

I. ĐỒNG NAI DEVELOPMENT IN 2003

1. Achievements

In 2003, in spite of difficulties faced by the world and regional economies, Đồng Nai still gained encouraging achievements:

- Total output value of the province reached VND14,776.6 billion (1994 price) increasing by 13.2% compared with 2002 and the maximum target of 13% set by the People's Committee in its Resolution 44/2003/NQ-HĐND. This is the highest growth rate in the years 2000-2003 (the Đồng Nai growth rate was 10.6% in 2000,

output value, the foreign sector accounted for VND17,330 billion, a year-on-year increase of 21.94%.

- The structure of industry kept on changing positively: the manufacturing sector accounted for 56.2% of the total output value, the service one: 26.1% and the primary one: 17.7% (the planned targets for those three sectors were 56% - 26% and 18% respectively.)

- The export value was about US\$2,090 million, equaling 115% of the planned target and increasing by 22.1% compared with 2002. Export from the foreign sector was

ing by 32.5% compared with 2002.

- The provincial budget income was estimated at VND4,417.97 billion, 10% higher than the planned target.

- The gross investment was VND9,584.4 billion, equaling 104.3% of the planned target and increasing by 28.4% compared with 2002. In the foreign sector, the figure was VND5,140 billion increasing by 30.3% compared with 2002.

- The total retail sales reached VND9,714 billion equaling 123.97% of the planned target and rising by 14.13% compared with 2002.

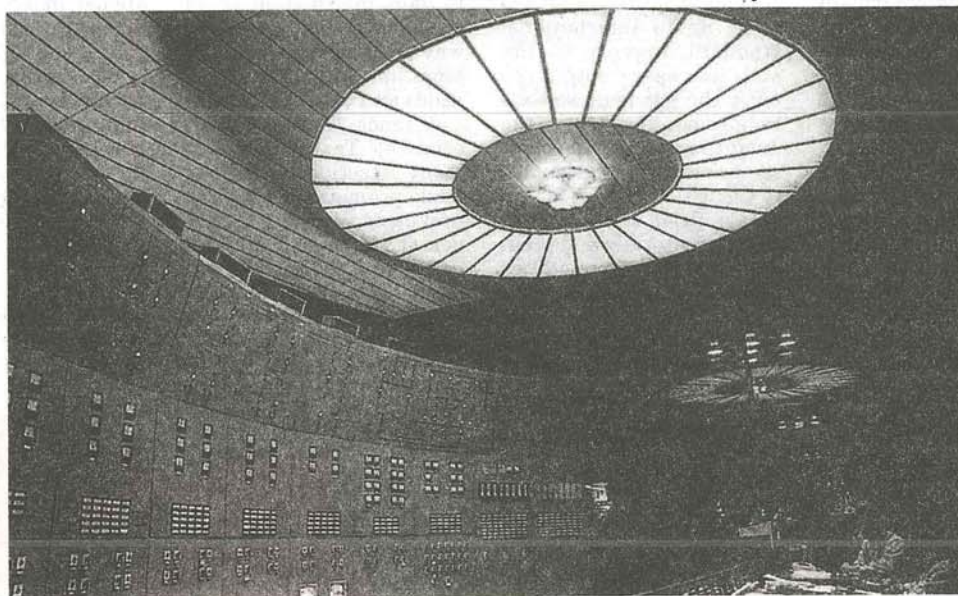
wasn't completed on time. The ODA capital was released slowly and wasn't used effectively.

- c. In the manufacturing sector, many companies failed to replace their machinery and equipment. The reform in the public sector was carried out too slowly. There were many shortcomings in preparations for the international integration.

- d. The service sector, in spite of its high growth rate in comparison with 2002, failed to tap local potentials. Poor performance was common in such services as tourism, banking, housing, public transport

On Foreign Direct Investment in Đồng Nai

by MEcon. NGUYỄN VĂN TÂN



11.2% in 2001 and 12.2% in 2002.)

- The per capita output (current price) equaled VND9,389,000 increasing by 14% compared with 2002.

- The value of industrial output in Đồng Nai was about VND28,500 billion, equaling 102.4% of the planned target and increasing by 18.9% compared with 2002. Of this

worth US\$1,907 million equaling 117.1% of the planned target and increasing by 23.4% compared with 2002.

The import value was US\$3,073 million, equaling 145.9% of the planned target and increasing by 31.5% compared with 2002. Import by the foreign sector was worth US\$2,949 million, increas-

2. Shortcomings and challenge

- a. Poor business performance: the production cost and overheads are still high with the result that the competitiveness is low.

- b. Low efficiency of investment: In 2003, one VND of gross investment produced only VND0.54. A great number of projects

and supporting services needed for industrial parks.

- e. The HCMC and Đồng Nai governments have agreed to transfer some investment projects from HCMC to Đồng Nai. This is a good opportunity but also a challenge to the task of zoning industrial parks in Đồng Nai in the near future.

II. FDI IN ĐỒNG NAI IN 2003

1. Changes in FDI in Đồng Nai up to November 2003

Up to Nov. 31, 2003, there are 501 valid projects with a total registered capital of US\$6,233.5 million. Of these projects, 273 have come into operation, 90 are under construction and 138 haven't been developed because of some reason or another. The realized capital was some US\$3,000 million equaling 48.7% of the registered capital. In 2003, 87 new projects with a total capital of US\$290 million were licensed. This number is equal 78.4% of the projects licensed in 2002.

In 2003, the total sales from the FDI sector reached some US\$4,800 million and the value of its industrial output was VND17,330 billion (1994 price), increasing by 21.9% in comparison with 2002. The foreign sector accounted for some 30% of the total output value. Its export was worth US\$1,907 million equaling 91.24% of the total export value of the province. Tax payment from this sector was VND688 billion equaling 28% of the whole tax take. It now employs some 20,000 laborers and really plays an important role in the Đồng Nai economic life.

Besides 10 existing industrial parks with a total area of 2,725 hectares, Đồng Nai was allowed to build five new ones: Lonh Thành (488 hectares), An Phước (130 hectares), Tam Phước (331 hectares), Nhơn Trạch 5 (301 hectares) and Nhơn Trạch Garment IP (183 hectares). It is also fulfilling procedures for developing two more: Bàu Xéo (495 hectares) and Thạnh Phú (177 hectares). Thus, Đồng Nai is leading the way in building industrial parks.



Photo by Hoàng Tuấn

2. Achievements and shortcomings in the task of attracting FDI in Đồng Nai

a. Achievements:

- FDI has become an important source of capital for industrial development in Đồng Nai.

- The foreign sector has enhanced the export value and improved the Đồng Nai balance of payments.

- The presence of FDI helped change the structure of industry in the direction to modernization and industrialization.

- The FDI sector introduced modern managerial skills and technology, created a lot of new jobs and helped train the human resource in Đồng Nai.

b. Shortcomings:

- The foreign sector authorities failed to make master plans for all industries and always waited for directives from the central government when dealing with certain important projects.

- Most FDI projects are of small scales (the average capital of a project fell from US\$27.2 million in 1995 to 5.45 million in 2000 and 3.41 million in 2003), have no modern technology and mostly engage in labor-intensive industries.

- Most foreign investors in Đồng Nai are from Asian countries. Đồng Nai failed to attract companies from Japan, Europe and North America.

- Most projects are in Biên Hòa and southern districts. In northern ones, there is almost no FDI project.

- Development of industrial parks is slow because of land clearance and compensation for local residents.

- Services needed for industrial parks haven't developed evenly. Companies faced a lot of difficulties in securing land for building apartment houses for laborers.

3. Obstacles to the development of foreign sector

- The planning for industrial parks isn't carried out as expected because of great changes in the socio-economic situation, which produced bad effects on the task of locating FDI projects.

- The land clearance and payment of compensation meet with difficulties because the stock of land used for developing new residential areas is limited and there is no government agency specialized in the payment of compensation.

- Because the flow of FDI to Vietnam slowed down in recent years, Đồng Nai authorities had no chance to select good projects. Moreover, Đồng Nai have to welcome all investors who are ready to build the infrastructure they need because the provincial budget is limited.

- All projects that use more than 10 hectares must get approval from the Ministry of Defense and headquarters of VII Military Zone, which made the procedure for carrying out a project more time-consuming.

- In certain industrial zones, the infrastructure, land rental and land compensation are less attractive in the eyes of foreign investors.

- Đồng Nai investment authorities failed to advertise and supply information about business opportunities to foreign investors.

- After licensing, the control over investment projects isn't strict enough.

To make Đồng Nai industrial parks more competitive and attractive, investment authorities have to take stronger measures and be determined to improve the business climate in order to take opportunities offered by the FDI in the coming years. ■