

FDI ROLE IN TÂY NINH PROVINCE'S INDUSTRIAL DEVELOPMENT

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Tây Ninh is a province in southeastern Vietnam, contiguous to the south focal economic zone, having a natural area of 4,028.12 km², a population of 1,008,000 (in 2002) and an average economic growth rate of 13.17% in the 1996-2000 period and 11.17% in 2002. The province's strategy for socio-economic development affirms: "to continue to speed up industrialization and modernization, first to focus efforts on building socio-economic infrastructure for rural development; enhance the processing industry; innovate equipment and technology in agriculture, trade and service in order to meet needs in the people's material and spiritual life and establish necessary conditions for the province to become an industrial province by 2020."

To attain the above targets, the province's annual GDP growth rate must reach over 14% and industrial growth 23-24% by 2005. As a result, the province is required to attract total capital of VND9,000 billion (US\$600 million) in five years of which 75% comes from local sources and 19.5% from foreign direct investment (FDI) and the rest from external sources. Since the promulgation of the Law on Foreign Investment in Vietnam, by December 31, 2002, Tây Ninh Province had licensed 50 FDI projects with total registered

Table 1: The FDI sector's value of industrial production in Tây Ninh (VND mil.)

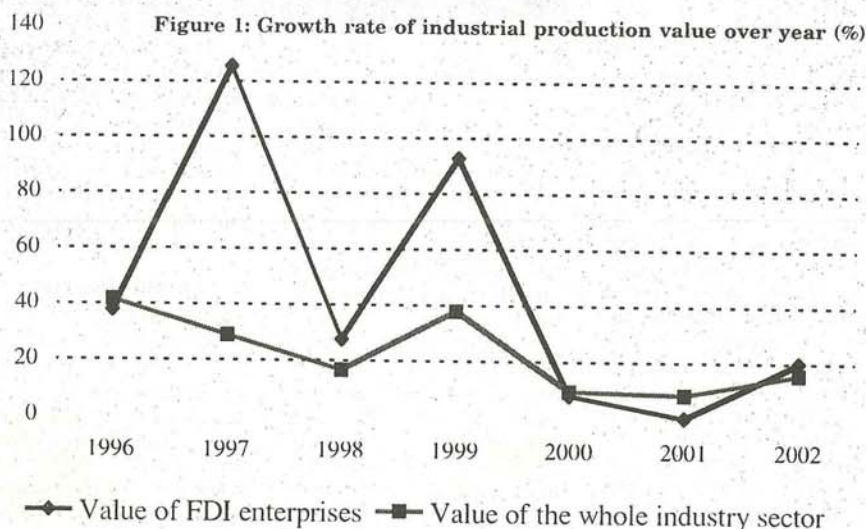
Year	The whole industry sector		The FDI sector		
	Production value	Growth (%)	Production value	Ratio (%)	Growth (%)
1995	491,623	53.03	91,867	18.69	-
1996	696,263	41.63	126,617	18.19	37.83
1997	896,977	28.83	285,670	31.85	125.62
1998	1,045,971	16.61	364,533	34.85	27.61
1999	1,442,073	37.87	702,616	48.72	92.74
2000	1,577,437	9.39	758,551	48.09	7.96
2001	1,709,489	8.37	759,231	44.41	0.09
2002	1,978,000	15.71	911,077	46.06	20.00

Source: Statistical Yearbook 2002, Tây Ninh Statistic Bureau

capital of US\$231.31 million including US\$181 million realized by the end of 2002. The industry sector attracted 42 projects

with total investment of US\$130.15 million invested in agro-product and food processing, accounting for 60% of total

production value. Nevertheless, this trend showed sign of slowdown in 2001, but it began restoration in 2002.



capitalized at US\$216.49 million, accounting for 94% of total FDI capital (6

FDI in the industry sector); the agriculture had 8 projects with US\$14.82

The above figure shows the growth in industrial production value of the lo-

cal industry and the FDI sector has the same trend. Therefore, FDI enterprises have great contributions to the province's industrial development.

- FDI has created conditions for establishment of industrial parks and concentrated industrial clusters with various sizes including Trảng Bàng IP of which 700 hectares will be occupied with an invest-

Figure 2: The ratio of FDI enterprises' industrial production value to the province total production (%)

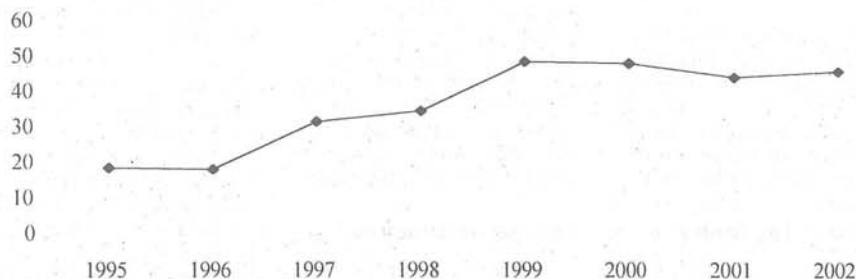


Photo by Hoàng Tuấn

ment capital of US\$500 million, creating 50,000 jobs for local workers by 2005; and industrial clusters of Bến Kéo, Trường Hoà, Tân Bình (Hoà Thành District), Trâm Vàng (Gò Dầu District), Chà Lã (Dương Minh Châu District), Thanh Điền (Châu Thành District); especially the establishment of Mộc Bài border economic zone where a trade center and an urban area are set up on an area of 986 ha. These IPs and industrial clusters will give rise to new resident areas and help promote the provincial industrialization and modernization.

- The ratio of FDI enterprises' industrial production value to the province total production increased over years (see Figure 2)

Moreover, if applying the regression model, we have the formula:

$$Y_{CN} = 416,709.85 + 1.62597 * Y_{FDI}$$

Where Y_{CN} : the industrial production value of the whole industry

Y_{FDI} : the industrial production value of Tây Ninh FDI enterprises

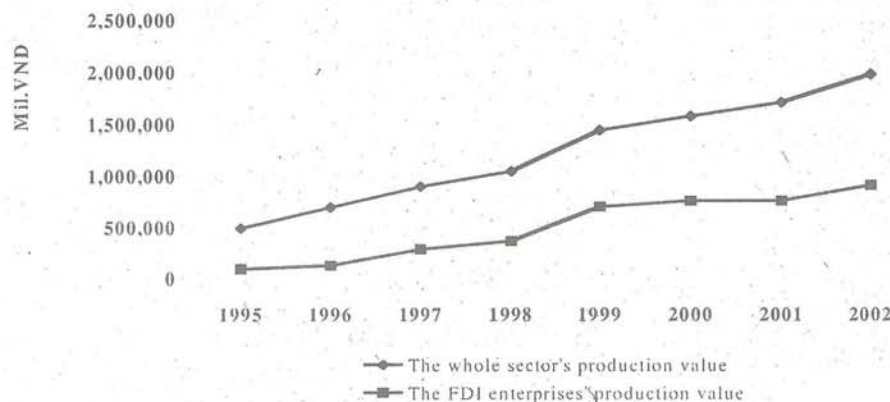
And $R^2 = 0.99$, that is, the change in FDI industrial production value ex-

plains 99% of the change in the whole sector production. At the same time, this model indicates an increase of VND1 million in FDI enterprises' production value will lead to a growth of VND 1.62597 million in the province production value. As such, FDI projects in the local

industry have generated new motivation to the province's industrial and economic development. This will be displayed in Figure 3:

- FDI has also innovated machinery and equipment in the local industry. Many enterprises have installed modern pro-

Figure 3: Tây Ninh industrial production value over years



duction lines such as: France Bourbon Sugar Mill, Taiwan Tire and Tube Manufacturing Hong Phúc Company, Thai Tây Ninh Cassava Processing Company. In addition, this competition has forced domestic businesses to improve their technologies,

province's total export value. This figure rose to US\$20.65 million, up 62% in 2000.

- Over the past years, FDI enterprises have also speeded up the process of economic restructuring in the trend of increasing ratio of industrial value (see

capacity because the input supply is not stable due to changing crops. Some projects give no high results, even suffer losses. The technologies imported by FDI businesses are not really modern.

- In the current period, FDI attraction to the province's agricultural production and processing industry is facing a danger of short material supply because the cultivation area is fully occupied. Foreign investment in sites outside IPs also encounters difficulties due to lack of available factories, high compensation costs, and inadequate amount of high-skilled workers which do not meet requirements of foreign investors in industrial production.

- Tây Ninh is a poor province as compared to others in the southeastern region, 80% of its population live on farming. At present, the province has only two operating IPs, namely Trảng Bàng IP and Mộc Bài border economic zone. Although the Trans-Asia highway has been completed, the province's infrastructure inside and outside IPs has not really allured foreign investors.

To achieve the objective of becoming an industrial province as laid out by the Resolution of the Tây Ninh Party Unit's seventh congress, the local government is required to accelerate the manufacturing sector. One of key measures is to continue to attract FDI to enhance industrialization, modernization and economic restructuring. Initially, the following measures should be implemented:

+ First, to promote co-operation and partnership with other provinces in the southeastern region for industrial development, especially those in the south focal economic region including HCMC, a locomotive of the country's economy;

The regional partnership will improve the province's comparative advantages, generate new dynamics and effectuate labor division for sustainable development.

+ Second, to attach importance to human resource training to meet foreign investors' requirements, especially technical workers; train high-skilled workers who are able to operate modern machinery; and strengthen capacity of state officials in the FDI sectors.

+ Third, to intensify efficiency of state management in FDI and implement measures of FDI and trade promotion: soon establishing the investment promotion center which undertakes business registration by the one-door model; designing a website to license investment via Internet; organizing showrooms and taking part in advertisements, fairs and exhibitions, investment workshops for major markets;

In addition, the government gives more incentives to FDI enterprises and holds direct talks with investors to remove their troubles on time and raise capacity of operating projects.

+ Fourth, to continue to build existing and planned IPs and industrial clusters; upgrade infrastructures (roads, electricity, water, information, finance, banking, technical services...) inside and outside IPs; focus FDI on hi-tech industries such as electronics and precise mechanical engineering...pay attention to those industries creating more jobs; and prioritize investment projects in processing exports.

Once recognizing the above-mentioned challenges along with appropriate steps in FDI attraction, Tây Ninh Province is expected to achieve its targets successfully. ■

Table 2: Tây Ninh Province's economic structure (%)

Year	Agriculture	Industry	Service
1995	51.83	16.97	31.19
1996	47.23	21.11	31.66
1997	47.89	19.36	32.75
1998	50.14	17.50	32.36
1999	45.13	19.28	35.59
2000	43.53	21.01	35.46
2001	43.78	19.99	36.23
2002	43.45	20.00	36.55

Source: *Statistic Yearbook 2002*, Tây Ninh Statistic Bureau

thus give impetus to the sector's technological innovation.

- FDI enterprises have invested in the processing industry (representing 60% of total foreign investment); established outlets for agroproducts, especially sugarcane, manioc, rubber...; increased farmers' incomes and exploited the province's comparative advantages. As a result, FDI promotes both the industrial and agricultural progress.

- Foreign investment in Tây Ninh has also produced an army of skilled workers which are able to adapt themselves to modern technologies and advanced management. In the meantime, this sector solves a part of labor redundancy in rural areas and increases competition on the provincial labor market.

- FDI manufacturing enterprises have made significant contributions to the province's export earnings. In 1998 these enterprises' export value registered US\$12.76 million, accounting for 80% of the

Table 2).

Although the FDI sector has recorded important achievements as mentioned above, it still encounters challenges as follows:

- Most of FDI projects in Tây Ninh are involved in processing agroproducts including sugarcane, manioc, rubber...which are the province's staples. Meanwhile, the sectors of electronics, mechanical engineering, high-tech industries have not yet allured foreign investment. In the long run, if there are not appropriate plans for these industries, the imbalance will be inevitable.

- A system of industrial establishments has not been set up due to no master plan of development investment. Therefore, the sector capacity has not yet fully utilized and FDI enterprises' competitiveness is restricted.

- Although FDI enterprises makes significant contributions to the province's foreign trade, their exported products remain modest. Many plants have not yet operated at full ca-