

AN OVERVIEW OF FOREIGN INVESTMENT IN LONG AN

by MEcon. LÂM THỊ HỒNG

I. SOME FEATURES

1. Size of FDI projects

At present, there are 35 FDI projects in Long An with total capital of US\$ 237,540,392. Most of them are of medium and small scale (average capital is US\$6.9 million). Twenty-two of these projects have operational term of under 20 years and 13 will last over 20 years.

Of these 35 FDI projects, 22 are totally foreign-owned ones (Taiwan: 15, Singapore: 2, South Korea: 2, Thailand: 1, Panama: 1 and India: 1), and 13 are joint-ventures with local partners.

2. Distribution of projects among industries and localities

FDI projects by industry

Industry	Project	Capital (US\$)	As % of total foreign investment
Textile	7	93,796,958	45.7
Food processing	7	61,516,730	28.5
Plastics	4	7,877,700	3.8
Building materials	4	45,048,996	10.3
Pharmaceuticals	2	9,300,000	4.3
Footwear and Paper	3	4,750,000	2.3
Cosmetic	1	1,200,000	0.5

FDI projects concentrated in five districts (of 14 districts and town in Long An): 16 in Bến Lức; 10 in Đức Hòa; 2 in Thủ Thừa; 1 in Cần Giuộc and 6 in Tân An provincial town because these localities enjoy good infrastructure, convenient communication

with HCMC and high population density.

3. Effects on local economic development

FDI projects, although only 62% of their registered capital are realized, have helped increase Long An's export earning and industrial output, thereby changing Long An structure of economy. The value of exports and industrial output from FDI projects increased year after year. For example, in the period from 1994 to 1997, the FDI export earnings rose from US\$2.9 million to 32.8 million while their total sales rose from US\$4.1 million to 58.7 million.

Up to now, 19 out of 35 projects came into operation and they employed 4,553 workers and created

a lot of jobs for local laborers, especially in construction and service industries. The total payment in taxes from operational FDI is also on the increase, from US\$3.2 million in the period 1993-96 to US\$4.9 million in 1997 (equaling 15.6% of the local budget income).

II. SOME REMARKS ON OPERATION OF FDI PROJECTS

1. Technology in use in FDI projects

To get access to modern technologies is one of principle targets set for the foreign investment policy. The imported technologies should be modern enough to produce goods of high competitiveness and help local workers improve their skills. However, Vietnam didn't achieve this target in the past few years. Many technologies and machines imported by foreign-invested companies are obsolete and marked up excessively. At present, they can help with developing local production but goods made in Vietnam can't compete successfully in foreign markets. In the near future, these machines will become nothing but industrial rubbish.

2. Market for goods made by foreign-invested companies

Most foreign-invested companies in Vietnam produce either goods for export or import substitutes for domestic market. However, most of these import substitutes aren't so essential that Vietnam has to import machines to produce them. Meanwhile, there is only a few projects to make goods important to agriculture which is still the biggest sector in Vietnam.

Regarding export of goods from foreign-invested companies, most

of these goods are bought up by companies in their home countries. In other words, FDI projects in Vietnam only do subcontract for their parent companies. Prices of these exports are usually kept very low with a view to increasing profit for parent companies with the result that the only benefit for Vietnam is more employment.

When goods from foreign invested companies are sold only to their parent companies, local parties have no chance to develop their own market. And as a result, when the joint ventures finish their operational term, local parties can't produce and market their products independently. In addition, the use of raw materials by joint ventures will lead to dependence on foreign supplies in the future.

3. Foreign investment and environmental protection

The use of obsolete machines and technologies certainly leads to pollution. Many ASEAN countries have had to spend a lot of money dealing with pollution caused by unruly industrial development. Vietnam as a whole and Long An is facing this problem. To deal with this, however, is no easy task when experts in environment protection and master plans for development of industrial parks are still lacking. Long An will certainly suffer heavy pollution if the foreign sector develops at a higher speed.



4. Role of local parties in joint ventures with foreign partners

In joint ventures, foreign parties always play a leading role in the decision making process because they control at least 70% of capital. In such a situation, we need officials of good skills and morals to work in joint ventures. Unfortunately, such officials are still lacking, and as a result, local parties and the country as well, are suffering losses.

5. Laborers' interests

Many Vietnamese laborers have been offended by foreign executives' behavior. There are many causes of this situation: foreigners don't understand and respect Vietnamese laws and customs, their violations aren't punished properly, and representatives of local parties pay no attention to laborers' interests while foreign executives intentionally refuse to ensure these interests for local laborers as required by law.

High unemployment rate and low personal income in Vietnam force local laborers to accept poor working conditions and ignore their legitimate inter-



ests. To protect their interests is the task for their trade unions.

III. SOLUTIONS

Long An, with its strong point in agricultural production, always gives priority to FDI projects in this field. In its development plan for the years 2000- 2010, main targets are to enhance its technological ability. After studying complaints made by foreign investors in the

past few years and the development plan adopted by Long An government for the next decade, we want to present here some measures to attract more foreign investment to Long An and help the foreign sector here develop better and make more contribute to the local economy.

- Reforming procedures for realizing foreign investment and publicizing these procedures at offices

of foreign investment authorities (Industrial Park Board and Service of Planning and Investment).

- Working out and publicizing standards and requirements about environment protection, and requiring investors to include a scheme to deal with this matter in their investment projects.

- Making rates of land rent suitable to local conditions with a view to encouraging foreign investment.

- Training a new generation of managers and developing large-scale local companies in preparation for cooperation with foreign partners.

- Taking strong measures to force foreign-invested companies to en-

sure legal interests for local laborers, carrying out regular inspections of industrial safety and punishing all violations of human dignity by foreign executives.

- Increasing the stake held by local parties in joint ventures and accelerating the capital accumulation in local companies with a view to reducing dependence on foreign capital and supplies.