

I. PROJECT IDENTIFICATION

PROJECT TITLE: Industrial Development Export Promotion - 170.07

APPENDIX ATTACHED: YES NO

2. PROJECT NO. (M.O. 1095.2): 730-15-910-170.07

3. RECIPIENT (specify): COUNTRY Vietnam REGIONAL INTERREGIONAL

4. LIFE OF PROJECT: BEGINS FY 73 ENDS FY 75

5. SUBMISSION: ORIGINAL 2/12/73 DATE REV. NO. DATE CONTR./PASA NO.

II. FUNDING (\$000) AND MAN MONTHS (MM) REQUIREMENTS

A. FUNDING BY FISCAL YEAR	B. TOTAL \$	C. PERSONNEL		D. PARTICIPANTS		E. COMMODITIES \$	F. OTHER COSTS \$	G. PASA/CONTR.		H. LOCAL EXCHANGE VALUE (U.S. OWNED)			
		(1) \$	(2) MM	(1) \$	(2) MM			(1) \$	(2) MM	(1) U.S. GRANT LOAN	(2) COOP COUNTRY	(A) FIRST JOINT	(B) BUDGET
*1. PRIOR THRU 72 ACTUAL FY	22	9	8	12	8	1		9	8				
2. OPRN FY 73	657	610	185	12	8	30	5	610	185			-0-	
3. BUDGET FY 74	275	195	42	40	30	20	20	195	42			6910.0	67.0
4. BUDGET +1 FY	115	95	24			10	10	95	24			800.0	136.0
5. BUDGET +2 FY												-0-	274.0
6. BUDGET +3 FY													
7. ALL SUBQ. FY													
8. GRAND TOTAL	1069	909	259	64	46	61	35	909	259			7710.0	497.0

9. OTHER DONOR CONTRIBUTIONS

(A) NAME OF DONOR	(B) KIND OF GOODS/SERVICES	(C) AMOUNT
None	004390	

III. ORIGINATING OFFICE CLEARANCE

1. DRAFTER: Henry M. Winter O. I. Hauge	TITLE: PSC, PE Division Deputy, PE Division	DATE: 2/14/73
2. CLEARANCE OFFICER: G. Edward Thompson	TITLE: Assistant Director, for Private Enterprise	DATE: 2/14/73

IV. PROJECT AUTHORIZATION

1. CONDITIONS OF APPROVAL: ADCCA: BJohnson Date FEB 14 1973 Pouch No. U#73
ADPROG: EKanrich Director, John R. Mossler Date 2-14-73 Dtd: 2/22/73

* Earlier program consisting of \$5,000 for a survey to determine the feasibility of establishing an export processing zone in Vietnam; a feasibility study on the prospects for the establishment of solar salt industry near Cam Ranh (\$3,600); and funds \$12,000 for two participants.

2. CLEARANCE:

BUR/OFF.	SIGNATURE	DATE	BUR/OFF.	SIGNATURE	DATE

3. APPROVAL AAS OR OFFICE DIRECTORS: SIGNATURE DATE

4. APPROVAL A/AID (See M.O. 1025.1 VI C): SIGNATURE DATE

ADMINISTRATION, AGENCY FOR INTERNATIONAL DEVELOPMENT

EXPORT PROMOTION

I. SECTOR GOAL:

A. Statement of Sector Goal:

Increased export earnings and/or foreign exchange savings through import substitution through means of private enterprise of about \$200-225 million net per annum by CY 1975.

B. Measurements of Sector Goal Achievement:

1. Exports increased from \$22 million as of CY 1972 to approximately \$150 million by the end of CY 1975.

2. Incremental import substitution effect increased to the level of \$50-75 million by the end of CY 1975.

C. Basic Assumptions of Sector Goal Achievement:

1. Internal Vietnamese security will, by 1974, have improved at least to the extent that there is unimpeded production, transportation, and export sale of indigenous raw materials and products.

2. Changes in government in Vietnam will not reverse or unfavorably modify current export emphasis on policies and programs designed to expand exports; short-term stabilization goals will not unduly discourage monetary and economic measures and incentives needed to produce export activity.

3. Access to world markets will not be further restricted by economic depressions or significantly hampered by tariffs, exchange controls, quotas, or other measures interfering with trade.

II. THE PROJECT PURPOSE:

A. Purpose Statement:

To establish a viable export promotion institutional structure that includes a promotion center, a promotion council, an investment service, and other ancillary activities.

B. End of Project Conditions:

1. National Export Development Council (NEDC) effectively coordinating and encouraging the export development efforts of concerned GVN agencies and the private sector.

1.1 NEDC planning and presenting export promotion programs for action by appropriate ministries.

1.2 NEDC recommending policies and/or legislation to provide inducements to produce for export and to export.

1.3 NEDC encouraging local governments vigorously to promote export-oriented production.

1.4 NEDC acting to modify or eliminate government procedures and regulations that inhibit exports.

1.5 The NEDC acting to implement a comprehensive program of export financing, including support of producers as well as exporters.

1.6 NEDC staff providing technical assistance for export opportunities in priority areas, e.g., forestry, fisheries, selected industries, etc.

1.7 NEDC organizing and coordinating efforts of selected trade groups and elements of the private sector to plan and implement export promotion measures.

2. The Export Development Center (EDC) and Investment Service Center (ISC) providing leadership and assistance to the private sector in increasing exports and investment in export-oriented enterprises.

2.1 These institutions providing effective information and documentation services to the export community, e.g., information concerning procedural requirements, export activities, etc.

2.2 Staffs identifying export products and markets, developing marketing strategies, and disseminating information.

2.3 Staffs working with the Management Association of Vietnam in arranging and conducting seminars designed to assist the export community in dealing with export and investment problems.

2.4 EDC planning and arranging participation in trade fairs and foreign exhibitions.

2.5 EDC working with the National Institute of Standards and taking the lead in assuming the effective application of quality, design, and packaging standards for exports.

2.6 The EDC and the ISC recognized as the primary official institutions responsible for dealing with the community and with foreign and Vietnamese investors respectively.

3. Subject to feasibility determination one or more export processing zones established and functioning, with facilities and labor force capable of processing imported and local materials into finished products of export quality.

4. Exporters' associations supporting and facilitating the effective implementation of GVN policies and programs designed to expand exports, and serving also to represent private sector interests in dealing with GVN agencies.

C. Assumptions:

1. The National Institute of Standards will be operating effectively (Vietnam Institute for Standardization Project 730-15-910-170.03).

2. The Management Association of Vietnam will be providing effective training to export management personnel in the private sector.

III. PROJECT OUTPUTS:

A. Output Statement:

1. National Export Development Council established and functioning.

2. NEDC staff providing the Council with technical data, analyses, policy and program criteria on the basis of which the Council can act.

3. The GVN and private export-oriented organizations such as the Management Association of Vietnam (MAVN) providing training facilities and training for approximately 30 exporters per year in such matters as cost accounting and control. (Ref. U.S. input-AMA contract).

4. One or more Information Officers at the EDC identifying, ordering, stocking and using publications and data relating to all phases of export production and marketing.

5. Documentation and information library established in the EDC, adequately stocked with reference books and maintained on a current basis. Stock will include all published import-export statistics of Vietnam's trading partners, import regulations of actual and potential importing countries, and published freight tariffs of shipping and air lines serving Vietnamese shippers.

6. Trained staff in (a) export marketing techniques in major sector areas, (b) export promotion and public relations, (c) the conduct of seminars concerning problems of the export community, and (d) product design, packaging and marketing strategies.

7. EDC, ISC and exporters investigating the promotion of Vietnamese products for export and attracting foreign investment in enterprises designed to produce for export.

8. Subject to feasibility determination, establishment of export processing zones.

8.1 Survey and recommendations for appropriate facilities for a processing zone.

8.2 Issuance of a decree to establish the EPZ. (Export ~~Processing~~ Processing Zone).

8.3 Trained processing zone staff assigned to facility, including zone manager, industrial engineers, promotion and public relations officers.

9. Incentives established for export-oriented industries, including an export credit and insurance program.

10. EDC and the ISC inducing groups of foreign businessmen and buyers to visit Vietnam.

11. EDC and ISC preparing appropriate promotional materials to stimulate interest in Vietnamese export products and commodities and in encouraging investment.

12. Publication by EDC of a guide to Vietnamese export procedures and requirements.

13. Publication and maintenance by the EDC of a register of Vietnamese exporters.

14. Publication by EDC of a periodic export newsletter.

15. Exporters' and producers' associations established and operating, working in close cooperation with the EDC.

16. Procedures established for participating in international trade fairs and exhibits.

B. Assumptions:

1. EDC and ISC will be permitted to maintain salary levels sufficiently high to attract and retain qualified and competent personnel.

2. Restrictions on foreign exchange and travel abroad by Vietnamese businessmen will be eased.

IV. PROJECT INPUTS:

US\$ 000

A. <u>U.S. Inputs</u>	FY 1973	FY 1974	FY 1975
1. Direct Hire	-	-	-
2. <u>PASA</u>	<u>75.0</u>		
Economic Research Services (Short-term USDA Consultants)	75.0	-	-
3. <u>Contract</u>	<u>535.0</u>	<u>195.0</u>	
Two (2) Export Promotion Advisors	92.0	95.0	95.0
Contractor (International Standards, promotion and Incentives, packaging Design)	230.0	-	-
Contractor (Trade Fairs and Exhibits)	-	100	-
American Management Association	100	-	-
Contractor (Export Processing Zones)	117	-	-
4. Participants	<u>11.9</u>	<u>40.0</u>	-
5. Commodities	<u>30.0</u>	<u>20.0</u>	<u>10.0</u>
Library Books	5.0	5.0	5.0
Audit-Visual Aids	10.0	5.0	-
Office equipment	15.0	10.0	5.0

	FY 73	US\$000 FY 74	FY 75
6. Other Costs (Invitational Travel)	<u>17.0</u>	<u>20.0</u>	<u>10.0</u>
7. Total	668.9	275.0	115.0

B. <u>GVN Inputs</u>		VN\$ Millions		
		<u>FY 1973</u>	<u>FY 1974</u>	<u>FY 1975</u>
1. American Aid Chapter		0	0	0
2. Trust Fund		6.9	.8	0
3. GVN Contribution ^{1/2}	NEDC	15.0	38.0	66.0
	EDC	24.0	53.0	86.0
	ISC	<u>28.0</u>	<u>65.0</u>	<u>122.0</u>
4. Total		<u>67.0</u>	<u>156.0</u>	<u>274.0</u>
5. Personnel (individuals)				
	NEDC	26	48	65
	EDC	34	51	68
	ISC	24	43	64

1/ Funds available to NEDC, EDC and ISC are not included in GVN Budget. NEDC funds are grants from the office of the Prime Minister, EDC funds are earnings from a loan fund supplied by GVN and ISC funds are grants from IDB.

6. Facilities: GVN has provided office space for both the EDC and the NEDC at 16-18 Hai Ba Trung, Saigon. EDC occupies the ground and first floor; NEDC, the second floor. EDC will establish, during FY 1973, a Library and "seminar" room which will also be available to the NEDC. The ISC occupies two small offices, one at 100 Tu Do, and the other (provided by the Industrial Development Bank) at 42 Nguyen Hue. It is planned to expand these premises during FY 1974 by taking over adjoining premises at 100 Tu Do. However, the Minister of Economy has long-range plans to assemble all of its development institutions in one building, and a search is in progress for suitable premises. This goal should be achieved by the end of FY 1974 if the existing building is used, by the end of FY 75 if a new building must be built. By the end of FY 1974 the EDC, NEDC and ISC will also share permanent offices at Da Nang and either Nha Trang or Rach Gia, for provincial promotion. The three institutions are expected also by the end of FY 1975 to be operating Trade Promotion Centers in Tokyo, Singapore, and at one or two locations in the United States.

Equipment: Present office equipment of both ISC and EDC was bought mostly on the local market. The new NEDC offices are expected to be furnished and equipped mostly from excess U.S. property. As the three institutions expand, they will obtain whatever furniture and equipment they can on the local market, but will look to USAID to supply from excess property or purchase in the United States material which cannot be found on the local market.

V. RATIONALE:

Vietnam's economic survival depends largely on the effectiveness of recently initiated efforts to increase exports. In 1971 imports totaled \$720 million, of which only \$12.5 million was offset by exports. The gap was covered by massive infusions of U.S. economic and military assistance. Exports in 1972 nearly doubled, but since the imports continued at about the 1971 level, the gap remains large.

The GVN is seeking to reduce the country's dependence on imports, but because of inflationary pressures the greater emphasis of its drive to achieve stability is being placed on efforts to expand exports and to substitute domestic production for imports.

Since November 15, 1971, when President Thieu declared that to survive Vietnam must export and that measures to develop exports would be the top priority concern of his government, considerable progress has been made in establishing the legal and institutional bases for export expansion. Government initiatives include the enactment of an investment law stressing production for export; the provision of large scale development resources through the National Economic Development Fund with similar priority assigned; and the creation or strengthening of governmental institutions charged with responsibility to develop, initiate, and implement wide-ranging programs to expand exports - in doing so seeking the cooperation of a private sector. Among those institutions: the Investment Service Center, the Export Development Center, and the National Export Development Council. The Council includes as members the ministers of the several ministries most concerned with exports and is chaired by the Prime Minister. Its role embraces everything affecting exports, but principally concerns the formulation of policies encouraging production for export, the elimination of impediments, and the development and implementation of programs specifically designed to foster a climate conducive to export growth.

This project represents an effort to identify those elements of the total Vietnamese effort to expand exports which might be most benefited by AID assistance. Its stress is on support of GVN measures to create or strengthen those institutions having principal policy and operational

responsibility for achieving export objectives. Even in the best of circumstances achievement of the ultimate goal of an economy no longer dependent on external assistance will require years of intense effort. USAID assistance, carefully designed to strengthen and invigorate the institutions having principal responsibility for export development, can have significant impact in accelerating the process and such is the purpose and focus of this project.

In view of the importance of the export drive and the likelihood of continuing change in important aspects of the program, it is planned that this project will be adapted progressively to the evolving GVN program. Project elements described in this PROP represent an initial response to GVN priorities and requests for support by the National Export Development Council, Export Development Center, the Investment Service Center, and the Management Association of Vietnam. In broad concept and direction, these priorities are not expected to change, but new elements and emphases are certain to appear. At this stage this project is relatively simple and direct, reflecting the current status of GVN planning; over time, as GVN plans and efforts are refined and intensified, this project will also be adapted.

In brief summary: this project is designed:

- (1) To provide advisory and training assistance to key institutions of the GVN concerned with promoting exports, i.e., the National Export Development Council, the Export Development Center, and the Investment Service Center;
- (2) To support efforts of the Management Association of Vietnam, an institution of the private sector, to conduct a comprehensive series of export product/management seminars;
- (3) To assist the GVN in establishing one or more export processing zones;
- (4) To assist GVN agencies and the private sector in identifying products and commodities suitable for export and also in seeking and appraising markets for those products;
- (5) To bridge gaps between the public and private sectors by encouraging their cooperation in seeking to achieve export expansion goals.