

# Đồng Nai Industrial Parks and Measures to Develop Them in the Coming Years

by NGUYỄN VĂN NHƠN

**D**ồng Nai is in the Southern Vital Economic Zone and has been one of provinces that led the way to development industrial parks (IPs) and mobilization of foreign investment. For the past decades, the provincial government has considered those two tasks as essential tools for industrialization and modernization.

Establishment and development of IPs based on foreign investment is one of important measures to accelerate the industrialization and modernization. Compared with other provinces, Đồng Nai enjoy geographically favorable position, great potentials for agricultural development, good infrastructure, abundant natural and human resources. The development of IPs in Đồng Nai up to 2005 has gained the following achievements:

## 1. The building of IPs in 2005

The Biên Hòa I IP was established in 1963. The Biên Hòa II IP had its infrastructure built by the Biên Hòa IP Development Company. This is one of the first IPs in Vietnam before

the legal infrastructure for IP development was set in 1998. It was in the first place conceived as an export processing zone and then turned into an IP as petitioned by the provincial government. In the years

**Table 1: FDI in Đồng Nai**

Indicator	1995	1996-2000	2001-2004	Total
Nationalities of investor	18	1	7	26
Number of projects	69	156	420	645
Registered investment (US\$ mill.)	1,800	2,300	2,700	6,800

Source: Đồng Nai Service of Planning and Investment

1991-1994, the Biên Hòa II IP attracted 11 projects run by local companies and 30 foreign-invested ones on an area of 78.9 hectares, or 30% of its total area for lease.

Up till now, Đồng Nai has 16 IPs with a total area of 4,805 hectares; 1,941 out of 3,363 hectares (57.72%) for lease have been let. Three IPs (Biên Hòa I, Biên Hòa II and Tam Phước) have leased all pieces of land; seven IPs (Gò Dầu, Loteco, Hồ Nai, Song Máy, Nhơn Trạch I, Nhơn Trạch II and Định Quán) have had some 50% of their areas leased. Except for the An Phước IP that is busy with paying land compensation, all other IPs are building their infrastructure and allocating land to investors.

Compared with 35 cities and provinces where IPs have been built, Đồng Nai has the biggest IP area, biggest number of IPs and fastest development of IPs.

## 2. FDI in Đồng Nai in 1995-2005

The Table 1 shows that investment in Đồng Nai IP rose steadily over time. By the end of 1995, there were 60 projects with a total registered capital of US\$1,800 million. In the years 1995-2000, 156 projects were added making an increase of 22% compared with 1995 while US\$2,300 million was registered, equaling 127% of one registered in 1995. In the years 2000-2004, Đồng Nai IPs attracted 420 new projects (increasing by 269% as compared with the previous period) and a new investment of US\$2,700 million (increasing by 117.4% as compared with the previous period).

a. Investment by sector: Most investment in Đồng Nai IPs came from

foreign source (83%) while local private sector accounted for only 6% and joint ventures with foreign partners 11%.

b. Investment by nationality of investors: Up to the end of 2004,

investment from Asian countries reached US\$1,458 million equaling 24% of total investment in IPs.

European investment in Đồng Nai IP was small, amounting to US\$546 million equaling 8%. The figures for American investment were US\$322 million and 5% respectively.

c. Investment by district: The lion share of 645 projects capitalized at US\$6,800 million went to Biên Hòa City. With four IPs (Biên Hòa I, Biên Hòa II, Amata and Loteco, this city housed 330 projects capitalized at US\$2,780 million representing 40% of the total investment in IPs.

Nhơn Trạch District with five IPs of 1,986 hectares attracted 122 projects and US\$2,439



million worth of investment representing 36% of the total investment. These figures were 81 projects; US\$995 million and 15% for Long Thành District (four IPs of 1,147 hectare), and 110 projects; US\$520

high profitability and capital turnover.

### 3. Business performance

a. Sales: In 2004, the total sales by IPs reached 3,621 million. The highest sales were

As the third biggest investing country in Đồng Nai IPs, Japanese companies made the biggest sales in 2004: US\$899 million. They were followed by Taiwanese ones 869 million and South Korean ones

wear imports were the highest one (US\$393.6 million) followed by the electronics (304 million) and textile (166 million).

The 2004 export earnings by IPs reached US\$1,700 million. The highest ones were gained by the footwear (538 million), the electronics (333 million) and the textile (166 million). Japanese companies were also the leading exporters. They earned US\$583 million in 2004, followed by Taiwanese ones (472 million) and South Korean ones (395 million).

### 4. Difficulties and shortcomings

- The law system is not perfect and stable. Policies on IP development need innovations. Prices of factor inputs are still high.

- The planning and supervision of planning implementation are poor. Many plans have

**Table 2: Investment by industry**

Industry	Total	
	Project	Investment (US\$ mill.)
1. Infrastructure	3	197,072,890
2. Manufacturing sector	568	6,821,723,312
- Farm product processing	36	1,017,517,361
- Forestry product processing	45	258,071,410
- Clothing and footwear	106	2,532,311,589
- Engineering (making, assembling and repairing)	155	1,329,296,187
- Plastics, paint, fertilizer, chemicals	112	927,762,082
- Building materials	43	322,350,760
- Others	71	434,413,923
3. Agriculture	10	31,469,840
4. Forestry	2	15,991,000
5. Service and trading	17	94,675,000
Total	600	7,160,932,042

Source: Đồng Nai Service of Planning and Investment

million and 8% for Trảng Bom District (two IPs of 457 hectares).

Procedures are carried out to get approval from the Government for plans to build more IPs in Đồng Nai while others are under construction. It is estimated that investment in Long Thành and Nhơn Trạch Districts will increase remarkably because of large areas for rent in their IPs.

d. Investment by industry: Investment projects in Đồng Nai IPs are in different industries with different levels of technologies employed but they tend to concentrate in ones of

made by the food processing industry (699 million), footwear (549 million), and chemicals (365 million).

506 million.

b. Export and import values: The 2004 import value by IPs was US\$2,064 million. Foot-



Pho to by Huỳnh Thơ



low degrees of feasibility.

- Prices of land rise high in many districts. The stock of housing for resettlement is limited. Experts in evaluating real estates and compensation after land clearance are lacking.

- Infrastructure in some IPs is still poor. Some major infrastructure projects are implemented slowly. Development of the infrastructure outside IPs is slow. Many construction companies fail to build the infrastructure of high quality.

- All investment projects are approved without selection. The average size of project is small. Local authorities failed to attract investors from North America and Europe. Only a few of local companies build their factories in IPs.

- Industrial development causes pollution. Many companies build factories without works for treating waste. Some IP management boards failed to pay attention to this issue.

- Services supporting IP factories didn't develop as expected.

## 5. Measures to ensure sustainable development for IPs

a. Enhancing the quality of the planning task

The planning of IPs must be suitable to local conditions and resources, master plans for the Southern Vital Economic Zone, for the

province and its districts, and local comparative advantages, and the program to protect the environment.

The planning must include measures to implement it, reduce differences between the master plan and detailed ones, and minimize the move of local residents.

The master plan must anticipate appearance of new projects of national level, such as the National Route from District 9 of HCMC to Nhơn Trạch District or the Long Thành International Airport.

IPs must be diversified to meet various needs of investors. When trade and tariff barriers are removed, the competition for foreign investment will be keener, which forces local authorities to make IPs more attractive by, for example, developing IPs for some specific industries; including residential areas and trading centers in IPs; building high-tech and eco-friendly IPs.

Development of IPs must be linked with the plan for industrial development of the province. Full attention must be paid to the technological level and waste treatment works of the investment projects.

b. Payment of compensation for land clearance:

The planning must be made known to the public, especially local residents, and district authorities must beef up their task of implementing the plans. Compensation for land clearance must be paid before the building of the IPs.

Local authorities must facilitate the process of building resettlement areas. Parts of new resident areas must be spared for resettlement. Financial incentives could be given to companies that build apartment houses for low-income earners.

c. Building of infrastructure in IPs:

Investment could be mobilized from various sources. When enlarg-

ing IPs, local authorities must pay attention to waste treatment plants and protection for the environment. The project to build the infrastructure outside the IP must be approved by the central government and included in the investment program of the province.

d. Mobilization of investments:

All investment projects in IPs must only be taken into consideration after the detailed plan is approved and owners of the project identified.

The provincial government should work out the list of preferred fields of investment according to the master plan for socio-economic development. Stress must be put on projects to build technical infrastructure that produce long-lasting effects on the socio-economic development.

e. Administrative reform and development of human resources:

All obstacles to business of investors must be removed. A level playing ground must be available for all sectors and classes. The legal infrastructure must be stable with a view to promoting trading and investment.

Training courses in technical fields and modern occupations must be available for everybody. The provincial government must adopt new policies to attract talented employees. ■

