapid expansion of foreign trade over the last two decades. Vietnam' exports have increased more than 7 times between 1995 and 2006, with the annual growth rate averaging 20%.[47] The expansion of exports has been accompanied by the growth of labor-intensive exports in addition to the natural resource-based exports of crude oil and agricultural products. Exports of garment and textile have been given further boost upon Vietnam's accession to the WTO as export quotas imposed on these have been removed. Imports

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Production and Integration", China and World Economy, Vol. 14, No. 6, pp. 1-19.

[46] Nguyen, Tien Dung, and Mitsuo Ezaki. 2005. "Regional Economic Integration and Its Impacts on Growth, Poverty and Income Distribution: The Case of Vietnam", Review of Urban and Regional Development Studies (RURDS), Vol.17, No.3, November 2005, pp.197-215.

[47] Kumar, Nagesh. 2005. "Asian Economic Community: Toward Pan Asian Economic Integration", In Asian Development Bank, Asian Economic Cooperation and Integration: Progress, Prospect and Challenges, Manila, Philippines.

also grew fast and consisted of mostly machinery and equipment and production inputs. The high growth of imports has largely been stimulated by the inflows of foreign investment and the increasing domestic demand for production inputs. The rapid increase in trade has contributed the growth and modernization of the economy and turned Vietnam into one of the most open economies in the region with the trade share to GDP reaching nearly 1.50.[48]

The economic situation in Vietnam as well as the progresses in liberalizing investment regimes, the inflows of FDI to Vietnam has been on steady increase since the late of 1980s. The amount of foreign direct investment reached over 10 billion USD in 2006, and it surged to over 20 billion USD in 2007. In total, the committed FDI flows amounted to 85 billion USD between 1988 and 2007.[49] However, only around one third of the committed FDI, or 29 billion USD, has been implemented so far. Together with the surge in direct investment, the opening of financial market to foreign investment has recently invited large inflows of portfolio investment, amounting to around 10 billion USD in the period 2006-2007.[50]

Despite the huge amount of FDI attracted so far, the FDI inflows have been biased toward import substituting and non-traded sectors. It has been the policies of Vietnamese

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[48] Kawai, Masahiro. 2005. "Trade and Investment Integration and Cooperation in East Asia:
Empirical Evidence and Issues", In Asian Development Bank, Asian Economic
Cooperation and Integration: Progress, Prospect and Challenges, Manila, Philippines.
[49] Hertel, Thomas W. (ed.). 1997. Global Trade Analysis: Modeling and Applications, Cambridge University Press.
[50] Hartono, Djoni, Dominicus Savio Priyarsono, Tien Dung Nguyen and Mitsuo Ezaki. 2007. "Regional Economic Integration and Its Impacts on Growth, Poverty, and Income Distribution: The Case of Indonesia", Review of Urban and Regional Development Studies (RURDS), Vol.19, No.2, July 2007, pp.138-153.

government to use protection barriers to attract FDI and promote the development of certain import-substituting industries. Consequently, the FDI inflows have been in large part seeking for natural resources and domestic market. Market-seeking FDI tends to flow to highly protected industries in order to overcome the tariff- and non-tariff barriers and exploit the domestic market, while natural resource seeking FDI tend to involve in oil and gas sectors. Besides that, large proportion of FDI has been flowed to service sectors, and particularly hotels, and real estates.

The FDI flows to services increased substantially in the last two years, and indeed largely accounted for the recent surge in FDI flows. The FDI inflows have significantly contributed to Vietnam's high economic growth over the last decade. The foreign sector accounted for 17.3% of GDP in 2006 and contributed to nearly 20% of economic growth between 1995 and 2006. As most of FDI has flowed to non-agricultural sectors, foreign investment has played even a greater role in manufactures and services. The foreign firms now produce more than 40% of industrial output and industrial growth. Despite the recent bias toward services sectors, more than a half of Vietnam's exports are now produced by foreign firms. The role of foreign firms in export promotion is even more important when taking into account the fact that more than 75% of non-agricultural exports are supplied by foreign firms.[51] Vietnam has not been able to sustain the export growth of over 20% annually without foreign investment as more than 60% of export growth between 1995 and 2006 was contributed by foreign firms.[52]

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[51] Eichengreen, Barry. 2006. "China, Asia and the World Economy: The Implications of an EmergingAsian Core and Periphery", China and World Economy, Vol 14, No. 3, pp. 1-18.

[52] Chaipan, Chaiwoot, Tien Dung Nguyen, and Mitsuo Ezaki. 2007. "Regional Economic Integration and Its Impacts on Growth, Poverty and Income Distribution: The Case of Thailand", NIDA Development Journal, Volume 47, Number 4, 2007, pp.99-134.

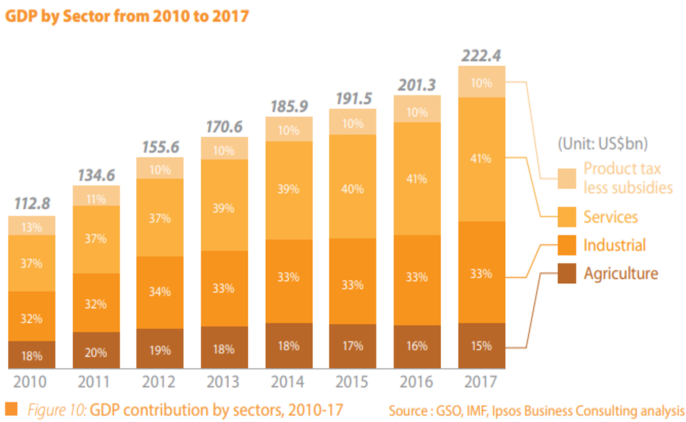
Until the late of 1980s, Vietnam mainly traded with the Soviet bloc countries and relied on assistance from these countries for necessary production inputs and capital goods. The collapse of the Soviet bloc had interrupted the trading relation and assistance from these countries and forced Vietnam to developed trade and investment relations with the rest of the world, and East Asian countries in particular. Since the early of 1990s, East Asian countries have remained the major trading partners of Vietnam. The large trade between Vietnam and Asian trading partners reflects not only the geographical proximity but also the FDI inflows from regional economies.

Industrial production has benefited from foreign investment inflows, with manufacturing industries proving the major investment targets. At one time, Vietnam was primarily regarded as an attractive territory for those companies producing labor-intensive items, such as clothing and footwear. Thanks to recent investments by several multinationals engaged in more sophisticated production processes, Vietnam is now among the Asian economies producing IT and other products of higher technology.

F. The development of Tourism Industry

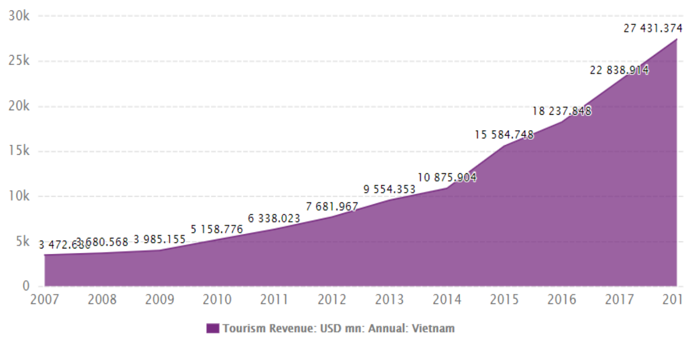
Vietnam is a developing country and has opened more trade and investment. Importantly, Vietnam also has a variety of tourist attractions, as well as many tourist attractions that are designated as a world heritage site causing tourists to be very interested. According to statistics, the number of tourists in 2018 was 15,497,791, compared to 2001 with only 2,330,800 tourists. The number of such tourists has come both for tourism and investment or for doing business such as investing in agricultural sector, industry sector and service sector. See the figure 3.5, shown that the GDP of those sector in 2010, the service sector growth the GDP with 37%, and industry sector growth 32%, the last is agricultural sector growth only 18% of GDP, compare with 2018 the GDP of service sector, industry sector, and agricultural sector achieve 41%, 33%, 15% respectively, the GDP of those sector between 2010-2017 found that the service sector has grown 4% which has grown better than other sectors. Currently, tourism investment has increased, which can be seen from the increased tourism revenue year by year, for example, in 2007 Vietnam received only 3 billion more and more than 5 billion in 2010, the revenue keeps increased until 2018 by receives more than 27 billion. See the figure 3.3 and the figure 3.4:

The figure 3.3: the GDP growth by sector since 2010-2017



Source: GSO, IMF, Ipsos Business Consulting analysis

Figure:3.4: GDP of Tourism in Vietnam



Surce: https://www.ceicdata.com/en/indicator/vietnam/tourism-revenue

The increase in the number of tourists has made more demand for convenience such as accommodation or hotels, even the convenience of transportation and tour guide, to facilitate the tourists, by providing opportunities for businessmen to invest in tourism. Which investors can open their own hotel business, restaurants, tour businesses and investment in transportation.

In 2017 nearly 2,000 international travel agencies and over 15,626 and in 2018, accommodation facilities with a total of 353,293 rooms are available across the country. Of these, the three- to five-star hotels offer 970 facilities with 127,076 rooms (see figure 3.7 and 3.8). Over 21,000 tour guides have been licensed. Tourism creates jobs and provides direct incomes for some 2.5 million people.

Figure 3.5: the number of accommodations in Vietnam sine 2008-2018

Tourist accommodation establishments (2008 - 2018)

	No. of Acc	Growth rate of Acc (%)	No. of rooms	Growth rate of rooms (%)	Average room occupancy rate (%)
2018	15.626	-10,3	353.293	-4,7	54
2017	17.422	20,5	370.907	16,6	56,5
2016	14.453	10,9	318.237	10,1	57
2015	13.029	5,3	288.935	9,7	55
2014	12.376	24,1	263.468	20,5	69
2013	9.970	-35,2	218.611	-21,2	56
2012	15.381	11,8	277.421	8,1	58,8
2011	13.756	11,4	256.739	8,3	59,7
2010	12.352	7,7	237.111	9,4	58,3
2009	11.467	10,2	216.675	6,9	56,9
2008	10.406		202.776		59,9

Source: General Statistic office of Vietnam

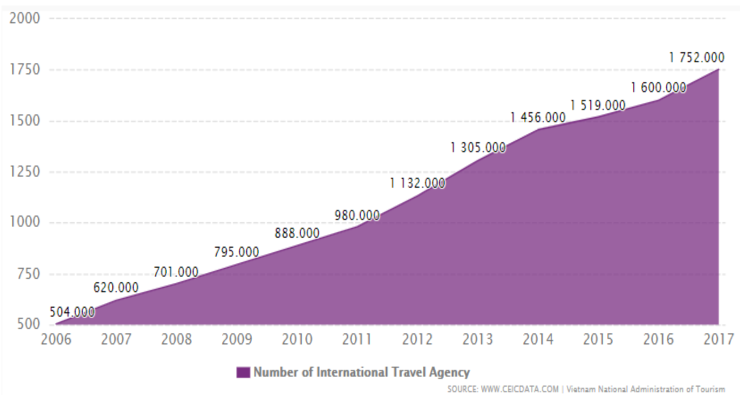
Figure 3.6: the number of accommodations 3-5 star in Vietnam since 2008-2018

Number of tourist accommodation establishments 3-5 stars

Year	Total		5-star		4-star		3-star	
	No. of Acc	No. of rooms	No. of Acc	No. of rooms	No. of Acc	No. of rooms	No. of Acc	No. of rooms
2018	970	127.076	152	51.810	276	36.754	537	38.170
2017	882	104.315	122	35.326	264	34.258	491	34.394
2016	784	91.250	107	30.624	230	29.387	442	30.902
2015	763	84.095	92	24.290	217	27.776	445	31.032
2014	668	72.505	74	18.197	193	24.373	390	28.507
2013	605	64.467	65	16.033	168	20.814	362	26.318
2012	528	53.791	54	13.608	142	17.744	323	21.739
2011	438	47.944	48	12.238	127	15.773	261	19.557
2010	390	42.551	43	10.764	110	13.953	236	17.594
2009	334	38.079	38	9.235	99	13.120	196	15.484
2008	301	32.936	32	8.470	90	11.064	178	13.162

Source: Data compiled by TITC from Hotel Department (VNAT) and Departments of Tourism and Departments of Culture, Sports and Tourism

Figure 3.7: show the number of international agencies in Vietnam



The number of international tourists in Vietnam increased three-fold from just five million in 2010 to 15 million by 2018. Despite this rapid growth, there is room for further expansion in the sector, which is currently restrained by issues such as infrastructure, human resources, airport capacity, and branding. To ensure that the tourism industry achieves its full potential, the government needs to focus on infrastructure development, including airports and accommodation. Investments in airport infrastructure are slow compared to neighboring countries such as Thailand, Malaysia, and Singapore, forcing airports to operate at a higher capacity than their design capacities. In addition, almost all the hotels in Ho Chi Minh City and Hanoi operate at full capacity, while newer destinations such as Da Nang and Phu Quoc have limited number of accommodation facilities to cater to the growing number of tourists.

The tourism labor productivity in Vietnam is VND77 million (US$3,297) per worker, which is around 40 percent and 45 percent of Thailand’s and Malaysia’s productivity, respectively. The Philippines is the only country in the region with slightly lower productivity than Vietnam. The tourism industry has developed so rapidly in the last few years, that qualified labor has been unable to serve the growing number of tourists. Tourism schools in Vietnam account for only 60 percent of the industry’s demand, which has led to a shortage of qualified workers.

The country has more than 14,800 international and 8,600 domestic guides, with most of them based out of only the major tourist destinations. The ratio between the number of tourists and guides in Vietnam is almost double the international average. The reason for such a shortage of qualified labor is the quality of training. After graduation, majority of the tourism professionals still need to go through months of professional training conducted by the enterprises.

The government needs to work closely with employers, training providers, and industry experts to develop training courses and qualification standards more in line with international industry practice. Training tools need to focus on developing proficiency in foreign languages, soft skills, technical skills, and professionalism to meet the growing demand of tourism professionals. In addition to infrastructure and labor, the government also needs to develop tourism products, conduct international marketing campaigns, and build brand awareness to increase revenue. Spending in Vietnam continues to be one of the lowest in the region, unlike Malaysia and Singapore which are promoted as shopping, leisure, or entertainment destinations. Vietnam has the opportunity to rebrand itself by tapping into its rich cultural and historical heritage and diverse geography with unique landscapes.

In 2019, the country expects to attract 103 million visitors, including 18 million foreign and 85 million domestic visitors, an increase of 15 and six percent respectively, compared to 2018. By 2025, the government aims to generate US$45 billion in revenue from the tourism industry, increase the sector's contribution to the GDP to over 10 percent, and account for over six million direct and indirect jobs. Based on the growth trajectory, the targets seems achievable but would require the government to increase public funding in infrastructure, labor quality, marketing campaigns, and brand awareness to ensure that the tourism industry reaches its full potential.