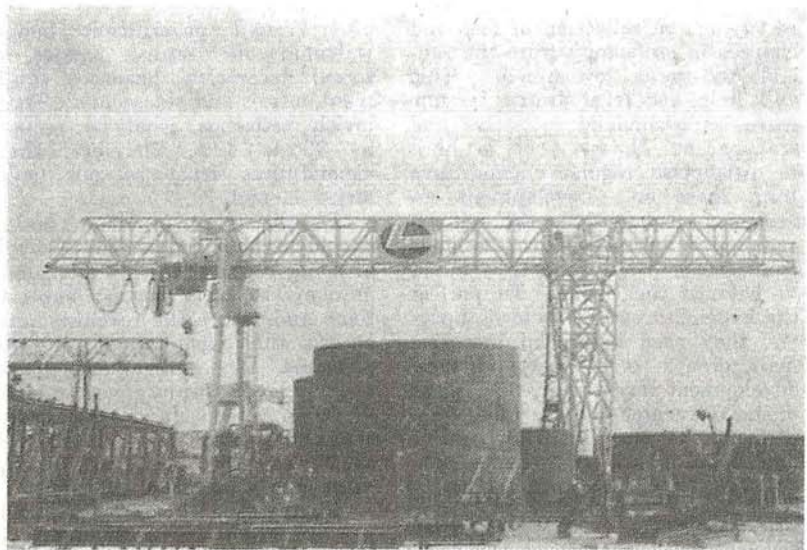


In Vietnam, after the Foreign Investment Law came into effect in 1988, preconditions for development of industrial parks (IPs) and export processing zones (EPZs) made their appearance and three years later, the 300-hectare Tân Thuận EPZ (developed in Nhà Bè, HCMC, in cooperation with a Taiwanese company) with a total investment of US\$89 million came into being. The appearance of the Tân Thuận marked the birth of a new mechanism for attracting foreign investment. This mechanism proved attractive and was adopted widely. Up to May 1999, there are 63 IPs and EPZs with a total area of 9,000 hectares (not including the 14,000-ha Dung Quất IP which is of a special category), and 48 of them have come into operation. Of these 63 IPs and EPZs, 31% are



SITUATION OF INDUSTRIAL PARKS AND EXPORT PROCESSING ZONES TODAY

by Prof. Dr. NGUYỄN SINH CÚC

in the North, 12% in Central Vietnam and 57% in the South. Up to late 1998, a total investment of US\$2,150 million was put in them.

After eight years, the model of IPs and EPZs produced certain results but many problems also arose from its development.

Firstly, IPs and EPZs have helped tap potential resources and turn many depressed areas into business centers. For example, before 1991, the Tân Thuận EPZ was only a swamp that could produce some one tonne of rice per hectare before 1991 and the Linh Trung EPZ was a low-yield rubber plantation. After a 60-hectare EPZ was developed in Linh Trung, some 30 companies built their factories here to produce goods for export and those two EPZs became good examples of how to develop and run IPs and EPZs effectively in the open economy. Up to now, these EPZs are ideally suitable to foreign investment.

Up to May 1999, IPs and EPZs attracted US\$2,150 million worth of foreign investment and produced a wide range of goods for export.

In 1998 and the first quarter

of 1999, although flows of foreign investment to Vietnam showed signs of decline but in IPs and EPZs new investment projects were launched and many others were allowed to increase their capital. In the first quarter of 1999, IPs and EPZs in HCMC attracted 41 new projects with a total investment of US\$247 million. In Tân Thuận and Linh Trung EPZs, two FDI projects worth US\$6 million were started and more US\$11.9 million were added to nine projects. Thus, up to March 1999, there were 130 operational projects worth US\$607 million in those two EPZs: 95 projects have come into operation, 9 projects are carrying out pilot schemes, 14 ones have exported their goods (their export earnings in the first quarter of 1999 amounted to US\$83.5 million and made the total export earnings from those two EPZs since their establishment amount to US\$895.3 million). In the first four months of 1999, IPs in Bình Dương also attracted an amount of FDI projects 3.5 times higher than in 1998.

IPs and EPZs in Vietnam have also contributed a lot to the mod-

ernization process by introducing new technologies and production lines. Many products from these IPs and EPZs (electronics, electric appliances, postal equipment, precision engineering products, cars, motorbikes, garments, etc.) reached the international standard and became saleable on foreign markets. Regarding technological and managerial level, there is a marked difference between companies inside and outside IPs and EPZs. It isn't something to be surprised about because all companies in IPs and EPZs aim mainly at exporting their products and they need good infrastructure, modern technologies and well-trained workers.

The development of IPs and EPZs has accelerated the formation of three vital economic zones in Vietnam. One of them is the Southern Vital Zone including HCMC, Đồng Nai, Bà Rịa- Vũng Tàu and Bình Dương. In the years 1996-98, this trapezoid grew at a high speed, represented 50% of the national export earnings, attracted most foreign investment and 60% of FDI projects. Its development was mainly due to the growth of IPs and EPZs.

Up to May 1998, IPs and EPZs in Binh Duong attracted 208 projects with a total capital of US\$1.8 billion.

The development of the IPs and EPZs has changed the structure of industry with greater importance attached to the manufacturing sector. Most IPs and EPZs are built in suburbs and thus supplied non-farming jobs to rural residents.

IPs and EPZs are also centers for training and improving skills of workers. When the unemployment rate is high, the fact that IPs and EPZs supplied some thousands of jobs to rural residents is a great contribution to social progress. Of some 280,000 laborers working in the foreign sector, a third of them work in IPs and EPZs and this amount is on the increase. Two EPZs Tân Thuận and Linh Trung alone create about 5,000 jobs every year; their work force increased from 23,012 in late 1997 to 30,794 workers in the first quarter of 1999. The number of workers employed by other IPs and EPZs is also increasing although it rises slower than that of Linh Trung and Tân Thuận EPZs. Of some 100,000 workers in 63 IPs and EPZs all over the country, more than 50% have taken training courses at various levels.

The IPs and EPZs also helped develop modern infrastructure which is needed for attracting both foreign and local investors. In most IPs and EPZs, the infrastructure (roads, warehouses, water and power supply, telecommunications, banking, finance and insurance services, etc.) is rather perfect and even reaches the international standard in such IPs and EPZs as Linh Trung, Tân Thuận, Nomura, Bắc Thăng Long and Vietnam-Singapore. Thus the infrastructure developed by IPs and EPZs has helped accelerate the industrialization and modernization process.

The IPs and EPZs play an important role on the export business. All companies in IPs and EPZs target at foreign markets and they concentrate on producing goods of high quality for export. That is why export earnings of IPs and EPZs increase fast after they came into operation. Exports from IPs and EPZs were worth US\$400 million in 1996 (equaling 5.4% of the national export value), US\$800 million in 1997 (8.75%) and about US\$1.3 billion in 1998 (14%). Many exports from IPs and EPZs are competitive enough to improve the image of

Vietnamese goods on foreign markets and thus pave the way for export expansion.

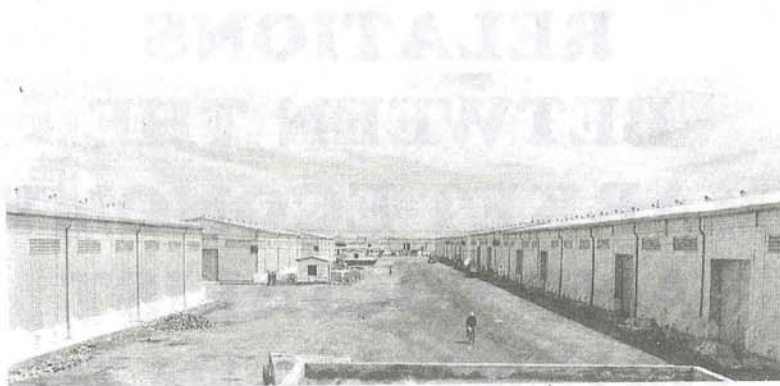
Besides these results, however, many problems have arisen from the development of the IPs and EPZs.

Firstly, many IPs and EPZs haven't been filled up. Up to the early 1999, only 24% of total area of IPs and EPZs were occupied: 8 IPs leased out 50% of their areas; 10 IPs leased 30-35%; 17 IPs leased no more than 30% and 17 IPs were totally empty. The 17-hectare Nomura IP with some US\$162 million invested in its infrastructure could lease out only 3 hectares, or 1.95% of its area, by April 1999. Of 10 EPZs in Đồng Nai, only 20% of their area were filled up in mid 1998. In Tân Thuận and

for both workers and local authorities, especially in provinces with large industrial estates such as Đồng Nai and Bình Dương.

Causes of these shortcomings are not a few. In some ways, the planning and investment authorities lack experience of organizing and controlling IPs and EPZs. Moreover, the Asian financial crisis in 1997 and 1998 caused flows of foreign investment to Vietnam to reduce. Regarding the legal infrastructure, no full attention was paid to tasks of planning, developing and controlling IPs and EPZs, tax system; administrative procedures; and policies on banking and export-import are unreasonable and discouraging in the eyes of investors.

In addition, some local authorities, because of their own interests,



Linh Trung EPZs, although they were established in 1991, some of their land is still unoccupied. Some other EPZs and IPs, such as Đồ Sơn in Hải Phòng, are empty and abandoned.

Secondly, necessary preparations for the setting up of IPs and EPZs haven't been made. Many IPs and EPZs face the same difficulties: shortage of skilled managers and well-trained laborers and lack of a good development program to attract investors. Many IPs in the South have the same operations (processing agricultural products for export or producing building materials) that certainly lead to keen competition and discourage investors.

Thirdly, in many IPs and EPZs, the housing problem isn't properly dealt with. Most workers in IPs and EPZs have to be content with poor housing conditions. This situation causes many social problems

have issued their own regulations to attract investors to areas outside IPs and EPZs (cut in land rental, fees or taxes, etc.) causing obstacles to the development of IPs and EPZs.

In planning and working out orientation for IPs and EPZs, most local governments wanted to build large-size IPs and EPZs while the development of small and medium ones proves more effective.

The existence of these shortcomings is common in new development models. The problem in the near future is how to make the IPs and EPZs more effective and productive, especially how to attract more investors to existing IPs and EPZs. Realities show that the amount of IPs and EPZs doesn't really matter and the most important thing is their economic, social and ecological effects.