

# SOME OPINIONS ABOUT RELATIONS OF PRODUCTION IN HCMC EXPORT PROCESSING ZONES

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It's noteworthy that after Resolutions of the VCP 6th, 7th and 8th Congresses, Vietnam economy has made good progress and passed its crises. This achievement resulted from many causes, and one of which is that we had manipulated well the objective laws.

To encourage the economic development, we have to obey one of decisive laws: the law on the conformity of relations of production to features and level of productive forces.

The problems we want to discuss here is how to apply this law to the development of EPZs.

First of all, we had better study features and level of productive forces in EPZs.

- Development level of productive forces:

Up to now, in two EPZs in HCMC, 154 companies have paid advance on rent for 128,514 ha out of 230 ha offered, 10 companies were licenced by the EPZ Management Board (EMB) with a rented area of 95,104 ha, total investment of US\$413.65 million and a work force of 38,014 laborers. Fifty companies have been in operation and exported US\$146,304,275 worth of goods (in 1996 their exports were worth US\$100 million). At present, 11,297 laborers are working in EPZs, 370 of them were sent abroad to study. There are 45 trade unions in EPZs. The average investment of a company is US\$3.6 million (3.8 million for a company in Tân Thuận EPZ). The highest investment is 29 million and the lowest 1 million. The total investment put in EPZs, including US\$205 million put in the Hiệp Phước Power Plant, amounted to US\$618.65 million.

- Structure of companies:

Companies in EPZs produce fiber, textile, leather, garment, machine, plastic, electrical and electronic appliances, processed food, package, etc. Most of them use modern and automatic machines (some machines and equipment are second-hand but they were depreciated by 20% at most). Some 17% of companies use high technology and this percentage tends to rise year after year. Advanced management methods are applied in all companies, especially in Japanese companies. The following tables supply more information about companies in EPZs:

Table 1: Companies registering for land renting  
(to Nov. 15, 1996)

EPZ	Companies paying advance on rent	Area rented and advance paid	
		Area	Compared with EPZ area
Tân Thuận	131	111.30 ha	55.6%
Linh Trung	22	22.78 ha	59.4%

Table 2: Licences granted  
(to Nov. 15, 1996)

EPZ	Licence	Total Investment	Area rented	Labor demand (laborers)
Tân Thuận	88	US\$332.44 mil.	68.96 ha	25,228
Linh Trung	15	US\$ 38.64 mil.	16.11 ha	10,456

Table 3: Nationality of licenced investors

Nationality	Tân Thuận EPZ		Linh Trung EPZ	
	Licence	Percentage	Licence	Percentage
Japan	41	46.6	1	6.7
Taiwan	35	39.8	4	26.6
South Korea	6	6.8	5	33.3
Hong Kong	4	4.6	4	26.6
United States	1	1.1	1	6.7
Vietnam	1	1.1		

Japanese companies came here one year after Taiwanese ones but they represented the highest percentage of companies operating in EPZs now.

Table 4: Product of licenced companies

Product	Tân Thuận EPZ		Linh Trung EPZ	
	Licence	%	Licence	%
Fiber, textile, clothing	24	27.3	6	40.0
Hand bag, hat, shoe, glove	9	10.2	6	40.0
Plastic, rubber	11	12.5		
Machine	14	15.9		
Electric, electronic gadget	14	15.9		
Processed food	5	5.7	1	6.7
Others	11	12.5	2	13.3

Technology-intensive factories were slow to make their appearance in EPZs but soon represented a percentage larger than labor-intensive factories.

Table 5: Development stages of EPZ companies after licence  
(to Nov. 15, 1996)

EPZ	In operation	Under construction or in pilot production	Waiting for building licence	Not start yet
Tân Thuận	48	26	11	2
Linh Trung	2	8	3	2

Based on such developments, it's planned that by 2000, some 250 companies with total investment of US\$800 million (or over US\$1 billion if the Hiệp Phước Power Plant is included) will come into operation supplying jobs to some 80,000 laborers (including around 6,000 managers and technicians, 50,000 skilled workers and 2,000 foreign experts). And some US\$3 billion worth of good will be exported and imported.

Regarding features of EPZ productive forces, the most common form of ownership is 100% foreign-owned companies (or concessions as Lenin put it) allowed by the Foreign Investment Law and the Statute of Vietnam EPZ.

To make relations of production appropriate to features and level of productive forces by 2000, proper attention must be paid to the following problems:

## 1. Official views

The role of EPZs in the economy must be made clear and a consistent policy on the development of EPZs must



be adopted. The Government had better include EPZs in the development plan for HCMC, Southern region and for the country as a whole, and form a body controlling all EPZs, industrial estates and high-tech industrial parks.

## 2. Targets

Main targets are:

- attracting both foreign and domestic investment to develop EPZs to the best of their capacity.
- creating more jobs.
- importing modern technology and managerial skills.
- generating earnings in foreign exchange.

The overall target is to create the dynamic of the industrialization and modernization, especially for HCMC economy. This problem is of strategic importance to the combination of EPZs and local economy.

3. There must be measures to encourage investors to exploit local raw materials and develop a system of local subcontractors with a view to accelerating local economic development.

4. The Government had better diversify forms of investment and offer opportunity to all classes of investor. The form of joint venture and joint stock companies must be considered as desirable.

## 5. Management mechanism

We had better develop the one-door management mechanism: From the first days of establishment, EPZs, in spite of their poor infrastructure, have attracted a lot of investors. Besides such causes as cheap and skilled labor force, reasonable open door policy, political stability, and welcome Foreign Investment Law, the main cause is the fact that the Prime Minister has allowed the EMB to supply one-door services. By this permission, the EMB could licence projects with investment of under US\$30 million. The Board was also delegated by ministries to solve all management issues within EPZs. This empowerment has helped to reduce the time needed for granting a licence to a fortnight, even 10 days. All procedures for bringing a project into operation are publicized so the investors could cooperate with the Board. However, there are some difficulties in getting empowerment from certain ministries. So it's necessary to legalize the one-door mechanism and the process of empowering management boards of EPZ and other industrial estates as well.

## 6. Control of EPZ operation

Many aspects of the operation of companies in EPZ are ruled by strict regulations which force all investors to observe. In the environmental aspect, in the project, the investor has to anticipate effects on the environment and measures to control them. Investors can't get licence if he fail to pick out acceptable measures to deal with the pollution. The EMB inspects this matter in each factory before and after construction and refuses to licence factories that fail to take necessary measures to protect the environment. In addition, all companies have to observe regulations about working safety and industrial hygiene.

As for the importation of machines and equipment, most of them are of medium modernity. To some extent, the EMB allows the importation of second-hand equipment which is depreciated by 20% at most to companies owned totally by foreign investors whose products could be exported to all foreign markets. Preferential treatment is also given to projects using high-tech equipment.

The EMB pays a lot of attention to the protection of interests of both laborers and investors. Necessary measures are taken to improve basic wage rate, working conditions and industrial relations. Thus, the presence of trade unions and employers' associations in EPZs is a matter of great importance.

Regarding the management of fiscal and monetary

problems, the main targets are:

- Increasing the stake held by Vietnamese parties in joint ventures (at present this stake is about 30%). The plan is to increase this percentage to 70% after some decades. This measure aims at protecting Vietnam economic independence.

- Petitioning the Ministry of Finance to allow the EMB to have its own funds, instead of waiting for grant-in-aid from the central government.

- Making fiscal and monetary policies realized in EPZs stricter, more reasonable and appropriate to international practices.

## 7. Organizational aspect

The EMB is delegated by the Government to supply one-door services within EPZs. The Board consists of a chairperson, some vice-chairpersons and board members. Certain members have to fulfil two functions concurrently. Under the Board, there are the Investment and Project Evaluation Department, Business Department, Import Export Department, Labor Department, and a Labor Supply Center. In each EPZ, there are also specialized government agencies (customs, police, bank, tax etc.) which are under direction of both the Board and superior bodies of their own as well. The Board personnel are well-organized and able to fulfil different functions. The Board up to now has accumulated some experience and got the ability to do its task well. However, the personnel have to be improved both quantitatively and qualitatively in order to complete new tasks posed by new developments of EPZs. So there must be plans to retrain the personnel with a view to making them more politically and professionally competent.

## 8. Labor supply for EPZs

It's necessary to make plans to supply labor to EPZs and other industrial estates and turn them into training schools for skilled workers and managers needed for the national industrialization and modernization. There must be training centers supplying well-trained workers to EPZs and a National Human Resources Fund. Training the workforce must be mandatory for all investors. Universities and vocational training schools had better cooperate with EPZs in order to make the education process appropriate to demands posed by the development of EPZs. It is a practical way to improve the education service.

## 9. The role of political organizations in EPZs

Our petition to HCMC Party Committee is that a Party Committee directly responsible to the HCMC Party Committee must be formed in EPZs. The political system of EPZs has to operate according to the Foreign Investment Law and adapt itself to the specific conditions of EPZs. This is an urgent problem related to relations of production needed to be solved in order to help EPZs develop correctly.

In short, to manipulate well the law on the conformity of relations of production to productive forces, we have to understand Lenin's instruction: without capitalist industrial techniques based on the latest scientific achievements and without a government that is able to help all citizens observe discipline in production and distribution, there will be no socialism. And at the same time, without the dictatorship of the proletariat, then we can't dream of the socialism. It's a very elementary concept ■