

# Present Position of the Southern Vital Economic Zones

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## 1. Historically strategic position

HCMC has been considered as a cultural, political and economic center in the South. People with high education or financial potentials all tend to move to this city. It is a center where policies on the whole zone are made and also a working place for many leaders. It's one of reasons that make the education level as well as personal income in the city higher in comparison with other provinces.

## 2. Geographically strategic position

The Southern vital economic zone is a hub of national routes, a terminal of the North-South railroad (in the past this railroad reached Mỹ Tho but this section has been cut because of poor economic efficiency.)

It also houses main sea ports for southern provinces because (1) there are no deep-water ports in other provinces; (2) the output of goods in many provinces isn't large enough although they have their own ports (such as Đà Nẵng and Qui Nhơn). And as a result, these provinces tend to use ports in HCMC.



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HCMC is a center of air transport. As in the case of sea ports, many provinces also have airports but the volume of passengers and goods isn't large enough to establish regular flights (for example, many international flights to Đà Nẵng have been cancelled because of this reason.)

This is a noteworthy fact in the future: this advantage of HCMC and the Southern Vital Economic Zone will reduce, in the next decade perhaps, when economic activities in other provinces develop enough to attract direct flights or shipping.

## 3. A cluster of cities around greater city

Cities tend to develop and link together around a nucleus (a greater city). Improvements in communications, transport and information have accelerated this process. People in high places working in Washington DC usually live in Virginia and Maryland, two adjacent states. Businesspersons can build their factories in Bình Dương and Đồng Nai while living in HCMC. Industrial estates could be linked together although they are not near to one another. A distance of 60 kilometers to seaports or airport is totally acceptable.

The size of the labor force is becoming increasingly important to modern industries. A province with some 5,000 laborers working in the footwear industry will be less advantageous in comparison with a province with 50,000 laborers working in the same industry. In the latter, a company could recruit or fire 500 laborers without causing social unrest because this number represents only 1% of the labor force and it could move to and from that company easily.

Facilities for transport of inputs and outputs in industrial estates also play the role of the same importance. Good transportation could prevent production from crises when there is imbalance between the supply and the demand.

## 4. Fast-developed industries

In fact, there is a certain specialization and division of labor among provinces and cities in the Southern vital economic zone. HCMC specialized in information-based services and industries (financial and banking service, consultancy, insurance, education, research, high-tech products, etc.) that are beyond the reach of other provinces. Export-oriented strategies is of great im-

portance because they not only generate income in foreign exchange, create more jobs and encourage technological innovations, but also change and modernize the structure of industry. A factory of Fujitsu or Nike in Vietnam is in a global network of the Fujitsu or Nike, and it thus serves as a gate to the world economy for Vietnam.

## 5. Basic shortcomings

Although the infrastructure in the Southern vital economic zone is of the best in Vietnam but it is not good enough for HCMC and other provinces to develop hi-tech industries. Facilities for IT are very poor in comparison with regional countries (Vietnam ranked 56<sup>th</sup> among 60 countries that are ready for e-commerce.)

The service sector is not strong enough to serve the manufacturing sector. Many companies have to buy services from foreign companies.

HCMC attracts a lot of labor from other provinces but it is also the city with the highest volume of brain drain.

The legal infrastructure and administrative machinery are slow to reform, and thus producing obstacles to the economic development. ■