

# TO PROMOTE FOREIGN INVESTMENT IN THE MEKONG DELTA

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## 1. Some data about the Mekong Delta

The Mekong Delta (MD) including 12 provinces: Long An, Tiền Giang, Bến Tre, Đồng Tháp, Vĩnh Long, Trà Vinh, Cần Thơ, Sóc Trăng, An Giang, Kiên Giang, Bạc Liêu and Cà Mau, has an area of 39,600 sq. km., equaling 12% of the national area; and a population of 16.17 million people (1999) accounting for 21.1% of the Vietnamese population. It is one of the most fertile regions in Southeast Asia and produces a wide range of tropical farm products. The MD has a coastline of 700 km long and territorial waters of 360,000 sq.km full of aquatic resources. Annual floods affect some 50% of the MD area, leave large quantity of silt but they cause damage to the agricultural production.

In the past decade, the MD gained a growth rate of 6.22%. The structure of industry was slow to change but development of its agricultural production ensured the national food safety and export of farm products.

## 2. Targets for the MD economic development

The socioeconomic development plan for the years 2001- 2005 as important part of the plan for 2001-2010 aims at "developing the economy in a fast and sustainable manner, changing the structure of industry and structure of working population, enhancing the competitiveness of local industries and promoting the foreign trade." (Political

Report at the 9<sup>th</sup> VCP National Congress)

As for zonal development strategies, it's necessary to concentrate on vital zones with high growth rate and huge capital accumulation with a view to helping with the development of other zones.

Distribution of foreign investment among zones is uneven and most of it is put in vital economic zones. The Southern Vital Economic Zone, including HCMC, with good infrastructure and position, is the

Table 3: Foreign Investment by Zone (up to Dec. 31, 1999)

Zone	Registered capital (US\$)	%	Legal capital (US\$)	%
Northern Mountainous Zone	265,812,786	0.74	124,504,461	0.77
Northern Vital Economic Zone	10,881 700,774	30.33	4,862,332,531	30.16
Central Vital Economic Zone	1,978,411,512	5.51	1,097,537,204	6.81
Central Highlands	899,147,060	2.51	136,221,109	0.84
Southern Vital Economic Zone	17,277,631,032	48.15	7,675,744,184	47.61
Mekong Delta	1,003,125,144	2.80	410,276,264	2.54
Total	35,879,248,658	100.00	16,212,635,093	100.00

Table 1: MD Economic Growth (%)

	1990-1995		1995-1999		1990-1999	
	National average	MD	National average	MD	National average	MD
Gross product	8.06	6.80	6.98	5.45	7.48	6.22
Agriculture	4.45	6.30	4.38	3.84	4.43	5.18
Industry & construction	12.62	12.25	10.74	9.03	11.73	10.78
Service	8.02	5.48	5.80	5.60	7.01	5.53

Table 2: Main Data about the MD

	1990	1995	1999
Population(million people)	14.64	15.58	16.17
Gross product (VND bil. at current price)	9,375.2	46,843	81,447.2
As % of the GDP	22.3	20.5	20.4
Structure of industry (%)	100	100	100
- Agriculture	53.40	46.6	45.2
- Industry & Construction	11.64	14.9	18.1
-Service	34.95	38.5	36.7
Rice output (million tonnes)	9.48	12.83	16.3
Budget revenue (VND bil.)	895	4,415	6,300
As % of Gross product	9.2	9.4	8.5
Personal income (VND1,000)	666	3,006	5,037

most attractive in the eyes of foreign investors and it is followed by the Northern one. The Northern Mountainous Zone and Central Highlands attracted the smallest numbers of FDI projects.

In 12 provinces in the Delta after 1987, there are only 107 FDI projects worth US\$972 million, equaling 4% of FDI projects and 2.6% of foreign investment in Vietnam. Up to the end of 2000, realized capital of projects in the MD reached US\$714 million, equaling 73.5% of the registered capital. Up to now, only 55 projects came into operation employing some 13,000 laborers (equaling 4.5% of the labor force in the foreign sector) while 53 other projects with registered capital of US\$220 million have been dissolved prematurely. In comparison with the national average of 20%, the proportion of dissolved projects in the MD was rather high.

To gain a higher growth rate, the MD should tap its potentials fully and concentrate on businesses with comparative advantages (fisheries, agriculture, agro-industry, etc.) and the service industry with a view to increasing export value. The most



developed province in the MD is Cần Thơ. In Cần Thơ City, there is an EPZ of 150 hectares, a seaport, an airport and a power plant. It has become a hub of the whole Delta.

### 3. Measures to attract more foreign investment to the MD

Until recently, the Economic-Social Commission for Asia-Pacific (ESCAP) has proposed an Indochinese Investment Project 2000-2001. This is a project included in the Program for Mekong Subregion Development and financed by the Japanese government. This project aims at attracting more foreign investment to Indochina, and for the time being, identifying and proposing measures to overcome after-license obstacles. This is a great effort to improve the investment climate and promote foreign investment in Vietnam, Laos and Cambodia.

The Ministry of Planning and Investment held "Workshops on Promotion and Development of FDI Projects in Vietnam" on Feb. 12-13, 2000 in Cần Thơ, on Feb. 15-16, 2000 in HCMC and Singapore, and set forth various measures to encour-

In my opinion, the following measures could be taken to attract foreign investment to the MD:

a. Supplying information to potential investors: Each province in the MD should make an up-to-date list of projects offered to foreign in-

vestors couldn't have large and heavy equipment carried to the MD because there are too many small bridges along the National Route 1A. The poor infrastructure makes the transport of raw materials and goods costly and time-consuming. For ex-



age foreign investment in Vietnam.

The MD, with less comparative advantages than other zones, doesn't attract strongly interest of investors, and the promotion of foreign investment in this Delta isn't an easy and simple task because there is a great difference between purposes pursued by foreign investors and the host country.

investors and establish a body responsible for providing them with necessary information about provincial potentials and development plan and answering questions relating to this field in the province.

b. Developing the infrastructure: Many foreign investors in the MD have met with difficulties in realizing their projects because of poor infrastructure. For example, some

ample, the transport of goods from Kiên Giang to Saigon Port is as costly and time-consuming as the transport from Saigon Port to Kaoshiung (Taiwan).

c. Opinions of local governments about foreign investment: Some local governments didn't consider the foreign investment an advantage offered by the globalization. Some others want to have everything done by local companies and refuse to call for foreign investment.

d. Lack of competent officials: Most MD provinces lack officials with certain knowledge of market economics and experience of foreign cooperation. In the MD, there are only three universities and trained laborers account for only 6% of the working population (as compared with the national average of 15%). Shortage of skilled laborers is also a factor that discourages foreign investors.

The Government must make plan to develop human resource in the MD and give incentives to realize projects in the MD with a view to orienting flows of skilled laborers towards the MD before a new generation of skilled laborers comes into being. In short, favorable conditions created by the Government will be a decisive factor of the promotion of foreign investment in the MD. ■