

According to the report made by Lê Xuân Trinh, Head of the Industrial Parks Management Board, at the National Industrial Parks Conference held on Feb. 17 and 18 in Hà Nội, there are 3 export processing zones (EPZ) and 45 industrial estates (IE) distributed in the following 15 provinces and cities:

- Hà Nội: 5
- Hải Phòng: 3
- Phú Thọ: 1
- Quảng Ninh: 1
- Đà Nẵng: 2
- Quảng Nam: 1
- Quảng Ngãi: 1
- Dung Quất Industrial Estate on the border between Quảng Nam and Quảng Ngãi: 1
- Khánh Hoà: 1
- HCMC: 12
- Đồng Nai: 7
- Bình Dương: 7
- Long An: 2
- Bà Rịa-Vũng Tàu: 2
- Cần Thơ: 1
- Tiền Giang: 1

These industrial parks (IPs) have attracted 428 foreign companies and 115 local ones with a total capital of some US\$5 billion (93% of it came from foreign sources), US\$2.114 billion were realized, representing 42% of the target. The total area of these industrial parks, not including 14,000 ha of the Dung Quất Industrial Estate, amounted to 5,000 ha, but only 1,348 ha (or 27%) were rented.

The total output from these IPs in 1997 were worth US\$1,115 billion, representing 15% of the national industrial output; their exports were worth US\$848 million, representing 10% of the national export value; and the labor force in the IPs consisted of some 90,000 workers. Of the IPs, the Tân Thuận EPZ is considered as the most successful: it has attracted 139 investors with a total registered capital of US\$511 million; 88 companies in this EPZ have come into operation, employed some 20,000 workers and exported US\$204 million worth of goods in 1997.

Thus, the system of IPs has become organic part of the economy and it is contributing a lot to the industrialization and modernization because firstly, it has produced good effects on gross investment, industrial output, export and local consumption and caused the GDP to increase remarkably; secondly, the environment protection has been



## INDUSTRIAL PARKS IN VIETNAM AND PROBLEMS TO BE SOLVED

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done more properly; thirdly, the level of technical skill has been improved providing a basis for technology transfer; fourthly, the appearance of IPs in different provinces along with the development of infrastructure has accelerated urbanization process and bridged the gap between provinces. Moreover, the development of IPs has also been of great service to national defense.

However, in the development of IPs there are many problems to be considered. At the workshop on IPs held in Bình Dương on Feb. 2, 1998, the most controversial question was whether IPs in Vietnam was surplus because there are 32 IPs in the South and most southern provinces are requesting the Government to build at least one IP each. According

to the plan made by the Industrial Parks Management Board submitted to the Government, there will be some 70 IPs in Vietnam by 2000, this number will depend on whether the efficiency of each IP is high or not.

In fact, four kinds of IPs are being built in Vietnam: (1) IPs that develop from a group of factories and are in need of improved infrastructure and sewage works, (2) IPs that are used as new sites for factories which are formerly situated in city center and forced to move on the grounds of environmental protection and town planning, (3) IPs of small scale that are built near to sources of raw materials, especially agricultural products. These IPs are being built in the Mekong Delta, Hồng Delta, and coastal provinces of



the Central Vietnam where the manufacturing industry isn't well developed. Three above-mentioned kinds of IPs represent over 50% of existing IPs and more of them will be built in the coming years (4) IPs that are newly built: at present there are 20 IPs of this kind, 13 of them are built by infrastructure construction joint ventures operating under the Foreign Investment Law. In addition, preparations are being made to build hi-tech industrial parks in HCMC and Hoà Lạc (Hà Tây), along with some free trading zones and special economic zones.

These analyses can make us feel sure that the development of IPs isn't as hot as certain economists thought. But it requires a lot of money invested in infrastructure building to turn 5,000 ha of bare land into commercial land of "five standards" (well-leveled land, well-built roads, well-supplied water, power and communications service). If we have to invest some US\$0.3 million in a hectare as what was done in Tân Thuận EPZ, the required investment will amount to US\$1.5 billion. This sum really matters and that is why many IPs became less attractive in the eyes of investors and only 27% of their area was rented. Some economists are of the opinion that new IPs won't be able to be built before at least 50% of the area of existing IPs is rented, but all local governments want to build IP in their localities, and as a result, nobody wants to protest their plans for fear of being accused of hindering the industrialization and modernization, so the best choice is to leave the decision to local govern-

ments and allow them to build IPs on their own. But to build an IP is no easy task these days when foreign investment is on the decrease. Some provincial governments put all their savings in some infrastructure works in the hope of attracting investors, and then, getting certain return on investment. If their plans end in success, the return won't be as big as expected, if not, the works will become great waste, especially to poor provinces.

Some people have once thought that trading in real estate in IPs would have made good profits and IP construction companies have gone mushrooming. They have competed for well-located lots, done some leveling and waited for investors. Visiting all of 48 existing IPs, we could see some IPs with simple fence and farmers living inside, and in others, IP construction companies are crying over spilt milk because their investment bears no fruit. In certain IPs, hundred millions of dollars have been put in infrastructure to reach five standards but they could only attract a handful of investors, and things have gone from bad to worse because they have had to keep on operating large scale power and effluent treatment plants. In such a dilemma, they have had to reduce the land rental from US\$90 to 50 for a square meter for a 50-year term.

Finding out sources of finance needed for building infrastructure is difficult, but more difficult is to attract enough investors. The Tân Thuận EPZ for example, in spite of its well-built infrastructure, convenient location and marketing cam-

paign, has been able to attract only 139 companies and had 60% of its area rented. Some people are of the opinion that the land rental in IPs is out of reach for many inner city factories that are forced to move to suburbs because of environmental regulations. They are potential customers for IPs but they can't afford to rent a piece of land in IPs. That is why we suggest new regulations allowing these factories to sell their sites in inner city areas in order to buy land in IPs.

Although each IP has a management board—an authorized body responsible for keeping a close eye on all operations in the IP—the IP is really owned by the IP infrastructure construction company, that is, one body has the power and the other has money, if there is no cooperation between them, their competition will be an obstacle to the development of the IP. This is one of features of Vietnamese IPs, and the way of regulating the relations between the management board, the IP infrastructure company and companies in the IP is a problem that needs to be studied and solved.

In their first days, such IP as Tân Thuận has been a social phenomenon, but at present, they become organic part of the economy and are controlled by various ministries. Although the "one-door" mechanism is appreciated, that is, all power will be given to the IP management board, the mechanism for governing the IP seems very new to all authorities and they come to different explanations for it. This is also a problem that researchers should spend a lot of time and energy on.

We had better remember that the industrialization has been once carried out in the North with the appearance of Thái Nguyên, Việt Trì and Hà Nội IPs, but at present, many small factories stay in the heart of the capital. After 1975, the government took control of the Biên Hoà Industrial Estate, and then, IPs of large size went mushrooming in all provinces. As time passed, and mechanism changed, some IPs ended in failure. And now, there is a mass movement to build IPs. Of course, IPs today are much different from the old ones, but we must be convinced that the IP isn't a magic wand that can help us to make the industrialization materialize with a quick wave of it ■

