

Industrialization is the extensive development of economic activity for the purpose of high efficiency. It is characterized by replacement of manual labor by modern machines and technology. In Vietnam, and in HCMC, industrialization is a way to realize the strategy for socio-economic development in order to transform a primarily agrarian economy into a more mechanized agro-industrial economy accompanied by an advanced relation of production which is one of the most superb features of the socialism.

Our industrialization and modernization aims at building a wealthy, free and happy life for the people, making the people prosperous, country strong and society equitable and civilized, and protecting our independence.

In achieving these targets, above all, we should understand Lenin's idea about the state capitalism "Our success or failure in realizing the socialism depends on how we combine the management of Soviet authorities with the newest achievements of the capitalism".

Basing on this idea, the government allowed HCMC authorities to form two EPZs, Linh Trung and Tân Thuận, in 1991 with the following targets:

- Attracting both domestic and foreign investment.
- Creating new jobs.
- Introducing new technology and modern managerial methods.
- Securing foreign exchange.

But the overall target is to carry out process of industrialization and modernization in HCMC economy. And these EPZs should play a decisive role in this process.

It's was planned that by 1997, there would be 250 factories worth US\$600 million in these two EPZs, their value of foreign trade would amount to US\$5 or 6 million, they would export around 13 million tonnes of goods, supply 100,000 new jobs to five or six thousand managers or executive officers; and some 40 or 50 thousand skilled workers.

According to Taiwanese experts, if five industrial estates are formed along Bắc Nhà Bè-Nam Bình Chánh superhighway, from 250,000 to 300,000 laborers will be needed. Thus, these industrial estates require three times as many laborers as two EPZs do.

In decision signed by PM on Dec 8, 1994 on building new town of Bình Chánh-Nhà Bè, article No 1 stated:

"+ Feature: Town of Bình Chánh-Nhà Bè is part of HCMC with manifold activity. It will be a financial, trading, service, scientific, educational, and entertainment center. It will help with development of inner city and will be a

nucleus of southern and south-eastern zones of HCMC.

+ Size: The area of this town is 2,600 ha with a population of 300,000 people. It will attract residents from inner city and keep HCMC population in 2000 under five millions".

Along Bắc Nhà Bè-Nam Bình Chánh superhighway, many industrial, trading and housing estates will be built. Hiệp Phước power plant with capacity of 670 MW will supply electric power to Tân Thuận EPZ and Hiệp Phước industrial estate. In southern HCMC, many ports, high-tech industrial parks, universities will be built. Tân Thuận EPZ will be a basis for the plan to change Nhà Bè from a agricultural district into an industrial town by the sea. The fund for this plan is nearly US\$2 billion. Thus, Tân Thuận EPZ will play a decisive role in industrializing and modernizing Nhà Bè district. Realizing Tân Thuận EPZ and above-mentioned works is a precondition for modernizing HCMC and its southern zone.

After being in operation for two years, Tân Thuận and Linh Trung EPZs have attracted 34 investment licences. Of 54 registered companies, 4 have come into operation, 19 are under construction, the rest are waiting for building licences. Of four operated companies, three have exported US\$12 million worth of products. Average capital of a company is US\$3.8 million.

THE ROLE OF EXPORT PROCESSING ZONES IN INDUSTRIALIZATION AND MODERNIZATION IN HCMC

by NGUYỄN CHƠN TRUNG



The smallest investment is US\$1 million, and the biggest is US\$20 million not to mention an investment worth US\$205 million in Hiệp Phước power plant. Laborers working per hectare are 256, whereas we need a labor force of 9,212 people (in Taiwanese EPZ, total investment amounted to US\$100 million after seven years of operation. The average investment in a company was US\$4 million. It took 15 years to fill three EPZs of 189ha with factories).

The licenced companies produced garment, leather, machinery, plastic, electric and electronic appliance, food and foodstuff, package... Most of their equipment and machines are modern and fully automated (80 per cent at least). Female laborers accounted for 70 per cent of labor force.

The leading investors of these two EPZs are: Taiwan (32), Japan (12), South Korea (4), Thailand (1), Hong Kong (2). There is a joint venture between Chinese and Vietnamese companies to build infrastructure for Linh Trung EPZ.

Japanese companies invest intensively in their projects in EPZs with modern equipment. American and European companies have showed interest in Vietnam EPZ, 554 American and European visitors have come here to learn about procedures for doing business in Vietnam EPZs.

After two years of operation, many positive factors have made their appearance:

- In management: Realizing a one-stop service to investors, EPZ Board of Administration has accelerated the approval process (reducing the time required for project examining and licence granting from 30 or 60 days to 10 days only). This improvement has created favorable conditions to foreign investors.

- Many licenced companies operating in EPZ have applied for increasing their working capital because they feel sure about their businesses here. For example, Hoàng Việt company has increased its capital from US\$7 to US\$10 million.

- Some high-tech companies from Japan have come to Vietnam EPZs to look for opportunities. In 1994, Tân Thuận EPZ received one Japanese company per month on average.

- Rent for land use and other fees have been adjusted reasonably in order to create conditions favorable for investment in EPZs. This adjustment should be accelerated in future.

- The government has allowed EPZ companies to export their products which can be as raw materials for domestic industries to Vietnam. Liên Minh and Hoàng Việt companies exported 400 tonnes of fibre worth US\$1.1 million to Vietnam last year.

- Many EPZ companies such as Japanese Wifuco or Taiwanese Ditan have bought raw materials from Vietnam, put them in manufacturing process and then exported to foreign countries.

- Many problems with Linh Trung joint-venture have been solved in order to help it operate more favorably.

- Over one hundred of engineers, managers or technicians have been sent to study abroad by EPZ companies. These companies have also co-operate with Vietnam labor centers and vocational training centers to train laborers before employment. For example, Taiwanese Swear has paid VND200,000 to each recruit during their training courses. Swear has spent VND300 million on this program.

- It was planned that by mid-1995, there would be 30 companies coming into operation, from 7,000 to 8,000 laborers would be employed (300 to 400 of which are managers or technicians; 3,000 to 4,000 are skilled laborers); from 40 to 50 companies with total investment of US\$300 million would be granted licences.

Basing on these positive factors, we can hope that EPZs in HCMC will be success stories. However, there are many problems which should be solved as soon as possible:

- Develop infrastructure facilities and utilities (such as roads, water and power supplies...)

- Adjusting more actively rent for land use and other fees.

- Training more managers, technicians and skilled laborers in order to meet requirements of investors.

- Attracting more domestic investors and Vietnamese expatriates to Vietnam EPZs.

- Diversifying ways of investing in EPZ.

- Vesting EPZ Board of Administration with full powers according to Notice No22-CP of the government in order to accelerate the development of EPZs because their development was slower than what was planned now.

- Mechanism of EPZ management, rules and regulations about EPZ should be made clear and explained in detail in order to improve administrative procedures and manage EPZ operation better.

The following are our suggestions about the development of EPZs in HCMC:

1. Connecting plan for development of EPZs with the plan for development of HCMC and southern zone. In the plan for development of HCMC, we should pay attention to the development of Tân Thuận EPZ and southern HCMC area which has been approved recently by the government.

Besides that, regulations on pollution control should be laid down as soon as possible.

As for Tân Thuận EPZ and southern HCMC area, the government and HCMC authorities had better make them a special economic zone with special statute, and its infrastructure facilities should be soon completed (such as Nam Bình Chánh-Bắc Nhà Bè superhighway, Hiệp Phước power plant, Soài Ráp port...).

2. Improving conditions for investment in EPZs (infrastructure, administrative procedures, list of rent for land use and other fees...) and reforming management mechanism with a view to providing a one-stop service to investors.

3. Encouraging investors to exploit local raw materials in order to develop HCMC industries: The food companies in EPZ could co-operate with HCMC suburban and the Mekong Delta provinces to form stable sources of agricultural product supply, thereby industrializing the rural areas. This program certainly requires new policies on investment.

The government could also encourage investors to build their network of assemblers or processing factories in Vietnam, and on the other hand, allow EPZ companies to export their products to Vietnam if these products could be used as raw materials for domestic industries and we have to import foreign countries until now. This measure can help Vietnam industries reduce production cost and enhance their competitiveness.

4. Offering opportunities to all kinds of investors and encouraging local investors and Vietnamese expatriates to invest in EPZs.

5. Making EPZs training centers for managers, technicians and skilled laborers with a view to preparing the ground for future industrialization: In this matter, we should reform educational program, modernize vocational centers and form relations between universities, colleges and EPZ companies in order to connect theory with practice.

The overall problem is we should modernize the administrative machinery from central to local levels before we think of industrialization of the economy. Particularly, we should carry out decision No 38-CP of the government on reforming administrative procedures and improving managerial skill of civil-servants. Rules and regulations on EPZ and investment should also be perfected.

The development of EPZs can prepare the ground for industrialization and modernization of HCMC economy.