

How to Attract Foreign Investment to Vinh Long

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Vinh Long is in the middle of the Mekong Delta and next to main waterways and roads connecting Mekong provinces and the Southern Pivotal Economic Zone. Its Vinh Thái Port could host 1,000- to 3,000-ton ships and from this port they could go to Cambodia. Favorable location becomes one of advantages for the local economic development.

But foreign investment in Vinh Long is not as high as expected. The following tables will show us some data about the Vinh Long gross product in the past two years.

Up to August 2004, there have been only nine FDI projects licensed in Vinh Long, and four of them were revoked prematurely. Their size is very small: the total capital of the five existing projects is US\$12,051,641, including the total registered capital of US\$7,775,000 (foreign parties hold US\$5,825,000 and local ones US\$1,950,000).

These data show that the business climate in Vinh Long is less attractive in the eyes of foreign investors, and as a result, the foreign sector has only a limited effect on the local economy:

Table 1: Agricultural output (VND million)

Sector	2002		2003	
	Value	%	Value	%
Public	4,986	0.12	5,568	0.13
Collective	-	-	-	-
Private	-	-	-	-
Personal	4,028,789	99.88	4,184,852	99.87
Foreign	-	-	-	-
Total	4,033,775	100.0	4,190,420	100.0

Table 2: Industrial concerns

Sector	2002		2003	
	Concerns	%	Concerns	%
Public	8	0.13	8	0.12
Collective	6	0.10	5	0.08
Private	187	3.03	197	3.03
Personal	5,952	96.42	6,267	96.42
Foreign	4	0.06	4	0.06
Total	6,173	100.0	6,500	100.0

Table 3: Service output (VND million)

Sector	2002		2003	
	Value	%	Value	%
Public	98,726	9.25	94,733	8.11
Collective	250	0.02	245	0.02
Private	968,133	90.73	1,072,690	91.87
Personal	-	-	-	-
Foreign	1,067,109	100.0	1,167,668	100.0

- All FDI projects are in the manufacturing sector and accounted for only 3.13% of the industrial output in 2003. Foreign investors paid no attention to local comparative advantages in agricultural production and tourism.

- The foreign sector represents only 0.38% of the provincial gross output. Two out of five projects are facing difficulties because of their poor competitiveness. Its share in export value is very small and in 2003, it exported nothing.

The poor foreign sector in Vinh Long originates from the following facts:

+ The competitiveness of the provincial economy is not high enough. It has only advantages in the agricultural production and agro-industry along with services needed for rural areas, but these advantages are not persuasive enough to attract foreign investors.

+ The development plan of the province is not reasonable and experiences frequent changes. Measures to carry out the plan are not effective.

+ The infrastructure hasn't developed and could only serve the agricultural production and industrial development to a certain extent, which prevents major investors from assisting the local modernization and industrialization.

+ The human resource has been improved recently but only a few graduates wanted to take jobs in Vinh Long. Most laborers lack knowledge in foreign languages and computing.

To improve the competitiveness of the business climate in Vinh Long with a view to attracting more investment and ensuring favorable conditions for business development, the provincial government should pay attention to the following problems:

- Reforming the administrative machinery and avoiding duplication of functions of public services.

- Making long-term development plans for the local economy with a view to helping companies feel sure about their investment.

- Accelerating the privatization program with a view to ensuring fair competition between the public and non-public sectors.

- Reviewing policies on the foreign sector by comparing them with ones adopted by other provinces and cities.

- Offering more incentives and support to both local and foreign companies. ■