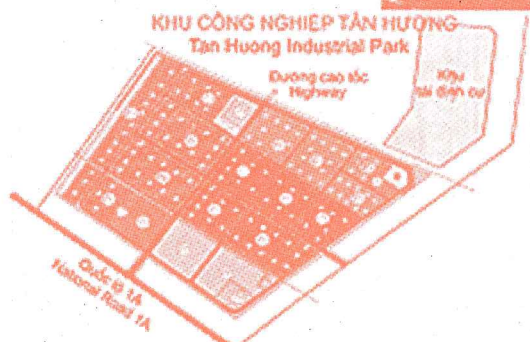


MEASURES TO ATTRACT INVESTMENT TO TIỀN GIANG INDUSTRIAL PARKS



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Tiền Giang is in the Mekong Delta and Southern Key Economic Zone and therefore, has great potentials for industrial development. In the past few years, Tiền has succeeded in maintaining a high growth rate. Its gross output grew by 10% in 2006-08, higher than the national average. Its industrial sector grew by 20.8% in the years 2005-08 helping increase its share in the gross output, which accelerated the industrialization in the province and proved the important role of its industrial parks.

Mỹ Tho IP is the first one in Tiền Giang. It was established by Decision 782/TTg made by the central government on Sep. 20, 1997 with an area of 79.14 hectares. Up to now, four more IPs have been licensed by the central government. They are Tân Hương, Long Giang, Soài Rạp IPs and an IP specializing in petroleum technical services (Petroleum Services IP for short). All of them are located in districts with certain advantages.

Up till now, however, only Mỹ Tho IP has been filled with investment projects while occupancy rate in other IPs varies from 5% to 35%. Examining investment in Tiền Giang and working out measures to attract it become very necessary for industrial authorities in this province.

1. Overview on IPs in Tiền Giang and the Mekong Delta

a. IPs in the Mekong Delta:

The Mekong Delta represents 12% of the national area including three million hectares of farming land, or 33% of the national farming area (48.8% of this area is planted with rice). The delta also accounts for 53% of the national area of waters that can be used for mariculture. It houses 21.3% of the national population, including 1.3 million of Khmer people. The delta is the Vietnam's biggest supplier of commercial farm products (50% of rice output and 92% of rice for export) and plays the most important role in the national food security.

All provinces and cities in the delta have had their own plans to develop IPs up to 2010, and it's estimated that 68 IPs with a total area of 13,154 hectares will come into being in this delta by 2020. In the years 2001-05, 11 IPs were licensed increasing the total number to 17. Thirteen IPs of this total have come into operation with 245 projects (81 foreign-invested ones with total registered capital of US\$527 million and 164 local-invested ones capitalized at VND5,907 billion) that occupied 34% of IP area. At present, these IPs employ 37,963 laborers and contribute a lot to local economic growth.

Up to November 2008, there were 32 IPs with a total area of 6,420 hectares in the Mekong Delta and 16 of them (representing 42% of area for industrial use) have completed necessary infrastruc-

ture building and gained high occupancy rate, from 70% to 100%. The leading one are Đức Hoà 1 (phase 1), Thuận Đạo, Tân Đức (phase 1), and Long Hậu in Long An Province; Mỹ Tho in Tiền Giang; Hòa Phú in Vĩnh Long; Sa Đéc in Đồng Tháp; Trà Nóc 1 in Cần Thơ. Besides Long An Province and Cần Thơ City, some other provinces have succeeded in securing domestic and foreign sources of capital need for IP infrastructure building projects.

Sixteen IPs with completed infrastructure have leased 1,147.7 hectares or 68% of area for industrial use. The other 16 IPs whose infrastructure is under construction have leased 587.4 hectares. By the end of 2008, the delta attracted 141 foreign-invested projects (US\$1.1 billion) and 420 local-invested ones (VND16.72 trillion). IP investment projects are producing clothing,

footwear, processed food, animal feed, household appliances, car parts, machines, building materials and plastic products and making the best use of abundant labor force and supply of farm products. Such IPs as Thuận Đạo (Long An), Hoà Phú (Vĩnh Long) and Trà Nóc 2 (Cần Thơ City) in particular, have attracted foreign-invested projects of medium and large scale producing footwear, processed food, and feed; and assembling cars.

b. IPs in Tiền Giang:

By the end of 2008, Tiền Giang had two operational IPs (Mỹ Tho and Tân Hương) with increasing sales that reached US\$445.8 million growing by 49% compared with 2007 (224.9 million of which went to foreign-invested companies). IP industrial output in 2008 was worth US\$257.3 million increasing by 70% over 2007 and representing 65.2% of the provincial industrial

output. Similarly, export value in 2008 increased by 85.3% over 2007 accounting for 53.8% of Tiền Giang export value.

IP companies also fulfilled their tax obligations. To the end of 2008, 36 companies in Tiền Giang IPs paid fully their taxes. Their tax payments in 2007 increased by 7.2% over 2006 and 73.1% in 2008.

Generally, Tiền Giang IPs obtained good performance and played an active role in changes in

Table 1: Performance of Tiền Giang IPs in 2006-2008

| Indicator | 2006 | 2007 | 2008 | 2007/2006 | | 2008/2007 | |
|--|-------|-------|-------|------------|-------|------------|-------|
| | | | | Difference | % | Difference | % |
| 1. IP total sales (US\$ mn.) | 187.4 | 299.1 | 445.8 | 111.7 | 159.6 | 146.7 | 149 |
| 2. IP Industrial output (US\$ mn.) | 119.4 | 170.7 | 257.3 | 51.3 | 143.0 | 86.6 | 150.7 |
| - As % of provincial industrial output | 54.3 | 54.6 | 65.2 | 0.3 | 100.6 | 10.6 | 119.4 |
| 3. IP Export value (US\$ mn.) | 97.6 | 118 | 218.7 | 20.4 | 120.9 | 100.7 | 185.3 |
| - As % of provincial export value | 45.6 | 50.1 | 53.8 | 4.5 | 109.9 | 3.7 | 107.4 |
| 4. Tax and other payments to provincial budget (VND bn.) | 108.5 | 116.3 | 201.3 | 7.8 | 107.2 | 85 | 173.1 |

Source: Tiền Giang IP Management Board

the structure of industry in Tiền Giang.

2. Investment in Tiền Giang

a. Planning and investment in IP infrastructure:

Up to the end of 2008, 2,039 hectares were zoned for five IPs: Mỹ Tho (97 ha), Tân Hương (197 ha), Long Giang (540 ha), Soài Rạp (285 ha) and Petroleum Services (920 ha).

The planning and building of IP infrastructure in Tiền Giang, however, are not consistent. In 2005-06 when the Mỹ Tho IP was full, the provincial authority failed to zone other areas for new IPs with the result that flows of investment to Tiền Giang stopped. In this period, the Tiền Giang Management Board missed some 12 projects (five of them were from foreign partners) that was worth over US\$70 million and needed some 35 hectares.

Investment in IP infrastructure building has made good progress when private companies were allowed to take part in such projects. In August 2006, Tiền Giang government decided to allow the HCMC-based Nhứt Thành Tân Ltd. Co. to replace the state-owned Tiền Giang IP Infrastructure Building Company in developing the Tân Hương IP with a view to reducing pressure on the provincial budget. In 2006, two other private developers were allowed to build two new IPs: Long Giang IP Development Limited Company (a foreign –invested one) for the Long Giang IP (17.3% of the work is completed now); and VINASHIN for the Soài Rạp IP (10.7% of the work completed). The following table shows the IP infrastructure building in 2008.

Table 2: Investment in IP infrastructure in Tiền Giang (VND billion)

| IP | Planned investment | Realized capital | % |
|------------|--------------------|------------------|------|
| Mỹ Tho | 176.10 | 100.5 | 57.1 |
| Tân Hương | 581.60 | 365.4 | 62.8 |
| Soài Rạp | 600.00 | 64.0 | 10.7 |
| Long Giang | 1,600.00 | 276.0 | 17.3 |
| Total | 2,957.70 | 805.9 | 27.2 |

Source: Tiền Giang IP Management Board

Generally, the planning and building of IP infrastructure have been carried out slowly, which affected unfavorably the flows of investment to Tiền Giang in the past few years.

b. Flows of investment to Tiền Giang:

To the end of 2008, Tiền Giang has attracted 48 projects; 36 of them have come into operation and 11 are under construction. In three years from 2006 to 2008, the average capital put in Tiền Giang IPs was modest, some US\$32 million a year and most projects were of small and medium sizes. Investment in the Tiền Giang IPs was small equaling the average investment put by two or three IP companies in their projects in HCMC and provinces in the Eastern South.

In 2006-08, seven foreign-invested companies came to Tiền Giang IPs increasing this number to 15. At present, most foreign-invested projects in Tiền Giang come from Asia, such as China (5), Taiwan (3), Thailand (2), Singapore (2), Malaysia (1)

and Australia (1). This shows that Tiền Giang IPs are not much attractive in the eye of foreign investors.

Number of valid projects and capital in IPs increased over year. The number of valid projects rose from 36 in 2006 to 42 in 2007 and 48 in 2008 with a total capital of US\$278.8 million (86.3 million from local sources and 192.5 million from foreign ones). Ratio of realized capital to registered one, however, showed a downward tendency, from 56.3% in 2006 to 46.9% in 2008. This means that disbursement for projects is slow. Causes of this situation are:

- Investment policies adopted by the provincial government are not attractive enough and the red tape is still common. Cooperation between related agencies (IP Management Board; natural resource and environment, construction, planning and investment, customs, power and water supply, and fire department, etc.) is not good enough, which make procedures for investment time-consuming. Land clearance and compensation payment are carried out slowly with the result that investors have no site to start their projects.

- Loose soil in all IPs discourages investors from carrying out large projects because the building of foundation is much costlier in comparison with projects in IPs in the Eastern South.

Table 3: Flows of capital to Tiền Giang IPs

| Indicator | 2006 | 2007 | 2008 | 2007/2006 | | 2008/2007 | |
|---|-------|-------|-------|------------|--------|------------|-------|
| | | | | Difference | % | Difference | % |
| 1. Capital in new projects (US\$ mn.) | 5.9 | 28.2 | 63.1 | 22.3 | 478.00 | 34.9 | 223.8 |
| 2. Additional capital in existing projects (US\$ mn.) | 20.1 | 10.9 | 5.4 | | 54.23 | | 49.5 |
| 3. Foreign-invested projects | 0.00 | 4.0 | 3.0 | | | | 75.0 |
| 4. Total investment (US\$ mn.) | 26.0 | 39.1 | 68.5 | 13.1 | 150.40 | 29.4 | 175.2 |
| 5. Valid projects | 36.0 | 42.0 | 48.0 | 6.0 | 116.70 | 6.0 | 114.3 |
| - Registered capital (US\$ mn.) | 171.2 | 210.3 | 278.8 | 39.1 | 122.80 | 68.5 | 132.6 |
| - Realized capital (US\$ mn.) | 96.3 | 104.8 | 130.7 | 8.5 | 108.80 | 25.9 | 124.7 |
| - Realized capital/registered capital | 56.3 | 48.9 | 46.9 | | 86.90 | | 94.8 |

Source: Tiền Giang IP Management Board

- General infrastructure in Tiền Giang is not good and uniform enough.

Generally, the flows of capital to Tiền Giang in recent years were not abundant and tend to decrease. Foreign projects have made their appearance but all of them are small and there is no project with high technology.

c. Job creation:

Tiền Giang IPs employ an increasing number of laborers and create a lot of jobs for local residents (supply of farm products as raw materials, house rent, transport, supply of food or meals, etc.). In 2008, 1,475 laborers were recruited by IP companies increasing the labor force in IPs to 12,498. Of this army, some 70% were Tiền Giang residents and 30% were from other provinces. Away-from-home laborers produce a high need for accommodations but both provincial authorities and companies failed to satisfy it while the number of IPs tends to increase over years. In the plan to develop the Mỹ Tho IP, there was no area zoned for such accommodations with the result that workers had to spend a big part of their income on rented rooms near their workplace.

According to reports on labor issues in 2008 in comparison with 2007 from the IP Management Board, 41.5% of the labor force quitted their jobs and 38.7% were newly recruited. Of the number of laborers who quitted their jobs, 95.4% felt their employment were not satisfactory (low wages, poor living conditions, inappropriate jobs, etc.) and 4.6% retired and were fired. Common causes of decreases in the labor force are: monotonous jobs, poor working conditions, and low wages and allowances. Workers therefore are ready to leave for better-paid jobs. Another cause is the fact that many IPs are built in provinces in the Mekong Delta, and workers come back to their home provinces for new jobs and lower expenses on accommodations.

General level of education of laborers in Tiền Giang is very low. Most of them are manual laborers without any training and disci-

pline. Proportion of trained and indirect labor, however, has shown an upward tendency recently: labor with university degrees rose from 5.9% in 2006 to 7.7% in 2008 while labor trained in technical high schools reached 8.9% in 2008 and manual labor decreased. Tiền Giang is facing a worrying fact that university students from Tiền Giang, after graduation, tend to find jobs in foreign-invested and private companies in HCMC, Đồng Nai, Bình Dương and Cần Thơ and only a handful of them come back to their home province. Many companies in Tiền Giang couldn't recruit workers with expected skills and knowledge.

At present, there is no vocational center in Tiền Giang that can supply well-trained laborers to IPs, which makes Tiền Giang less attractive in the eye of investors. Most companies have to train newly recruited laborers in skills needed for their jobs, which means more costs and time for investors. There are eight employment offices and only five training centers run by Tiền Giang Service of Labor- War Invalids and Social Affairs, and Association of Women. This fact shows that the vocational training is still of small scale and such centers can only train laborers in some simple skills so they can work in clothing and footwear industries or as electricians.

Some 70% of IP laborers had labor contracts, social and medical insurance policies; 80% of companies had their own trade unions with some 9,000 members. In IPs, there are six VCP units with 76 members. Most IP companies provided their laborers with safety equipment and clothing, and regular medical checks; and carried out regular checks of machines to ensure labor safety. In 2008, there was no labor accident and strike reported in Tiền Giang.

Table 4: Labor force in Tiền Giang IPs (laborer)

| Indicator | 2006 | 2007 | 2008 | 2007/2006 | | 2008/2007 | |
|------------------------------|-------|--------|--------|------------|-------|------------|-------|
| | | | | Difference | % | Difference | % |
| 1. Newly recruited laborers | 4,689 | 4,614 | 1,475 | | 98.4 | | 32 |
| 2. Labor force | 8,783 | 11,023 | 12,498 | 2,240 | 125.5 | 2,240 | 113.4 |
| 3. Education (%): | | | | | | | |
| - Graduate and post graduate | 5.9 | 7.2 | 7.4 | 1.3 | 122 | 0.2 | 102.8 |
| - High school | 6.9 | 8.6 | 8.9 | 1.7 | 124.6 | 0.2 | 103.5 |
| - Manual | 87.2 | 84.2 | 83.7 | | 96.6 | | 99.4 |

Source: Tiền Giang IP Management Board & Service of Labor

Generally, Tiền Giang IPs have just attracted labor-intensive companies of small and medium sizes and failed to attract projects employing high technologies and well-trained labor. In addition, local authorities and companies failed to provide laborers with proper accommodations.

d. Environmental protection:

Development of Tiền Giang IPs leads to inevitable pollution. In 2008, the IP Management Board and inspectors from Service of Natural Resources and Environment investigated 12 aquatic product processing concerns and found that only one of them ensured protection for the environment while the other 11 violated regulations, such as failure to run the effluent treating works (two of them had no such works) and some of them didn't carry out regular checks on the environment. And 11 concerns had to pay a total fine of VND110 million.

In addition, developers of IPs were also slow to build effluent treatment works as required. In the Mỹ Tho IP for example, although it was filled with companies but only 40% of the effluent treatment work was completed and it's estimated that it will be completed in late June 2009. And in the Tân Hương IP, only 20% of the work (phase 1) was completed.

Generally, IP companies didn't pay full attention to the environmental protection. Some companies haven't built the effluent treatment system of grade C while others didn't run such system regularly. Treatment of smoke, dust and small was not done very well, which produced bad effects on surrounding residential areas.

e. Supply of raw materials to IP companies:

Sources of raw materials for processing industry is abundant but scattered and of small scale; their quality is not uniform; and the supply is not well planned with the result that companies face both surplus and shortage of raw materials at different times of the year and can't run their business smoothly. According to the IP Management Board, 50% of IP companies specialize in processing farm and aquatic products and much depend on reliable supply of raw materials. In the coming years, provincial authorities should make plan to develop a reliable supply of raw materials to satisfy the demand from companies.

3. Measures to attract flows of capital to Tiền Giang IPs

a. Planning the development of IPs:

Good planning is considered as a key to, and basis for, development and success of IPs, therefore it must be prioritized. In the coming years, the planning of IP development must aim at:

- Selecting good locations for IP companies: The locations must be near roads, waterways, and supply of services. Infrastructure between IPs must be well linked.

- All related authorities must cooperate in the plan to connect the infrastructure inside and outside the IPs. The building of IPs must be in harmony with the technical and social infrastructure outside the IPs.

- There must be publicly-financed plans to build IPs in some depressed areas such as Districts of Tân Phước, Gò Công Đông, Cái Bè (Communes of Hậu Mỹ Trung and Hậu Mỹ Bắc), and Cai Lậy (Communes of Mỹ Phước Cường and Phú Cường) in order to industrialize rural areas, support commercial farming to secure the supply of raw materials, provide local residents with non-farming jobs, reduce demand for accommodations and urban services, and bridge the gap between rural and urban areas.

b. Administrative reform:

- The IP Management Board must cooperate with related authorities (Natural Resource and Environment, Construction, Planning and Investment, Customs, Tax, power and water supply, and fire department) to set the time needed for granting licenses to kind of projects within their responsibility, and supply necessary information to investors in time.

- The provincial government should set the time needed for handling complaints from investors when carrying out their projects to force provincial services to try their best to satisfy demands from investors.

- More rights and duties can be delegated, and clarified properly, to district authorities in order to prevent unnecessary interventions in corporate operations by different authorities, which cause a lot of troubles for companies.

- Work ethics and expertise of civil servants must be improved regularly. Obstacles to investors must be seen as the ones to the adminis-

trative machinery.

- Regular meetings between IP companies and provincial authorities must be held to exchange information and work out measures to perfect policies and deal with difficulties suffered by the companies.

In addition, local governments should handle properly petitions and complaints from investors in time, and help them fulfill formalities in order to improve the business climate they need. This is the most effective way to attract more investors to Tiền Giang.

c. Encouraging the foreign investment:

Foreign investment in Tiền Giang in recent years has been rather modest. Full attention in the coming years must be paid to the following tasks:

- The provincial government must establish good relations with international organizations and groups with a view to promote international cooperation and foreign investment.

- The list of target industries and services, and ability to satisfy requirements from foreign investors in each period when IP are built must be identified. Priority must be given to large-scale projects employing high technologies.

- Cooperation with provinces and cities in the Southern Key Economic Zone and the Mekong Delta in attracting foreign investment and distributing industries reasonably based on competitive advantages of provinces and cities must be beefed up.

- Hotels and restaurants of international standards are also necessary for attracting foreign investors and saving them from becoming a kind of commuters (living in HCMC and working in Tiền Giang).

d. Building the IP infrastructure:

- When the provincial budget is limited, the provincial government should make the best use of grants-in-aid to plans to build the IPs approved by the central government, especially the grants to the building of infrastructure in Tân Phước District where the Long Giang IP is situated.

- After zoning areas for IPs, development plans can be assigned to developers who are responsible for paying compensations for land clearance and setting the rental for infrastructure they build according to the plan.

- Foreign and local investors can be allowed to build the infrastructure and collect rental after completion. This model proves effective in Tân Hương and Long Giang IPs. With reasonable mechanism and policies, a good climate can come into being for such investors.

- All possible resources must be mobilized to complete the building of infrastructure of Tân Hương, Long Giang IPs, and others IPs included in the plan in order to save investors from waiting for land clearance.

- The HCMC – Trung Lương Highway is to be completed in 2009, the provincial government should make plan, and get approval from the central government, to build roads connecting all districts to this highway with a view to making the best use of it for local socioeconomic development.

e. Developing the supply of raw materials to IPs:

- Provincial authorities should zone areas for producing farm products used as raw materials for industries in order to avoid seasonal surplus or shortage that leads to losses for both peasants and companies.

- Authorities should help establish cooperation between peasants, scientists and industrialists when developing specialized farming zones to serve the processing industries.

- Inspection and supply of information to peasants must be improved in order to develop the specialized farming areas as planned. In addition, regular supervision is needed for preventing unruly production, ensuring a reliable supply of produce and reducing the pollution.

- Financial and technical assistance must be given to both industrialists and peasants when they engage in the program to develop the specialized farming areas. In the long run, wholesale markets for farm products can be developed in order to attract such products from surrounding provinces.

f. Training and job creation:

- Firstly, the training quality must be beefed up.

- + Training programs must serve the market demand. Army of teachers must be improved quantitatively and qualitatively. Training programs should aim at producing technicians and skilled laborers for IPs.

- + Facilities for teaching and practicing must be modernized with a view to helping graduates get

employed and do their jobs well in IPs.

+ Tiền Giang University and vocational centers must be expanded and their training quality must be improved. New vocational and technical schools must be built to equip laborers with new skills required by modern factories.

- Secondly, new jobs must be created regularly. Tiền Giang is suffering a brain drain when most Tiền Giang graduates try to find jobs in HCMC and other provinces. To create more jobs, provincial authorities must take the following measures.

+ Vocational guidance must be provided for high school students to help them realize importance of laborers with good training in all occupations and free them from the idea that university is the only way to development in this country.

+ After working out plan to build IPs, occupations and skills needed for IP development must be identified and the training program must aim at producing laborers with such skills.

+ The Service of Labor, War Invalids and Social Affairs had better cooperate with the IP Management Board to hold employment festivals to help local laborers find jobs in IPs.

+ Part of public investment must be used for supplying free training courses to local laborers in order to help them meet standards posed by IP companies.

g. Accommodations for laborers:

- When making plan to build the IP, from 20% to 25% of the stock of land must be used for building residential areas for people moved from the site and IP workers.

- Building accommodations for laborers is not a profitable business, therefore public investment and low-interest loans can be provided for such projects. Other policies could be adopted to encourage employers to spend part of their investment on building workers' accommodations.

- Land use tax could be exempted for projects to build workers' accommodations. Corporate income tax and VAT on constructors of workers' accommodations could be exempted too.

- Prices of water and power supplied to workers' accommodations could be cut reasonably.

h. Beefing up the state control over environmental protection:

- Introducing a regulation that forces IP developers to build effluent treatment plants before IP

companies come into operation.

- Companies should make regular reports on effects of their business on the environment and include measures to protect the environment in their plan to build factories in the IP. Companies should build their own effluent treatment works within their factories.

- Gathering and updating information about operation of IP companies to serve program to protect the environment.

- IP Management Board and environmental authorities should carry out regular inspections and punish properly all violations in this field. Full attention must be paid to the effluent treatment work in each factory and put it under regular supervision.

- IP developers must arrange IP factories according to the industries they belong to in order to facilitate the treatment of effluent and waste.

- Number of environment inspectors must be increased as the number of IP in Tiền Giang raises ■

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