

# TRADE BETWEEN EPZ AND LOCAL MARKET

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## 1. Some data about two

### EPZs in HCMC

HCMC led the way in development of EPZs and IPs and its efforts have started to produce good results. Development of EPZs in HCMC affected local economic activities in many ways, so it's a heavy task for HCMC industrial authorities to make the best use of private and foreign investment in the EPZs to stimulate HCMC economic growth. The following tables show stages of development of EPZs Tân Thuận and Linh Trung in HCMC.

Table 1: Investment in Tân Thuận EPZ

Year	Project	Leased area (sq.m.)	Investment (US\$)	Compared with previous year (%)	Export value (US\$ - FOB price)
1993	6	8,328	32,110,000		268,041
1994	17	19,990	113,375,692	353.0	11,295,080
1995	31	17,612	139,323,141	122.8	30,344,646
1996	31	32,290	182,894,805	131.2	102,724,190
1997	7	2,735	20,280,000	-11.0	209,995,490
1998	3	4,048	73,895,768	364.3	326,314,150
1999	7	3,118	30,210,059	-40.8	409,874,540
2000	7	4,616	22,013,185	-72.8	409,874,540
2001	2	0,833	2,000,000	-9.0	543,356,969
2002 (first 8 months)	5	1,320	8,480,000	424.0	361,540,000
<b>Total</b>	<b>116</b>	<b>101,070</b>	<b>622,582,650</b>		<b>2,405,587,646</b>

## 2. Trade between the domestic market and EPZs

Table 2: Investment in Linh Trung EPZ

Year	Project	Leased area (sq.m.)	Investment (US\$)	Compared with previous year (%)	Export value (US\$ - FOB price)
1993	2	1,911	5,073,746		
1994 -1995	6	4,664	24,247,000	447.8	137,898,000
1996	9	15,037	68,782,858	283.6	9,238,910
1997	7	5,467	30,181,000	-43.8	43,267,230
1998	2	3,356	12,000,000	-39.7	79,070,090
1999	3	4,141	45,300,000	-26.4	44,341,440
2000	6	3,619	18,200,000	-40.1	198,047,160
2001	4	2,770	10,600,000	-58.2	244,547,550
2002 (first 8 months)	11	5,670	10,690,000		236,160,000
<b>Total</b>	<b>50</b>	<b>47,635</b>	<b>225,074,604</b>		<b>946,912,380</b>

Source: HEPZA

Economic relations between the two parties can help EPZ companies to obtain raw materials and equipment at low prices, sell part of their output to the domestic market and employ cheap labor in the domestic market by giving subcontracts, thereby

making use of local comparative advantages.

Local companies should consider the trade with EPZs companies as a way to export at low cost because up to now, EPZs companies have had to spend some US\$600 million on imports every year. Moreover, good relations

with EPZ companies force local companies to modernize their production lines and improve their business performance, which is important to success in the international integration process.

When promoting the trade between EPZs and local companies, the

HCMC government could increase its budget income, improve the investment climate, prepare local companies for the international integration and encourage production of raw materials with a view to reducing the trade deficit.

According to an HEPZA report, the export value from Tân Thuận and Linh Trung EPZs in 2001 was US\$810 million and 228 million of which was value added by the EPZs. The trading relation between EPZs and the domestic market is as follows:

- Subcontract done by EPZs for local producers in 2001 was worth US\$348,520 increasing by 45.15% as compared with 2000. The better part of these subcontracts was done by companies in the Tân Thuận EPZ.

- Value of subcontracts done by local manufacturers for EPZ companies rose from some US\$3.7 million in 2000 to some US\$6.5 million in 2001



(US\$4,009,720 from Linh Trung EPZ and US\$2,473,370 from Tân Thuận).

- Value of goods sold to EPZs in 2001 including four lines of products was US\$51,258,794. Of these lines, package materials rose by 46.6% and manufactured goods by 54.2%.

- Value of goods sold to the domestic market is not high, amounting to US\$1,688,458 in 2001 because of unreasonable taxation. Of EPZ companies, 67 ones sold the best part of their output to the domestic market.

- Wages and other payments received by workers of EPZ companies amounted to US\$82,344,523.

- Payment for fixed assets supplied by local part-



ners (building works, machinery, transport means, land rental, etc.): US\$17,700,429.

- Telecommunications, power and water fees: US\$19,242,121.

- Payment for other services: US\$19,289,484.

- Transport fee, toll and registration fee: US\$7,967,152.

- Interest paid to banks in Vietnam: US\$3,023,148.

- Tax payment: US\$1,430,967.

- Social benefits and charity: US\$361,681.

Governmental bodies of ministerial level have made efforts to improve the mechanism for trading between the domestic market and EPZs. HCMC governmental services have held workshops, trade fairs and exhibitions to promote the trading activity. The HEPZA has acted as an intermediary to bring subcontracts to local companies or help EPZ

companies find supplies of raw materials at reasonable prices (white yam from Long An; broccoli and chives from Lâm Đồng for Asuzac Food Company; silica sand and kaolin from Bình Dương and Lâm Đồng for Tatung Company, etc.)

The trade between the domestic market and EPZs, however, fell short of our expectations. This shows itself in the following facts:

- The trading value is small as compared with potentials of HCMC industrial production.

- Trading relations between EPZ companies and local partners aren't stable and close enough to stimulate local producers.

- Exchange of information between two parties is very poor. Trade promotion through the Internet hasn't been started.

### 3. Measure to promote trading between EPZs and local companies

- Forming a Trade Promotion Center under the HEPZA to develop cooperation between the two parties.

- Beefing up the exchange of information between bodies under the HEPZA in order to increase local goods content of products made by EPZ companies.

- Opening a website for the HEPZA to supply information about business opportunities in EPZs and the domestic market.

- Forming a Domestic Promotion Fund of South Korean style to finance local companies when they want to develop trading relation with EPZ companies. ■