

Foreign Investment in Cần Thơ City Facts and Development Solutions

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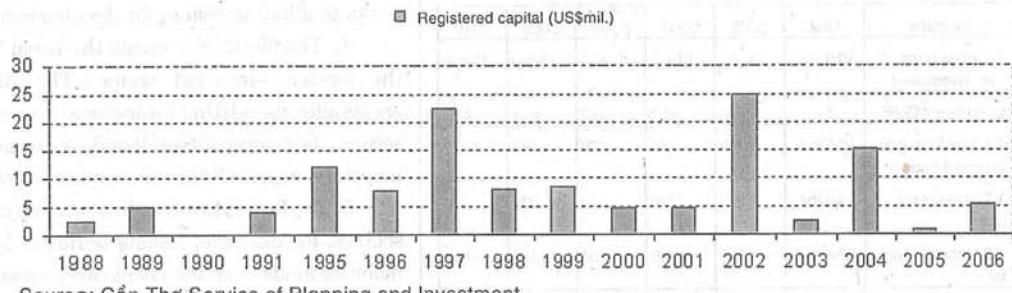
Figure 1: FDI performance in the Cần Thơ City

The Cần Thơ

City has been directly under the central government since January 1, 2004. It is one of the country's biggest cities and a hub city of the Mekong Delta. Its foreign-invested projects have made significant contributions to the city socio-economic development, for example, restructuring the economy, enhancing import-export value, increasing state revenues, generating employment, etc. However, these achievements are not compatible with the Cần Thơ City's potentials. According to the Ministry of Planning and Investment's statistics, until the end of 2006, the Cần Thơ City ranked 29th among 64 cities and provinces in terms of foreign investment attraction. It has 39 valid projects with total registered capital of US\$128,675,757 including realized capital of US\$91,854,262. This is a modest achievement if compared to localities which face more challenges but allure higher amount of FDI capital, including Hưng Yên, Phú Yên, Thái Nguyên in northern Vietnam, and even provinces in the Mekong Delta such as Long An, Kiên Giang.

1. Facts of foreign investment in Cần Thơ from 1988 to 2006

The Cần Thơ City's FDI capital has not yet reached US\$500 million over the past 20 years. Most of projects are of small size, the biggest one has a registered capital of only US\$14 million, projects valued at US\$500,000 are common, and it is noted that there are three years experiencing no new investment, namely, 1992, 1993, 1994. Moreover, while the country enjoyed fruitful results in foreign investment in 1996, 2005 and 2006, the Cần Thơ City attracted a modest amount of FDI, for example, US\$5.3 million. (See Table 1, Figure 1). In the 1988-2006 period, however, the percentage of realized capital was rather high, 71.38%, (against 50% over the country). In 2002 the registered capital was highest, but the realized one was lowest, only 25%. The performance was much better in 2004, 97.84%, but returned to low rate as before, 30% in 2005 and 2006 (see Figure 2)



Source: Cần Thơ Service of Planning and Investment

Table 1: FDI performance in the Cần Thơ City

Year of License	Number of projects	Name of project	Capital (US\$)	Realized capital (US\$)
1988	1	Meko Food Processing Enterprise	2,471,666	2,471,666
1989	1	KwongLung Meko Co Ltd.	5,000,000	4,228,371
1990	1	Meko Handicraft Enterprise	200,000	200,000
1991	1	Vinasa Tobacco Joint Venture Co.	4,073,000	2,000,000
1995	1	Steel Joint Venture Co.	12,100,000	12,100,000
1996	2	Victoria Hotel Joint Venture Co.	5,320,000	5,320,000
		Miền Tây Plastic Co.	2,600,000	1,437,000
1997	3	Cần Thơ Total Gas Joint Venture Co.	4,459,475	4,000,000
		Pataya Food Processing Co. Ltd.	12,740,000	8,782,096
		VN Bio Co. Ltd.	5,350,000	5,350,000
1998	3	VN Chong Ho Co. Ltd.	1,240,000	1,240,000
		The Cần Thơ Proconco Co. Ltd.	5,906,698	5,824,193
		Adage Industrial Development Co.	1,000,000	250,000
1999	2	Phương Vinh Business Cooperation Contract	370,000	370,000
		VTN-P Petrochemicals Co.	8,000,000	7,639,990
2000	2	Cửu Long Fruit Orchard Co. Ltd.	2,700,000	1,075,384
		VN Cargill Co. Branch	1,900,000	1,430,000
2001	1	Long An Cargill Co. Branch	4,700,000	3,100,000
2002	5	VN Aqua-Service Co. Ltd.	1,800,000	300,000
		Cồn Ấu Fish Breeding Joint Venture Co.	1,000,000	0
		Rice Processing and Export Joint Venture Co.	12,000,000	0
		Cái Lân Vegetable Oil Co. Ltd. Branch	7,000,000	6,057,459
		International Food Processing Co.	3,000,000	0
2003	3	Sam Won Vina Co. Ltd.	200,000	117,450
		Vigor Biochemicals Co. Ltd.	259,311	259,311
		Vietnam-Thailand Co. Ltd. Branch	2,000,000	1,491,935
2004	5	Melbourne Joint Venture Co.	500,000	200,000
		Metro Cash & Carry Co. Branch	14,000,000	14,000,000
		VN Fiber Co. Ltd.	100,000	71,000
		VN Arysta Life Science Co. Ltd. Branch	129,032	129,032

		RDC Co. Ltd. Branch	500,000	500,000
2005	3	Dazhu Trading and Production Co. Ltd.	200,000	200,000
		Jerdan Trading and Production Co. Ltd.	400,000	0
		You Cheng Co. Ltd.	100,000	0
2006	5	Arno Mekong Joint Venture Co.	200,000	200,000
		R2 Light Mechanical Engineering	9,375	9,375
		Thanh Tung Trading and Service Co. Ltd.	300,000	300,000
		Tam Nhât International Technology Co.	3,125,000	0
		Trí Việt International Co. Ltd.	1,722,200	1,200,000
Total 39			128,675,757	91,854,262

Source: Cần Thơ Service of Planning and Investment

Table 2: FDI by sector in the Cần Thơ City

Sector	Number of projects		Registered capital		Realized capital	
	Number	%	Value (US\$)	%	Value (US\$)	%
1. Industry	28	71.80	89,346,725	69.44	73,077,750	79.56
2. Service	3	7.69	6,860,000	5.33	6,860,000	7.47
3. Agriculture	8	20.51	32,469,032	25.23	11,916,5121	2.97
Total	39	100	128,675,757	100	91,854,262	100

Source: Cần Thơ Service of Planning and Investment

Regarding FDI forms, most of projects are 100% foreign-invested, followed by joint venture in terms of the number of projects, registered and realized capital. This is similar to the country's situation. Specifically, based on total investment capital of the country in the 1988-2006 period, 100% foreign-invested projects account for 76%, joint venture 20% and others 4%. However, the forms of business are not diversified because the Cần Thơ City has no FDI forms of BOT, joint stock company, fund management company (see Table 3).

Table 3: Forms of FDI in the Cần Thơ City

Forms of investment	Number of projects		Registered capital		Realized capital	
	Number	%	Value (US\$)	%	Value (US\$)	%
1. 100% foreign-invested	26	66.67	66,206,059	51.45	47,664,249	51.89
2. Joint venture	12	30.77	62,099,698	48.26	43,820,013	47.71
3. Business cooperation business	1	2.56	370,000	0.29	370,000	0.40
Total	39	100	128,675,757	100	91,854,262	100

Source: Cần Thơ Service of Planning and Investment

There are 39 valid projects in the Cần Thơ City. They are of different conditions: operational, tested, under construction, under development, not yet operational, and terminated. Most of projects in the Cần Thơ City are operational in terms of the number of projects, registered and realized capital (see Table 4).

Table 4: Conditions of FDI projects in the Cần Thơ City

Condition	Number of projects		Registered capital		Realized capital	
	Number	%	Value (US\$)	%	Value (US\$)	%
1. Operational	22	56.42	91,020,150	70.74	77,142,930	83.98
2. Tested	2	5.12	8,100,000	6.29	7,710,990	8.39
3. Under construction	4	10.26	7,329,032	5.70	4,920,967	5.36
4. Under development	5	12.82	15,634,375	12.15	509,375	0.55
5. Not yet developed	5	12.82	6,222,200	4.84	1,200,000	1.31
6. Terminated	1	2.56	370,000	0.29	370,000	0.40
Total	39	100	128,675,757	100	91,854,262	100

Source: Cần Thơ Service of Planning and Investment

International investors arrive in the Cần Thơ City from 14 nations and territories including 9 in Asia. France tops the list, and behind are Taiwan and Thailand (see Table 5). Many big foreign investors in Vietnam have poured only modest funds in the Cần Thơ City.

Table 5: Investors in the Cần Thơ City

Investors	Number of projects		Registered capital		Realized capital	
	Number	%	Value (US\$)	%	Value (US\$)	%
1. France	7	17.95	26,536,173	20.62	22,119,577	24.08
2. Taiwan	5	1.82	17,659,311	13.72	16,787,682	18.28
3. Thailand	4	10.26	16,110,000	12.52	10,644,031	11.59
4. Germany	2	5.13	14,400,000	11.19	14,000,000	15.24
5. Iraq	1	2.56	12,000,000	9.33	0	0
6. Japan	2	5.13	9,722,200	7.56	8,839,990	9.62
7. The US	3	7.69	9,200,000	7.15	5,967,000	6.50
8. Singapore	2	5.13	7,129,032	5.54	6,186,491	6.74
9. British Virgin Island	1	2.56	4,073,000	3.17	2,000,000	2.18
10. Malaysia	2	5.13	3,500,000	2.72	500,000	0.54
11. Others	10	25.64	8,346,041	6.49	4,809,491	5.23
Total	39	100	128,675,757	100	91,854,262	100

Source: Cần Thơ Service of Planning and Investment

----- Registered capital (US\$ mil.)

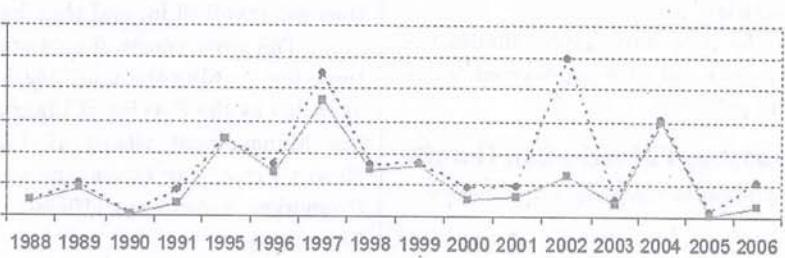


Figure 2:
Investment realization

Source: Cần Thơ Service of Planning and Investment

2. Reasons for limited FDI in the Cần Thơ city

There are a lot of hurdles to FDI in the Cần Thơ City, including:

- Infrastructures: The whole Mekong Delta is faced with poor infrastructures. The Cần Thơ is not an exception; however, it has become a city directly under the central government. Its infrastructures remain in unfavorable conditions, including roads, airway, water way, deep ports, infrastructures in industrial parks, and weak geological structure causing too high costs of capital construction and troubles to construction of high-rise buildings.

- The work of investment promotion has not yet been carried out professionally. Local businesses have not made contacts with potential partners and investors; thus, the city's potentiality has not been fully introduced and tapped.

- Economic potentials are mainly in agriculture which are hardly to allure foreign investment. Other fields have not been planned in details and comprehensively, so there are no attractive products for investment.

- Administrative procedures: Although they are much reformed, they still do not meet current requirements and catch up with the local socio-economic growth rate.

- Human resources: there is a serious shortage in manpower, namely, competent officials, managers and skilled labor, in the government sector and others.

- Competition in FDI attraction: Provinces in the Mekong Delta are now competing fiercely with each other in FDI attraction. They have not yet established close and firm relations and connections in FDI mobilization and built joint projects among localities to call for investment.

- The financial market, system of services and support industries remain underdeveloped, therefore, increase input costs for large projects and reduce their profits.

- The list of projects calling for FDI is not alluring. Most of them pay more attention to local benefits rather than actual interests of foreign investors.

- The consumer market is small, but the transport fees are large. This really makes investors worry about outlets for their products.

- The local authorities have given inadequate incentives to FDI projects and have not devised appropriate strategies and policies.

3. Solutions for boosting FDI in the Cần Thơ city

3.1. Building a specific roadmap for FDI development

- 2007: To generate a momentum for FDI development

The year 2007 is suitable for the starting point of the whole process because our country has just become an official member of the WTO, organized successfully the APEC Summit and mobilized impressive flows of FDI in 2006. Second, the Cần Thơ City has built several initial runways to take off. Third, the city must make a breakthrough after many years of slowdown in FDI activities.

- 2008-1010: To spur FDI development

The reasons for choosing this period to spur the city's FDI development are: (1) The infrastructures are significantly improved, for example, the airport, Cần Thơ Bridge, major roads, deep port, infrastructures are completely built and brought into operation...; (2) the working population increases in terms of quantity and quality, and administrative reform meets the requirements for development; (3) measures implemented in the starting year will be effective in this period.

- 2011 – 2020: To become a friendly destination for foreign investor

After the period to boost up FDI, the Cần Thơ City will try to lead in the Mekong Delta's establishing a friendly environment for foreign investors because the following causes: (1) The Cần Thơ City will certainly become the first rate city (in 2010 as planned), so its infrastructures are quite good; (2) in the 2011 – 2020 period, the whole Mekong Delta has developed into a new level; and (3) other provinces reach a saturation in foreign investment; therefore, the Mekong Delta and the Cần Thơ will be a promising land for foreign investors.

In short, the Cần Thơ City will grow into a "pearl" of the Mekong Delta, so it cannot help becoming a friendly destination of foreign investors.

3.2. Improving the competence and skill of state officials in FDI-related public services

- These officials must understand well the Party and the Government's viewpoints, lines, and policies on the foreign-invested sector and the importance of this channel in the local socio-economic development.

- They shall be trained professionally in the field they get involved in, and they have high skill.

- The government should create favorable conditions for training the staff dealing with FDI in such agencies as the Service of Planning and Investment, the Management Board of Industrial Parks and Export Processing Zones, the Center for Investment Promotion, specialized officials in the City People's Committee.

- The relevant authorities have to send their staff to study experiences from other provinces and foreign countries in FDI development. In addition, they should make long-term plans on training FDI staff, and even invite foreign experts for consultancy on FDI expansion and attraction.

3.3. Measures to improve the investment climate:

The people should be provided with knowledge and information to understand the role and efficiency of FDI projects in their area, especially for their residence site will be cleared for construction. The culture of potential investing countries should be studied by getting helps from their consulate and embassy. The city organizes cultural weeks to understand and make cultural exchanges with other countries. Foreign investors' culture should be well learned to succeed in calling for, promoting and attracting investment. These activities will help reduce possible strikes which badly affect our country's safe investment climate.

Administrative reform should be implemented simultaneously in all FDI-related agencies. Relevant authorities shall hold seminars and workshops on administrative reform with the participation of foreign investors in the city. The reform should be strategic and avoid pomposity and formalistic instructions. Public administration services should be separated from state management. Hot lines on administrative reform are established to deal with arising problems immediately. Task forces will be set up to help businesses and FDI projects with administrative and legal procedures and make investors feel insured and convenient. Local and foreign investors must be treated fairly and equally with no discrimination. Processes of administrative reform are widely announced and regularly inspected to rectify shortcomings and troubles on time.

Relevant authorities are required to conduct proper surveys and evaluations of the local socio-economic conditions, potentials, and challenges. These are necessary backgrounds for the city's master and long-term plans. Based on these preconditions, investors' and local interests will be combined in harmony.

The city government must devise master plans of important infrastructure projects. Capital for these projects will come from various sources. The city may cooperate with

other provinces to build them and hire foreign advisors to strengthen the project quality and benefits.

3.4. Financial measures

The government should accelerate the establishment of the stock market for Cần Thơ and the Mekong Delta's financial development. The real estate market should be planned comprehensively to call for participation from various economic sectors. Banking activities must be diversified to meet increasing requirements of businesses and the people. The government shall give tax incentives to FDI projects, but still abide by regulations and law. The Financial Advising Center should be established to offer appropriate supports to FDI projects and deal with problems immediately.

3.5. Measures to promote investment

- The professional machinery for investment promotion shall be founded to intensify investment promotion, especially in potential markets including Taiwan, Singapore, Japan, South Korea, Hong Kong, the US. The city in cooperation with other provinces will establish a club of investment promotion for the whole region to boost its investment.

3.6. Marketing measures

Relevant authorities shall establish a department specialized in marketing FDI projects. They must distinguish functions and tasks of FDI marketing and promotion. The city potentials, advantages and attractive opportunities should be introduced and advertised widely to foreign investors via mass media, websites, international fairs and exhibitions ■

