

Operations of Industrial Parks in the Past Few Years and Measures to Develop Them

by NGUYỄN KHÁNH CƯỜNG

1. Achievements of Vietnamese industrial parks

Firstly, all provinces in Vietnam have their own industrial parks or export processing zones (referred to hereafter as industrial parks, or IP). According to the Ministry of Planning and Investment, after the Tân Thuận IP in HCMC with an area of 195 hectares and an initial investment of US\$60 million up to May 2005, there were 122 IPs in Vietnam. Of this number, 69 IPs have come into operation; and 53 are under constructions and offered to investors. These IPs have attracted 1,738 FDI projects with a total investment of US\$14,668 million and 1,817 locally-invested projects with a total capital of VND88,999 billion. In

the past 15 years, both central and local governments have tried their best to deal with obstacles to these IPs and complaints from investors in order to smooth their development.

Secondly, IPs have created new jobs for laborers from all over the country. Each IP offers jobs to local residents and laborers from surrounding provinces with better pay and stable employment that the best part of the working population are badly in need of.

IPs in the South employ bigger workforces because they have been established earlier and a lot of laborers from the North have gone south for jobs.

Thirdly, IPs have contributed a lot to the economic growth. Ac-

cording to the MPI, the IPs account for some 24% of the national industrial output and this figure may rise to 45% by 2010 and some 60% in the next period. Exports from IPs represent 19.2% of the export value and this figure is estimated at 40% by 2010.

Fourthly, IPs generate competition against local production, including local companies in the IPs. Foreign-invested companies in the IPs have advantages of modern facilities and managerial skills while most local companies lack skilled laborers and capital because most of them want to work for foreign ones. Many local managers said they found it easier to replace their machines and equipment than to retain skilled laborers because retaining them requires better training programs, pay, treatment and working conditions, which are usually beyond reach of the local companies.

In the IPs, local companies can easily identify their strengths and weaknesses, threats and opportunities, and other industrial problems. In short, they face a keen and direct competition from foreign-invested companies and they are trying their

best to replace their technologies, and apply international standards for their products and production lines with a view to improving their productivity and competitiveness. And as a result, local companies in the IPs might reform their companies faster than ones outside the IPs.

Fifthly, IPs strive for an effective and sustainable development. In IPs, most companies have long-term business plans for their interests and benefits for the society. Rules of environmental protection force them to take necessary measures to treat waste. IPs become model of construction, beautiful landscape, infrastructure building and telecommunications. IPs also facilitate the task of controlling production, product quality, waste treatment, environment protection, industrial development and improvements in depressed areas by the State.

2. Shortcomings

- Most large IPs can't fill their areas with projects. This means that very big investments in the infrastructure failed to produce intended results. According to the MPI, of 69 IPs that have come into operation only 11 have been filled

Table 1: Workforces in some IPs

IP	Province	Vietnamese workforce
Amata	Đồng Nai	10,466
Nhơn Trạch 1	Đồng Nai	24,202
Biên Hòa 2	Đồng Nai	60,920
Tân Thuận	HCMC	30,920
Vietsing	Bình Dương	30,070
Sóng Thần 1	Bình Dương	31,980
Sài Đồng B	Hà Nội	31,456
North Thăng Long	Hà Nội	5,337
Quang Minh	Vĩnh Phúc	8,600
Hòa Xá	Nam Định	59,923
Đồng Văn	Hà Nam	13,284
Nam Sách	Hải Dương	1,184

with investment projects; and 21 leased 50% of their areas. Of 53 IPs that are under construction, only Tam Phước IP leased 100% of its area, Hòa Phú 87.2% and Hòa Xá 57.1%, the rest can achieve a very low percentage. Particularly, the Đài Tư IP in Hà Nội that was established in 1995 can only lease 16.7% of its area; and Hải Phòng IP established in 1997 can fill only 2.1% of its area.

- In developing the IPs, investors and managers fail to build accommodations, training and health care centers for laborers with the result that many social problems arise in districts around the IPs. Laborers have to take care of themselves and therefore they don't feel attached to their workplace. Better working conditions will help attract more skilled laborers.

- Both companies and IP management boards fail to provide laborers with training courses and they tend to leave this job to vocational centers or schools of various kinds instead of cooperating with them to improve skills of workers. In addition, what laborers learn from vocational centers may be much different from what companies need. Most companies, especially ones in clothing and footwear industries, have to retrain new employees. Training means more cost for companies and none

want to suffer it. And as a result, the human resource from districts around the IPs is so poor that it discourages most investors.

- Land clearance, compensation and vocational training for peasants who lose their land to IPs are urgent and worrying issues. Most IPs are built on farming land and peasants don't know any other trade and they can't use effectively the compensations. Many companies want to employ them but they have no skills the companies need. This situation leads to contradiction between peasants and the IPs and social unrest and evils.

- There is an unnecessary and unruly competition between provinces for investment projects and the central government can't control them. Many provinces offer to many incentives (low taxes and land rental, simple procedures, and low-interest loans, etc.) without paying attention to quality of the projects, local human resource, structure of investment in the IP, and ability of investors, and as a result, many IPs couldn't succeed.

3. Measures to improve business performance of IPs

- Policies on IP development and mechanism for attracting investors should be reviewed in order to fill IPs with investment

projects. These policies and mechanism must be appropriate to the trend of international integration.

- When developing new IPs, full attention must be paid to town planning and working and living conditions for laborers, especially ones from other provinces. Moreover, the IPs shouldn't situate next to towns or residential areas.

- Environmental regulations must be observed strictly when granting business licenses to companies. Responsibility of companies and local authorities in this matter must be made clear in order to save next generations from too dear prices.

- The central government should remind provincial ones of importance of supporting and high-tech industries to the development

of IPs besides good infrastructure and reasonable incentives.

- Programs to develop local human resource must be in place before the plan to build IPs is carried out. Provincial authorities must undertake this task instead of relying investors if they want the IPs to improve the living standard of local residents.

- More rights and duties must be delegated to IP management boards in order to allow them to handle better complaints from investors and local peasants, thereby avoiding social and political unrest.

- The central and provincial governments should publicize policies on the building of IPs up to 2010 in order to help foreign investors and local residents prepare themselves for future developments. ■



Photo by Huỳnh Thọ