

**I**ndustrialization and modernization is the main objective of the development strategy for coming years set forth by the VCP 8<sup>th</sup> National Congress, and until recently, the 4<sup>th</sup> Conference of the VCP Central Committee has decided on "keeping on the reform program, tapping and developing internal potentials to the most, improving efficiency of international cooperation, practicing thrift in order to industrialize the economy

vestment of some VND50 billion. Export value realized by many operational IPs has increased fast: In Tân Thuận and Linh Trung IPs for example, the total export value, in comparison with 1995, increased by 2.2 times in 1996, by 5 times in 1997, and by 10 times in 1998, that is, each hectare in those two IPs produces an export value of VND42 billion a year and provides jobs for some 200 laborers. The Cần Thơ IP,

all factories in IPs come into operation).

#### 1. A correct view of IP development

For a long time, IPs have been considered as a means of attracting foreign investment, technologies and managerial skills, and as a result, many people are of the opinion that if there is no foreign investment, there is no need for IPs.

## ON DEVELOPMENT TREND OF INDUSTRIAL PARKS IN VIETNAM

and improve international competitiveness"

To realize this strategy, local governments have reviewed local potentials, both strong and weak points, and worked out plans to change the local structure of industry with the aim of enhancing the importance of manufacturing and service industries in local economies.

To industrialize and modernize the economy and improve the people's quality of life, the Government has recently encouraged the formation of industrial estates and export processing zones (referred to as industrial parks -IPs- hereafter) where the infrastructure is developed well enough and most factories are concentrated in. Besides facilitating industrial production, these IPs also help to protect the environment of residential areas.

Developing IPs is considered as an important measure to facilitate new investment and accumulate capital needed for infrastructure construction, therefore after a short period, IPs have attracted some VND30,000 billion and produced VND15,000 billion worth of goods (taking only IPs with good infrastructure into account), that is, each hectare in IPs has received an in-

vestment of some VND50 billion. Export value realized by many operational IPs has increased fast: In Tân Thuận and Linh Trung IPs for example, the total export value, in comparison with 1995, increased by 2.2 times in 1996, by 5 times in 1997, and by 10 times in 1998, that is, each hectare in those two IPs produces an export value of VND42 billion a year and provides jobs for some 200 laborers. The Cần Thơ IP,

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It's about time we had to take a correct view of the IP as defined by Article 2 of Decree 36/CP issued on April 24, 1997: "Industrial parks are areas with clear border where IP companies are concentrated. IP companies are economic concerns that are formed and operate in IPs. They either produce manufactured goods





or supply services."

Thus, IPs are open to both foreign and local companies. Foreign investment in Vietnam, and in IPs to be precise, is necessary and beneficial to the economic development. At present, however, when foreign sources of capital are becoming more limited because of the economic crisis, we must find out ways to make the best use of domestic financial resources to industrialize the economy, and one of these ways is to develop IPs where both foreign and local companies can build their factories.

## 2. A need to review the master plan to develop IPs

The industrial development today is one of main concerns to not only the Government or business circle, but also the public as a whole. In building a factory, full attention should be paid to many factors: infrastructure, legal procedures, environmental regulations, human resources, etc. so a factory can't be built in a place without planning and necessary conditions.

In the past, because of a lack of planning, many factories have been built in residential areas and polluted the environment with smoke, noise, effluent and other waste. Both central and local governments are trying to repair this damage by moving these factories to suburbs. This is, however, no easy task.

Unruly development of factories has forced local governments to make plans to build IPs in their home provinces. These plans were discussed in meetings held by VCP provincial committees and People's Committees and proper attention was paid to different stages of development of local socio-economic life. Thus, the formation of IPs has become a must originated from the development process itself.

The current problem is whether the number of IPs planned for each province or city is sufficient or not. Many experts are of the opinion that the building of IPs has become a fad and IPs have tended to mushroom all over the country.

Up to now, 59 IPs have been licenced (12 in the North, 9 in the Central Vietnam and 38 in the South). However, these IPs aren't distributed evenly and they are concentrated in 21 provinces or cities (some 50% of them are built in HCMC, Đồng Nai and Bình Dương)

and two thirds of cities and provinces have no IP. In three localities (Thủ Đức district of HCMC, Thuận An district of Bình Dương and Biên Hoà Town of Đồng Nai) there are 13 IPs.

The building of IP network must aim at industrializing and modernizing the whole country by the first decade of next century, so they should be distributed more evenly and reasonably.

The building of IPs in the past shows that it took a very long time (from making plan, submitting for approval from the central government, building the infrastructure after receiving licence, allocating land to investors, and to building factories by investors). The building of any IP must go through with a series of procedures set by the central government and related ministries. Preparing a plan usually takes one year or two, and realizing the plan takes from two to six years, that is, an IP will take from four to eight years to come into being, not to mention the time (from one to three years) needed for site clearance. Therefore, all preparations must be made to develop the IP network by the year 2002 if we want to take advantage of opportunities taking place after the current economic crisis.

Developing IPs isn't new to Asian countries. Many of them, such as Taiwan, Malaysia, Thailand and China have built their IPs one decade or two before Vietnam and have reaped the fruits of their efforts.

## 3. Size of an IP

The early 1990s was the golden age of both foreign and domestic investment in manufacturing industry. This boom required the formation of large-size IPs. Policy makers at that time thought that large-size IPs with well-developed infrastructure would be the heart of the national industrial production. That is why most IPs coming into being in this period have large areas, from two hundred to one thousand hectares.

But experts today have stopped estimating an IP based on its size and what they are paying attention to is the performance, or more exactly, they want to know how the infrastructure is built, who invest in IPs, what technologies are imported, what policies are applied to investors, what improvements in procedural reform are, how big the export

value is, and so on.

In Vietnam, almost provincial governments meet with no difficulties in finding a place to build large-size IPs. Large-size IPs are rather favorable for investment in infrastructure although this investment should be big enough. But to persuade investors into building their factories in large-size IPs, instead of in small- or medium-size ones, will be more difficult. In reality, IPs with areas of under 100 hectares have become more attractive in the eyes of investors.

As for IP development companies, they will find it easier to deal with small-size IPs: making smaller investment, spending less time in building the infrastructure and meeting with less difficulties and competition in persuading investors and finally, making some profits sooner. As for local governments, small-size IPs allow them to get planning and site clearance done quicker. In addition, small-size IPs facilitate the redistribution of labor force and urbanization process. Regarding investors, they can choose to build their factories in any IPs suitable to their requirements. In view of social affairs, small-size IPs won't produce bad effects on population density and socio-political situation, on the other hand, they can accelerate the urbanization process.

## 4. Mechanism for controlling IPs

In recent years, the mechanism for controlling IPs, at central and local levels, has performed rather well and has helped with making appropriate policies to create conditions favorable for operation of IP development companies and IP companies as well. This mechanism, however, also reveals certain shortcomings.

It's estimated that the IP network by 2010 will include some 100 IPs that have a total area of 30,000 hectares, attract a total investment of some US\$25 billion and produce some US\$35 billion worth of goods (and most of them are for export). To help these IPs develop and contribute to the national industrialization program, it's necessary to beef up the mechanism for controlling IPs from the central to local levels and make it an instrument for the Government to develop IPs effectively and opportunely.