

# Bình Dương Economy in the Globalization

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**B**ình Dương Province was established in 1997 by separation from Sông Bé Province with an area of 269,544 hectares and a population of 1.1 million people. After 10 years of development, Bình Dương gained great achievements and became a success story among Southern provinces and various lessons. Studying its economic development and integration, however, reveals many difficulties and shortcomings that affect its sustainable development. Summing up achievements and estimating shortcomings are of great importance to its future integration into the national and regional economies.

## 1. Achievements

2000-07 and contributed a lot to industrialization and modernization of its economy.

- The industrialization has helped its economy change from an agricultural to an industrialized economy

- Bình Dương is one of the most attractive destinations in Vietnam for foreign investment: From 1998 to Feb. 22, 2008, valid FDI projects have been found in all provinces in Vietnam (8,753 projects capitalized at US\$87,545 billion and some US\$30 billion of which have been realized. Bình Dương ranks fourth among the most attractive provinces to foreign investors with 5,919 projects capitalized at VND37,343 billion run by local companies and 1,685 FDI projects capitalized at US\$9,595 billion.

**Table 1: Bình Dương and national growth rates**

	1997-2000	2003	2004	2005	2006	2007
Bình Dương	14.1	15.3	15.2	15.4	15.0	15.0
Vietnam	6.95	7.34	7.7	8.4	8.5	8.48

Source: MPI & Bình Dương Statistical Yearbook

- Bình Dương industrial sector gained the highest growth rate (18.01%) in Vietnam in the years

This achievement is due to preferential treatment offered to both local and foreign investors along

**Table 2: Bình Dương industrial growth rate compared with other provinces**

	2000	2001	2002	2003	2004	2005	2006
Bình Dương	29.9	33.0	28.2	38.2	31.7	27.5	25.3
Đồng Nai	20.0	14.8	14.9	18.8	23.3	24.2	22.0
HCMC	15.4	16.7	13.8	13.4	13.9	14.8	14.3
Eastern South	15.9	15.8	12.4	16.9	16.9	16.8	15.3
Vietnam	17.5	14.6	14.8	16.8	16.6	17.1	17.0

Source: General Statistics Office

## 3. Table 3: Changes in Bình Dương structure of industry

Year	Agriculture	Manufacturing and construction	Service
1991 (economic reform started)	33.1	35.1	31.8
1997 (Bình Dương was established)	22.8	50.4	26.6
2000	16.7	58.1	25.2
2001	15.1	59.4	25.5
2002	13.5	60.5	26.0
2003	12.0	62.0	26.0
2004	10.0	63.0	27.0
2005	8.0	63.8	28.8
2006	7.04	64.10	28.86
2007	6.4	64.4	29.2

Source: Bình Dương Statistical Yearbook

with good business climate (good infrastructure and simple procedures)

- Fast development of industrial parks: In 1995, the only IP in Binh Dương was Sông Thần 1 – the first IP approved by the Government. Twelve years later, Binh Dương housed 27 IPs with a total area of 8,895 hectares and 19 of them have come into operation (not including VSIP 1 and 2) and 60% of IP area has been leased.

Up to 2007, there were 1,172 operational projects with a total registered capital of US\$5,674 million in Binh Dương IPs. These IPs employ some 165,000 laborers (but only 9% of them are local residents). The fast development has accelerated changes in the structure of industry and economic growth.

The economic growth of Binh Dương is a result of many factors, and the most important is its high competitiveness in comparison with surrounding provinces. According to the USAID-financed Project VNCI on competitiveness of small and medium enterprises, Binh Dương PCI in 2005, 2006 and 2007, was of the highest level in Vietnam.

## 2. Shortcomings

There are five serious shortcomings.

### a. Infrastructure

- Roads and bridges to the south of Binh Dương are not consistent in terms of structure and size of their bases and are damaged severely. Roads connecting districts and communes are not well built. Nearly 50% of steel bridges are too small to allow big and container trucks.

- As for river ports, the Bà Lụa Port by the Saigon River, between Thuận An District and Thủ Dầu Một Township, was built in 1997 with a capacity of 60,000 tonnes handled a year but it never operates at full capacity because Binh Lợi and Phú Long Bridges over the Saigon River are too low to allow 100-ton ships to pass under them.

As for Binh Dương Port on the Đồng Nai River, its construction has been completed to allow 5,000-DWT ships. But big ships meet with difficulties in accessing the port because of many low bridges along the Đồng Nai River and various regulations about waterway traffic.

Generally, most companies in Binh Dương have to pay high transport cost because of traffic jam. Causes of this situation are lack of good planning and cooperation between provinces and regions. If these problems are not solved properly and timely, communication and trade between Binh Dương and other provinces and foreign markets will be hindered seriously.

- Power and water supply: The supply of electricity is not reliable, especially in dry season, which produces bad effects on production.

### b. Unsustainable development of IPs

- IPs are not evenly distributed. Most of them are in Di An and Thủ An Districts where exist wide roads to HCMC.

- Infrastructure inside and outside IPs is not consistent. Accommodation, health care and cultural activities for workers are not well developed. Waste treatment outside IPs is not good enough.

- Although plans to attract investors are carried out successfully with cooperation between provincial administrative agencies, there is no long-term and strategic plan to attract both manual and skilled laborers. And as a result, laborers from other provinces have to deal with various difficulties on their own: 75.7% of laborers in Binh Dương are not trained and they can only acquire short-term labor contracts and feel no attachment to the province and companies.

- Investors in Binh Dương come from 19 countries and territories but 88% of them are from Asia and only a handful of investors are from Europe and America or other developed countries. This means that Binh Dương economic growth depends on some groups of investors. Social order and security are not good enough to attract investor with high technologies and financial strength.

- Imbalance shows itself in proportions of labor-intensive and technology-intensive industries: use of imported and local raw materials; production of finished products and raw materials of supporting goods; role of producers and exporters; and employment of clean and polluting technologies.

### c. Small proportion of the service sector

In the last three years, the service sector accounted for only 28% of the provincial GDP. According to international analysts, the share of this sector in developing countries is usually below 40%. This figure in Vietnam in 2007 was 41%. This shows that the service sector in Binh Dương is very small, which makes the investment climate less attractive and reduces ability to increase added values in goods.

Especially, poor quality of such services as health care, entertainment, finance, education and supermarket also discourage skilled laborers from settling in Binh Dương. Most migrants looking for jobs in Binh Dương are manual laborers whose need for spiritual development is low. In my opinion, developing the service sector and trading in Binh Dương, especially around IPs is a key to high and sustainable growth rates which ensures not only industrialization but also modernization.

### d. Pollution

Pollution has long been a crisis for Binh Dương. Pollution could be found everywhere, in the air, water, farming land, cities, and factories inside and

outside the IPs. In the report made by Ministry of Resources and Environment in June 2008, Binh Dương ranked fourth in terms of pollution. If provincial government has no economic and administrative measures to reduce pollution and supervise possible violations, this problem in a near future will affect badly the economic growth in the province.

## *e. Poor cooperation between Binh Dương and other provinces in the Southern Key Economic Zone*

This zone was officially established in the 1990s and its members has increased from four (Tung Nai, Binh Dương, Bà Rịa- Vũng Tàu, and HCMC) at first to eight now (Binh Phước, Tây Ninh, Long An and Tiền Giang have been added). Although the Government has formed a management board for the zone, the cooperation among its members, up till now (July 2008), is very poor, so they couldn't reach their full potentials, and in many cases they engaged in unnecessary and unfair competitions for investors.

What is the role for Binh Dương in the Southern Key Economic Zone? What are its missions? These questions haven't been raised properly when working out the development strategy, which produces bad effects on its competitiveness.

As long as these shortcomings are not solved, Binh Dương can't gain high growth rates and enhance its competitiveness when Vietnam integrate more fully into the world market, especially by 2015 when the ASEAN becomes a community like the EU and all barriers to trade and investment are lifted.

## **3. Measures to develop the Binh Dương economy during the international integration**

### *a. Perfecting the socioeconomic development plan*

Planning should aim at connecting Binh Dương to the Southern Key Economic Zone and Southeast Asia as well in preparation for the birth of an ASEAN Community by 2015. To perfect its plan, the Binh Dương government should consider modernization of industrial production and supply of essential services and materials to the Southern Key Economic Zone as its principal task.

- The modernization of industrial production means attracting more projects that employ clean and high technologies, or produce computers and spare parts, and substitute raw materials. Some 500 hectares in the 6,150-hectare industrial and municipal complex could be zoned for a high-tech park. In this park priority could be given to projects to build training centers for IT experts and workers. A new program should be worked out to attract high-tech groups from Singapore, South Korea, the EU and the U.S.

Conditions for the building of a high-tech park in Binh Dương:

- + Zoning should be linked with plans to develop human resource.

- + An investment promoting program should be in place.

- + Infrastructure for information technology should be built.

- + Kinds of preferential treatment for high-tech companies appropriate to national laws and regulations should be worked out with a view to introducing new policies to potential investors.

- + Provincial Service of Science and Technology should compile a manual of "Protection for intellectual property" and supply it to investors because this is one of their concerns.

- + Giving preferential treatment in terms land use right and tax incentives to schools specializing in training workers for high-tech industries.

- + A new policy to attract experts, managers and skilled laborers to the high-tech park.

- A logistic center for the Southern Key Economic Zone could be conceived as a center that supplies various kinds of materials and services to companies in this zone.

Binh Dương is adjacent to the biggest industrial centers of Vietnam. This zone houses thousands of companies and investors. The stock of land in Binh Dương is rather large and many areas have been zoned for IPs. Some of these areas could be used for building wholesale centers specializing in supplying raw materials, capital goods and other services needed for production and trading.

### *b. Perfecting methods of making the socioeconomic development plan*

This measure aims at enhancing the quality of long-term and annual development plans and ensuring good implementation; and reducing intervention in, and support to, operations of companies from governmental bodies as required by the WTO rules.

- Method of making the socioeconomic development plan:

A consultative board beside the provincial government is very necessary and this board may include representatives from trade associations, IPs, communities of foreign and local investors, and even representatives from neighboring provinces. This board can examine and question the socioeconomic development plan submitted to the provincial government.

- + Step 1: Gathering and handling opinions and data supplied by the consultative board and provincial bodies.



+ Step 2: Making a draft of the socioeconomic development plan (annual and five-year plans) based on:

- National socioeconomic development plan
- Socioeconomic development plan for the Southern Key Economic Zone
- Opinions from the consultative board
- Opinions from provincial bodies
- International, regional and national economic predictions
- Economic developments in previous years
- + Step 3: Gathering opinions from provincial leadership and submitting the draft for approval.
- + Step 4: Implementing the plan and carrying out inspection and supervision.

This method puts an end to the current way of making the plan in which a group of officials of the Service of Planning and Investment are responsible for the whole process. The old practice is usually ineffective and unrealistic because the plan is determined by personal and subjective opinions while the implementation of the development plan depends a lot on efforts by companies and the public instead of ones by provincial bodies.

#### c. Upgrading and developing the infrastructure

- IPs to the north of Binh Dương must be linked together in preparation for the building of new ports in Đồng Nai and Bà Rịa - Vũng Tàu. The link could be the Mỹ Phước - Tân Vạn highway. The highway can help reduce the traffic on the National Route 13 and allow companies to transport their goods to sea ports and airport in possibly shortest ways.

According to the plan for the Zone, HCMC cargo ports should be moved to new situations and the main sea port will be situated in north Đồng Nai and Bà Rịa - Vũng Tàu. The international cargo airport will be moved to Long Thành (Đồng Nai). This requires a strategy to mobilize resources from provinces in the Zone to build communications. If the communications in Binh Dương are expanded but bottle necks in Đồng Nai and HCMC are not enhanced, all efforts won't produce intended results.

To carry out well this measure, provinces in the Zone should work out a joint program to secure sources of finance for road building and enlarging projects, and persuade Ministry of Transportation and Communications and the SKEZ governing body to approve their plan. Cooperation with other provinces in the zone, and other partners, including foreign ones, is very important to the development of communications in the zone, and the economic growth of Binh Dương as well.

- The shortage of power and unstable supply of electricity is still a big difficulty to Binh Dương. The situation will go from bad to worse when more IPs

come into operation. In my opinion, the provincial government can persuade the central government to allow the building of a nuclear power plant in a depressed district, such as Phú Giáo, Đồng Xoài with a view to secure a reliable supply of electricity to the whole zone and turn the depressed district into an industrial center.

Beside these measures, the provincial government had better pay attention to the following problems in order to maintain high growth rate in the meantime:

+ Encouraging the private sector to engage in projects to build houses for workers and the building of public works.

+ In attracting investment projects, priority must be given to socioeconomic influence of investors and their companies, and technologies they employ (at present, most companies in Binh Dương are labor-intensive ones).

+ A strategy to develop the human resource is of great urgency.

+ A plan and an organization specializing in inspecting and handling pollution are very necessary.

In short, Binh Dương should carry out various measures to maintain its growth rate and deal with such far-reaching problems in order to ensure a sustainable development when Vietnam integrate more fully into the world market. ■

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