

## I. SOME OBSERVED FIGURES

Đồng Nai is an angle of the southern development triangle, steadily remained at high and firm growth rate over the past years. Its GDP grew at 14.1% in the period 1991-1995 and 15.4% in 1996-1997 and 13.7% in 1997 alone, in which the industrial output increased by 22%, agriculture 4% and service 10%. In particular, the foreign-invested sector saw a fast rise, accounting for 13-17% of local GDP. The province's economic structure gradually changed in favor of industry, service. All sectors have made efforts to boost their competitiveness on the markets.

In the first half of 1998, the province still maintained the pace of production and business, improved the people's living standard, secured



# FULL UTILIZATION OF ĐỒNG NAI'S RESOURCES FOR INDUSTRIALIZATION AND MODERNIZATION

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social stability and created jobs for the workers.

However, the performance is below the planned target and the output of last year's first six months, mainly in agriculture, industry, investment, construction and revenue of the state budget.

The industrial output reached 45% of the year's plan, a year-on-year increase of 16.7%. The centrally-run industry rose by 7.8%; local one up by 6%; foreign-invested one 25% and non-state one 7.8%. In addition domestically-owned sector grew by 7.6% and foreign-owned one 25%. In the past half of this year, there were 49% of locally-run firms and 56% of centrally-run ones having higher productivity. Although the industrial growth rate is more than the national average but the rise is lower than that of previous years.

*Farming:* In the winter-spring and summer-autumn crops, the province's 68,861 hectares were cultivated, making up 57% of the year's plan, up 2% over the same period. In which food plants were equal to 99% of the same period, foodstuff plants up 4% and industrial ephemerals up 15%. In general, plants such as rice, vegetables and beans of various kinds and tobacco reached or exceeded the target and rose as compared with the same period.

*Husbandry:* Breeding poultry and aqua-products kept on rising. The farm stimulation was paid special attention. State-owned enterprises actively applied technological achievements in strain. Farm services were provided on time and uniformly.

*Investment in capital construction:* The total realized funds for local capital construction might drop

by 23.9%. In which the locally-owned sector rose by 13.6% and foreign-owned one fell by 27.8%.

*Foreign trade:* The total export-import turnover stood at 43.3% of the year's plan, up 8.2% over a year earlier. In which, the local firms reached 39% of the year's plan, decreasing by 7.4%; central firms 43.5%, up 9.6% and representing 90% of the province's foreign trade volume.

## II. CAUSES

1. The locally-run and centrally-run firms though innovated their equipment and technologies but their production lines were still obsolete and slowly renewed to meet the economic development and raise their competitiveness. Raw materials for production were scarce; input prices were unreasonable; consumer markets shrank; remarkably most of firms did not yet make long-run strategy to compete against their counterparts on the local and overseas markets; the number of production enterprises increased, mainly due to the impact of the Government's situational measures (such as ban on importing and exporting some commodities, adjustment of tariff rates and so on) and remaining deficiencies in production and business of the previous years.

2. The foreign-invested sector though still grew but concealed dan-

gers which could pull down the growth rate. Foreign investors are facing the regional financial crisis, so there were less investment projects and big exporters such as Sanyo, Teakwang, Changshin, Phouchen...suffered a drop in orders from abroad. Many firms operated perfunctorily or reduced working shifts (such as Toongkook, Hyosung, Nestle...). Newly-licensed projects were slowly developed, some large projects also stopped construction as Koolon textile project or lengthened the process as Amata power plant. If the regional financial troubles are not soon overcome, many workers will be dismissed in the coming time (some 3,000 workers may lose jobs).

3. The industrial and farm production faced tough times; this year drought is more severe than previous years, so water shortage and forest fire occurred. So far, the province's over 30,699 ha of plants are in short of water, of which 5,766 ha of plants are withered and dead (including ephemerals and perennials) chiefly in districts of Xuân Lộc, Thống Nhất, Định Quán, Long Khánh...Drought hit mainly perennial areas and those newly planted in 1996-1997: 2,446 ha of dead coffee trees, 14,758 ha of dried coffee trees; 1,692 ha of dead fruit trees; 238 ha of dead rice, 33 ha of dead vegetables, 190 ha of dead sugarcanes, 3,114 ha of withered sugarcanes. The province incurred losses of 2,987 tonnes of paddy, 216 tonnes of maize, 5,682 tonnes of coffee beans, 94,005 tonnes of sugarcanes, 11,359 tonnes of fruit...The total losses amounted to VND177.9 billion.

The prolonged drought has caused great damage to agro-forestry production, many processing firms had to reduce or halt production and laid off workers because they faced a shortage of raw materials, poor competitiveness, and doldrums as well as regional financial crisis.

4. The province's capital construction was downsized, mainly because the foreign-invested sector have been badly affected by the currency meltdown in Asia and foreign investment capital declined. Local investment capital increased but took a small slice (14%), mainly realized at the start of construction.

### III. SOLUTIONS

The solution to keeping the Đồng Nai Province's economic growth is to utilize effectively its own re-

sources. Therefore, many policy measures to attract investment capital should be carried out as follows:

1. Keep on reforming and purifying the financial system and practise thrifty strictly.

*Taxation:* Enhance the capability of tax collection, limit tax losses and tax overcollection, and combat against struggling effectively. Implement steps of tax reform in the second phase; create favorable conditions for firms to speed up their productions and business. Encourage businesspersons to make genuine tax declaration and payment; tax agencies should try to monitor and supervise tax payment to prevent tax evasion and settle

tion of indirect foreign investment. Strengthen management of communes' budget. Publicize funds mobilized from the people for building rural infrastructures.

Utilize and attract effectively all capital sources in the economy.

*Credit and banking:* Expand the network of people's credit funds and credit size. In Đồng Nai, there are currently 26 people's credit funds. However, this number has not yet met the capital need for production and business of economic sectors, especially farmers in remote areas. In my opinion, the provincial government should build a people's credit fund for a cluster of communes. This can be seen as an im-



portant channel to supply capital for the economy as well as draw idle money from the public.

The banking system should not avoid a cash-strapped situation. To do so, it should expand its branches, diversify services, and provide guidelines for firms in planning projects. The fact that banks are waiting for projects to offer loan and firms waiting for credits need be eliminated. Renovate the method of evaluation and giving loans, at the same time have plans to supervise and settle overdue debts with a view to improving service quality and purification of banking activities. Apply non-cash forms in payment and modernize the banking technology. Diversify forms of capital mobilization as well as services and investment of the banks.

## 2. Capital mobilization, allocation of investment capital and economic restructure

The budget capital, loans and funds allured from economic sectors and the public are an important resource to develop the economy, but its allocation is now more decisive. As a result, every year the public budget should earmark a suitable proportion of the total spendings for building infrastructures. This is just an internal force for economic accumulation. Đồng Nai should allocate investments in favor of sectors which have comparative advantages such as processing cashew nuts, cotton, sugarcane, and various meat; producing building materials; mechanical engineering for farm production; meanwhile the province should focus its investment on hi-tech industries to make new competitive products.

To use effectively investment capital, local industries should make efforts to plan their projects soon such as lists of focal areas and industries and of products and services which are given top priority in investment, especially goods for exports. These projects are a ground to call for investment capital, additionally allocate available investments effectively and devise an investment strategy for each stage.

## 3. Exploitation of potentials from economic sectors, enhancement of export and expansion of foreign economic relations

*Exploitation of local potentials and enhancement of export*

Continue to implement consistently the policy on developing the multisectoral commodity economy under the socialist orientation and the local government management. Rearrangement state-owned enterprises to strengthen their business performance and their leading role in important fields and key production. At the same time, consolidate and build proper collective forms of business in agriculture, manufacture, transport, construction, commerce, credit...in compliance with the Law on Cooperatives so that these two sectors will be the key factors in the economy. Speed up equitization of state-owned firms. Non-state firms should be offered preferences in credit, land rent... Soon taking measures to execute the Prime Minister's Decrees 07/CP, 08/CP on domestic and foreign investment encouragement, especially private establishments permitted to produce goods for export. Supply

economic information for businesses and heighten consulting activities of associations of producers and exporters. Combine closely local enterprises in investment, exploitation, processing and supply, and export with the aim to help one another expand market shares and intensify their competitiveness. Study and establish service and brokerage organizations to boost forms of sales promotion as well as product quality and reputation on the market. Encourage skilled individuals to find a firm foothold on the regional and the world markets.

### *Planning enhancement and investment promotion*

In the past the provincial government focused on planning industrial parks (IPs). At present it continues to instruct local Services and People's Committee of districts and towns to plan areas specializing in perennials, breeding large amount of poultry, residential and service areas...as a ground for attracting projects to develop rural areas and restructure local economy.

- Enhance investment promotion and relations with ministries and branches, advisory companies, diplomatic agencies and international organizations to seek for potential investors. Study to market and call for investment on Internet.

- Create good climate for investors licensed to operate in the province, they will be impressed by local conditions and help attract more capital flow into the province.

- Diversify industrial investment areas reasonably so that investors have many alternatives as the Prime Minister's opinions in the Circular 92/TB on August 11, 1997.

- Give preferences to developing service projects outside IPs. Regarding compensation for site clearance, infrastructure development companies should take charge of contributing to rehabilitation.

- Fees of reletting land have been approved, infrastructure development companies must lower prices in line with new trend. The price will rise gradually in accordance with infrastructures invested, and they should not increase suddenly when the IP has been just approved without infrastructures.

- Infrastructures must be built in accordance with the approved plan, infrastructure development companies must not depend upon only firms mobilized capital to invest in construction.

- The changes in the investment

licence granted before the IP is approved by the Government must be in line with the regulations on IPs and the contents stated in the licence in favor of the investor's benefits. For example, those contents are beneficial to the investor, he will continue to carry out them. In contrast, if they are not profitable, the investor will execute the regulations on IP which give him more benefits such as land rent, profits tax, investment duration...

- Set up the mechanism to attract investment capital to the provincial planned IPs. To secure enough local and foreign projects for these IPs, the provincial government should build infrastructure by public budget and firms' capital. Land rent of projects is applied in compliance with the Ministry of Finance's regulations and forms of business.

- The local government pours its money only in planning and draws firms' funds to build inner roads and drainage canals. The system of electricity and water supply, and information supply will be assigned to competent agencies (power, water and post companies) to invest and develop.

- Most of these IPs should receive only projects which are eco-friendly. Therefore, firms operating there must invest in the system treating wastes and preventing environmental pollution.

In addition, to develop rural areas, the Đồng Nai Province should consider following projects:

- Processing industry in raw material areas.

- Clean and eco-friendly industry to settle local unemployment, especially remote and challenging areas.

- Industrial works providing services such as warehouses.

- Large specialized projects such as shipbuilding factory, metallurgical plant and so on.

The first concern in economic development is capital, so the above measures focus on mobilizing capital with a view to speeding up the process of industrialization and modernization, as instructed by the Resolution of the Fourth Plenum of the Party's Central Committee and the political report of the Đồng Nai's Party Unit: "Strengthen political stability, seize every opportunity, overcome troubles and challenges, utilize effectively every resource for economic development in the direction of industrialization and modernization"■