

# How to Attract More FDI Capital to the Mekong Delta in the WTO Era

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The Mekong Delta consists of 13 provinces with Cần Thơ as the core city which has an extremely important position in the country's socio-economic development strategy. The region produces around 90% of total rice exports and 50% of total fruit output, and it is the main supplier for the domestic seafood industry. The Mekong Delta has a lot of potentials and resources for development of farm and seafood processing. Nevertheless, its industry also faces so many difficulties and challenges that there must be appropriate solutions and steps for the whole region and provinces' economic growth.

The forum on the Mekong Delta's economy titled "The Mekong Delta's Economy in 2007 – Effects from the WTO Membership" was held on June 1, 2005 in HCMC and presided by the Southwest Steering Board and the National Committee for International Economic Cooperation. In the forum, speakers have made many suggestions to spur the Delta's economic sustainable development. How to attract more local and foreign investment for the Mekong Delta's economic development is always a question to the Government, provincial authorities and economists over the past years, especially when Vietnam was admitted to the WTO.

## 1. Facts of FDI attraction to the Mekong delta over the past years

The above table shows the Mekong Delta, accounting for more than 20% of the national population, attracts only 4.04% of total projects and 2.96% of total FDI capital, ranking fifth among eight economic regions of the country (not mentioning the oil sector). As such, the region's FDI attraction is much lower as compared to its potentials. Why? Is it because the region's infrastructure remains poor, its industry underdeveloped or local policies not yet liberal?

The following table will give further details in each province's FDI attraction:

The FDI projects and funds are unevenly distributed among 13 provinces in the region. Only four provinces including Long An, Tiền Giang, Kiên Giang and Cần Thơ city have allured 72.45% of the region's total projects and 87.90% of the region's total registered capital. The facts are attributed to the shorter distance between Long An and Tiền Giang and HCMC; Kiên Giang's advantages of cement industry and others; and Cần Thơ City as the region's core city directly under the central government.

Table 1: The number of projects and total registered investment by region in the 1988-2006 period

Region	Number of projects	%	Total registered capital (US\$mil.)	%
TOTAL	8,266	100	78,248.2	100
The Hồng River Delta	1,781	21.55	20,241.0	25.87
The Northeast	358	4.33	2,445.2	3.12
The Northwest	27	0.33	115.4	0.15
The North Central Part	125	1.51	1,472.6	1.88
The South Central Coast	349	4.22	5,275.8	6.74
The Central Highlands	113	1.37	1,041.3	1.33
The Southwest	5,126	62.01	42,337.2	54.11
The Mekong Delta	334	4.04	2,315.3	2.96
The oil sector	53	15.87	3,004.4	3.84

Source: 2006 Statistics Yearbook

Table 2: The number of projects and total registered investment by the Delta's provinces in the 1988-2006 period

Provinces	Number of projects	%	Total registered capital	%
TOTAL	334	100.00	2,315.3	100.00
Long An	142	42.51	1,150.6	49.70
Tiền Giang	20	5.99	153.6	6.63
Bến Tre	12	3.59	61.2	2.64
Trà Vinh	14	4.19	58.4	2.52
Vĩnh Long	13	3.89	41.3	1.78
Đồng Tháp	14	4.19	19.2	0.83
An Giang	13	3.89	27.5	1.19
Kiên Giang	21	6.29	501	21.64
Cần Thơ	59	17.66	230	9.93
Hậu Giang	3	0.90	1.8	0.08
Sóc Trăng	4	1.20	18.3	0.79
Bạc Liêu	10	2.99	36.1	1.56
Cà Mau	9	2.69	15.9	0.69

Source: 2006 Statistics Yearbook

The research group's surveys reveal although Vĩnh Long has a rather good investment climate in recent years and lowest land rents, its relocation of industrial parks (IPs) and unfinished IP infrastructures have not yet become attractive to foreign investors. Regrettably for Đồng Tháp, the province has quite good IP infrastructures; however, its land rents are higher than those in Vĩnh Long, IPs' transport location is not favorable, and its economic potentials are modest. As a result, the province's FDI attraction remains too low. An Giang's economic activities are mainly involved in trade, tourism and light industry, so the province's FDI projects are not numerous. The remaining prov-



inces have called for only a small number of foreign investment projects due to its poor infrastructure, far distance from big cities and scarce economic resources.

The above analysis of the Mekong Delta's FDI facts over the past years indicates a lot of reasons for the region's limited FDI projects, which is not worth its available resources. The question is what we should do to attract local and foreign investors to the focal and vital economic region.

## **2. Some measures to attract FDI projects to the Mekong delta after Vietnam's admission to the WTO**

The Government is required to implement a lot of measures synchronously, including:

### **•Infrastructure construction**

The Mekong Delta's weakest point is its very poor infrastructure: A key economic region has a population of 17 million, but only one highway. The project of National Highway 1A has not reached Năm Căn; the construction of Cần Thơ Bridge cannot be completed until the end of 2008; the Trà Nóc Airport construction remains under planning, Rạch Miễu Bridge is under construction. The problem is to implement the major projects on schedule. We are delighted at the Government's focus on infrastructure development for the Mekong Delta; however, it is more important to build the work on schedule and use the investment capital cost-effectively.

### **•Planning and association between provinces**

Each province's planning must be associated with the region's master planning, in which IP investment should be combined with the local and the region's socio-economic development plan in the trend of sustainable development.

Furthermore, the local IP planning must include the regional association factors to make the best use of each province's advantages.

### **•Human resources training**

As we know, the Mekong Delta's human capital becomes lagging behind other regions across the country. The Government has assigned the Cần Thơ University to launch the Mekong Program 1000 which is drawing attention from local authorities. Nevertheless, the program has been slowly implemented due to many subjective and objective reasons.

The region's businesses and IPs are now badly in need of skilled workers. In a survey of Cần Thơ City's human resources, as much as 80% of the city's working population has not been trained.

Besides universities of Cần Thơ, An Giang, Đồng Tháp, Cửu Long, new universities have been established and brought into operation in recent years, including universities of Tiền Giang, Trà Vinh, and Bạc Liêu in order to provide manpower for the Mekong Delta. Nevertheless, there should be studies

on the relations between the development of education and training with the economic growth. The training must be attached to the demand of society, businesses and specific institutions. In addition, the levels of training should be balanced from vocational training, college, university, post graduation and the local occupational advantages must be fully utilized in training and education.

### **•Capital**

The government should take effective measures to raise funds from domestic and foreign sources for investment, especially FDI funds based on the region and local plans. Provinces should publicize and advertise projects to call for investment by media means, for example, papers, magazines, Internet...

On the other hand, to reduce risks and "impending projects", the authorities should perfect the process of evaluation and promote the quality of evaluation. In addition, they need to monitor the disbursement on schedule and finally the use of investment capital.

### **•Expansion of services**

The provinces should diversify services and enhance service quality to attract more investors. These basic services include banking, hotels, post and telecommunications, transport of cargoes and passengers, entertainment and recreation sites and other support services for IPs.

•Perfection of mechanisms and policies to improve the investment climate:

The provincial governments should improve their policies on investment incentives and advertisements to attract investment.

The legal system and sub-law documents must be liberalized for FDI attraction. The Government need review the implementation of Laws on Investment and on enterprises after one years of execution for amendment and supplement in accordance with new changes after Vietnam's accession to the WTO.

Local policies and decisions must be consistent and in unison, avoiding the competition between provinces and IPs in land rent and tax relief. This will lead to the State's tax loss, but no effects on investment attraction.

The region's provincial governments have carried out administrative reform over the past year; however, this task must be done more strongly and effectively. In addition, their public servants should be retrained for standardization and high efficiency in administration.

The Mekong Delta is bestowed with natural resources and potentials for economic development, so we hope the region will be an attractive place for local and foreign investors in the near future. Then the region's potentials and advantages will be fully utilized for its socio-economic development. ■