

DEVELOPMENT OF HCMC-BASED INDUSTRIAL PARKS IN THE PAST TWENTY YEARS

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Ho Chi Minh City has always been a pioneer in the development of industrial parks (IPs) and export processing zones (EPZs). Apart from its achievements, the city is now facing unsolved problems and challenges. Therefore, proposing consistent solutions to these problems helps the IPs-EPZs play well their pioneering role in industrialization and modernization in HCMC.

Keywords: IPs, EPZs, industrialization, modernization, export, pollution.

The year 2011 marks the 20th anniversary of Tân Thuận Export Processing Zone, which was the first industrial park of HCMC and the whole country as well. Until May 2011, Vietnam has been home to 260 industrial and high-tech parks occupying a total area of 71,394 ha in 57 provinces. Of them, 173 industrial parks with an area of 43,718 ha have come into operation and 87 centralized IPs are under construction [3, 4]. Moreover, there are thousands of local industrial clusters and small industrial parks (excluding the 14,000-hectare Dung Quất IP). All of them contribute to the development of the IP system in the whole country.

Up to this time, there have been three EPZs and 12 IPs of 3,500 ha, accounting for 58% of the total area of 6,000 ha zoned for centralized IPs in HCMC. Additionally, seven new IPs are going through legal procedures, namely Bàu Đúng, Phước Hiệp, Xuân Thới Thượng, Vĩnh Lộc 3, Lê

Minh Xuân 2, Lê Minh Xuân 3, and Phú Hữu. Their total area is 1,569 ha. Other four IPs (Hiệp Phước, Vĩnh Lộc, Tây Bắc Củ Chi, and Lê Minh Xuân) are intended to expand to 849 ha. Consequently, the city will hold 22 IPs and EPZs with a total area of 5,918 ha.

Here are some remarks about the development of HCMC-based IPs (HIPs) in retrospect:

1. Achievements

There was initially one EPZ in HCMC, but now the city has one high-tech IP, three EPZs and 12 IPs. This makes it the city with the widest variety of industrial parks.

The city has been attracting 1,216 investment projects including 483 FDI ones. Table 1 shows the business performance of HIPs.

Table 1: Investment in HIPs from 1991 to April 2011

Indicator	Sector		Total
	FDI	Domestic concern	
Projects	483	733	1216
Investment (US\$ billion)	4.024	2.66	6.68
Average investment per project (US\$ million)	8.329	3.629	5.493
Labor force (persons)	180,607	75,922	255,855
Average labor force per project	374	104	211

Source: HEPZA

HIPs make important contribution to industrialization-oriented changes of the city's economic structure. Five industries with the biggest share of investment in HIPs include electronics (25.47%), polymer - composite (14.93%), mechanics (13.12%), clothing (12.9%) and food (8.92%). They help turn HCMC into the largest industrial center nationwide. HIPs are usually established in suburbs with huge land stocks, such as districts of Củ Chi, Nhà Bè, Bình Chánh, 7, 9, 12, and Thủ Đức. These places used to be agricultural areas with underdeveloped infrastructure. It was the birth of HIPs that changed their economic structure into industry and service, and rural areas into urban areas with modern infrastructure.

Enterprises operating in HIPs have made a big contribution to the city's international trade, making it the country's largest export center. Since their foundation, HIPs have yielded a cumulative import value of US\$19.625 billion, cumulative export value of US\$23.212 billion and a trade surplus of US\$3.587 billion.

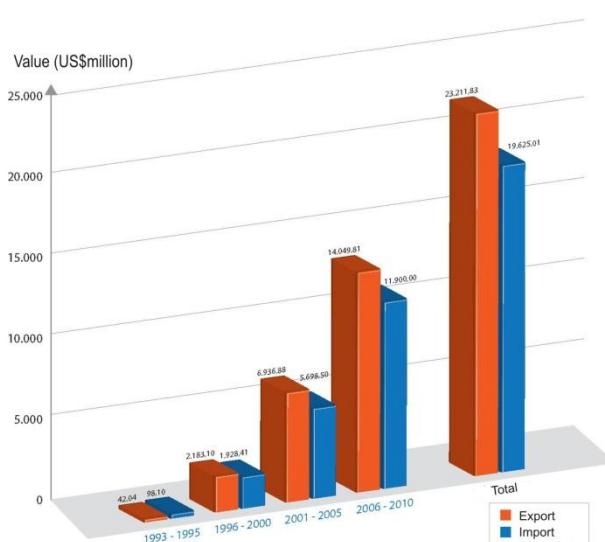


Figure 1: HIP export and import values

Many advanced policies on public management of HIPs are applied across the country, greatly contributing to the establishment of IPs in Vietnam. They include:

- The HEPZA, which was originally in charge of only Tân Thuận EPZ and now controls all IPs in the city. The model of HEPZA is followed by most provinces.
- "One-door, on-the-spot" mechanism for enterprises in HIPs.
- Collaboration between central and local governments to eliminate obstacles facing investors.
- Expense rate mechanism is applied to encourage financial autonomy of HEPZA.
- Experience from HEPZA helps perfect the system of IP-related legislations that serves as a legal framework for development of IPs in Vietnam.

HIPs have partly solved the problem of unemployment and improved the residents' living standards.

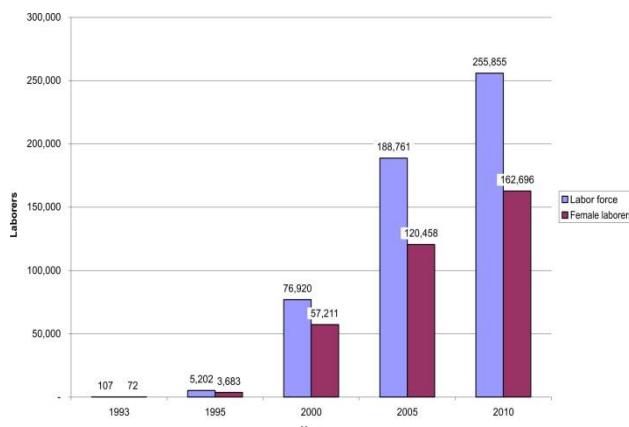


Figure 2: Job creation by HIPs over the past 20 years

2. Unsolved problems

Here are some unsolved problems arising from development of HIPs in the past 20 years that may hinder their sustainable development in the future:

- The city has yet to work out strategies for developing its IPs and EPZs:
 - + The “mission” of HIPs towards the city’s economic development is unknown.
 - + Lists of prioritized industries and business partners for HIPs are not established in the first place.
 - + The infrastructure inside and outside HIPs and combination of various means of transport fail to serve well the activities of HIPs.
 - + There are no long-term strategies to train human resources for HIPs’ growth.
 - The quality of IP development plans is very poor, for example:
 - + Unbalanced zoning plans: Land is mostly zoned for construction of infrastructure inside the HIPs while the infrastructure outside the HIPs receives little care. Besides, there is no urban public work for workers. All of these influence HIP sustainable development.
 - + Planning usually falls behind IP development with the result that several IPs are

located in the city center causing pollution and traffic jams.

+ Discrete zoning plans between HIPs and those of southern neighboring provinces are the cause of unfair competition and mutual pollution in the region.

- The quality of investment projects in HIPs is poor, specifically:

+ HIPs house mainly labor-intensive projects: footwear, clothing, wooden products, and assembly of electronic appliances, motorcycles, automobiles, etc.

+ Very few projects are influential to the growth of other industries. High technology projects are also scarce. In other words, HIP development is only involved in the process of industrialization, and fails to provoke a technical and scientific revolution to modernize the city and create a highly competitive environment.

+ Eco-friendly projects are outnumbered by polluting ones.

+ Contribution of major projects in HIPs to municipal budget is limited. Transfer pricing is widespread among foreign-invested companies.

- Shortages of labor (including manual labor) are threatening the development and expansion of HIPs:

- Land stock left for IP development is 3,000 ha, but there is no feasible plan on land expropriation for HIPs’ expansion.

- As regards the state control over HIP operations, the “one-door” mechanism is applied. At first, it proved effective in stimulating investment and supporting business. However, the mechanism has lately lost its effects because every solution to complaints made by enterprises must be approved by local authorities. The management board and its one-door mechanism

lost their roles while the former is responsible for HIP operations.

- Contributions to the municipal budget by enterprises in HIPs stood at VND530 billion in 2005, up 5.75 times comparing to those of 1999. This figure rose to VND3,129 billion in 2010, up 4.9 times comparing to that of 2005 (excluding personal income taxes). However, the central and municipal governments have yet to have a reinvestment policy to develop the infrastructure for the sake of business activities and social benefits for the sake of HIP workers. Meanwhile, according to the data from the municipal statistic office, district authorities are allowed to keep 60-80% of their tax revenue to meet their local needs. The percentage can be up to 90% in some particular districts.

- The issue of environmental management and pollution control in HIPs remains a weak point. Some IPs, especially industrial clusters in districts, still lack waste treatment plants or do not operate such a system if they have any. This has adverse effects on the environment and nearby residents's lives as well as increases rates of sickness.

- Workers in HIPs have been suffering more and more financial difficulties particularly since the world economic crisis in 2008-2009. Examples of this include low pay, disproportionate overtime bonus, at-work-meals of deteriorating quality, neglected labor protection and numerous outbreaks of strike. Addiontionaly, the labor law and legal documents related to it are slowly modified and are inconsistent, which badly affects the investment environment in HIPs.

3. Recommendations on sustainable development of HIPs

a. The HCMC People's Committee should collaborate with HEPZA to build strategies of developing HIPs until 2020. The strategies should specify the following: "mission"and duties of HIPs in the city socioeconomic development; industries enjoying priority and preferential treatment (such as high-tech and eco-friendly ones and projects influential in development of other industries); encouragement to supporting industries to reduce dependency on imported mateials; industries that are disencouraged (such as labor-intensive and polluting ones); source of finance and volume of investment in IP development (including investments in infrastructure inside and outside the IPs); and investment promotion and human resources strategies, etc.

b. Perfecting development plan for IPs and their surrounding districts: The plan should cover all industrial clusters and links between infrastructural works to ensure favorable and effective development of enterprises in IPs. Moreover, this plan should be consistent with the master plan for IP development in the whole Southern Key Economic Zone.

c. Setting up a human resources project to insure sustainable development of HIPs, including the following:

- + Training experts and workers to serve development of high and eco-friendly technologies.
- + Supplying training courses according to orders placed by enterprises.
- + Encouraging enterprises in HIPs to send their workers abroad for training.

d. Perfecting the “one-door, on-the-spot” mechanism to create favorable conditions for investors in HCMC-based IPs.

e. The HCMC People’s Committee should take the lead in retrieving 3,000 ha of land zoned for IP development.

f. Constructing projects involving pollution control agencies in HCMC-bases IPs.

g. HEPZA should join hands with the municipal Department of Labor, War Invalids and Social Affairs, and enterprises to take care of the lives of workers in HIPs. This not only enhances their living standards, but also contributes to creating good living conditions. As a result, it helps solve the problem of labor shortage which threatens HIPs’ sustainable development.

h. Proposals should be submitted to central authorities regarding the promulgation of legal guidelines needed for handling of unsolved problems with HIPs, including:

- + Laws on employment and strikes
- + Environmental laws
- + Zoning laws

i. Part of taxes paid by enterprises in HIPs should be transferred to the city’s budget for development of HIP external and internal infrastructure. Some approaches to this are as follows:

- Providing IP Management Board with funds needed for coordination of HIP activities

- Establishing a fund for supporting HIP enterprises to help them increase their working capital if need be and construct infrastructure.

- The HCMC Department of Planning and Investment is responsible for allocating annual budget for the IP Management Board.

To sum up, the 20-year development of IPs and EPZs in HCMC has produced both achievements and shortcomings and challenges. Proposing solutions for maintaining success and eliminating obstacles plays a significant role in guaranteeing the city’s modern, humanitarian and sustainable development■

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