

Developments of Some Asian Industrial Parks and Lessons for Vietnam

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According to the World Bank, some 40% industrial parks (IPs) in the world are success stories, 30% of them obtain success in certain fields and 30% end in failure. In Asia, success stories have been found in Malaysia, South Korea, Taiwan, China and Thailand while the same efforts in Indonesia and the Philippines failed to produce intended results. In this article, let's have a look at two successful models and a less successful one in Southeast Asia.

1. Successful models in Malaysia

Malaysia is among the first Asian countries that develop industrial parks and one of the world's most successful builders of industrial parks. Its IPs have the following features:

- Malaysian IPs serve as a means of attracting foreign investment, technologies and managerial skills; promoting export and local production; and creating new jobs. Priority of these objectives, however, changed over times with a view to complying with national development strategies.

- Task of zoning areas for IPs is assigned to the Ministry of Finance. This body makes

decision based on suggestions from state governments in order to ensure high efficiency of IP building projects.

- Control over companies in IP is undertaken by state governments instead of central governmental bodies.

- Besides exemption from import duties on raw materials and machines and export duties on exports, companies in IPs also enjoy preferential treatment set by the 1968 Investment Encouragement Law. State governments may offer other incentives, such as lower land rental, or longer term of land leasing, as long as they are within the state authority.

In Malaysia, the best-known success story is about the Penang Free Trade Zone with the following lessons:

- + Good infrastructure: As a "free port" in the past, Penang enjoys favorable conditions for development of an IP. Lower cost of building and good infrastructure are important elements when attracting both foreign and domestic investment.

- Reasonably -zoned functioning areas: Functioning areas in the Penang Free Trade Zone are well zoned along with good systems

of communication and transport including airports, roads, railroads and sea ports.

- Good labor force: From 50% to 60% of the labor force are skilled workers. Besides wages, they also enjoy other special allowances and their income is usually from 2.5 to 3.0 times higher than what their counterparts earn outside the Penang Zone.

- Good timing: The Penang Free Trade Zone was established in the early 1970s when the Malaysian electronics industry enjoyed a boom, which made Penang be filled with factory buildings within a short period of time.

- Right investment policies: Policies, especially financial and commercial ones, introduced to Penang are open and reasonable, which help foreign investment in this zone rise to 78% of the total investment.

2. A successful model in Thailand

- Management: From 1972 on, the state control over development of IPs was assigned to the IEAT (Industrial Estate Authority of Thailand) with a neat and well-focused machinery that handle its jobs effectively and quickly.

- Planning: The plan to develop IPs is based

on the economic development strategy with a view to ensuring even development between different provinces. Areas zoned for IP development are supported by the State. Private persons and companies can build IPs outside these areas and offer them to foreign investors. Of 40 IPs in Thailand, 29 were built under plans run by the IEAT, and 11 built and run by private persons or organizations.

- Policy: Many priorities and incentives are given to companies in IPs in order to fill them with factory buildings and encourage industrial development in all provinces. To achieve this aim, Thailand is divided into three zones for IP development with different incentives that aim at encouraging investment in distressed districts.

- Procedures: The IEAT ensures the "one-stop" service. After a week, investors can get licenses to build their factory buildings.

- Environment: Protection for the environment is one of foremost requirement posed by the IEAT when granting license to develop IPs.

3. A less successful model in Bataan, the Philippines

Failure of the Philippine Bataan IP comes from the following reasons:

- Site: The IP is situated in a remote and mountainous area, which make it difficult to get access, or build roads, to ports and other facilities. Bataan is in Mariveles, a small town of 5,000 people, which force companies in the IP to recruit laborers from Manila and other cities. This means more expenses on boarding houses, schools and hospitals. This situation leads to high cost of building and using the infrastructure in Bataan.

- Macroeconomic coordination: When developing the Bataan IP, the Philippine Government decided to build numerous "non-customs warehouses" all over the country to encourage production of exports. This policy accidentally neutralizes the priority given to the Bataan IP.

- Other factors: Unstable political situa-

tion, high inflation rate, clumsy administrative machinery of the IP and inconsistent policies on incentives (land rental, land leasing term and service fees, etc.) discouraged foreign investors from doing business in the IP.

4. Some lessons for Vietnam

- Law and order, and stable political life are important factors to success of an IP.

- Economic policies and laws must be consistent and stable for a certain period.

- Preferential treatment should be attractive enough to help investors produce goods at competitive costs as compared with ones supplied by IPs in the region.

- Financial and tax incentives must be available for all investors. Administrative procedures must be simple enough to facilitate operations of companies. The one-stop ser-

vice is the most desirable.

- Selection of the site of the IP must be based on local advantages (communications, infrastructure, public services, and supply of labor, etc.)

- It's necessary to build IPs of different sizes and models in order to meet demands by investors. Attention must be paid to all interests (of national budget, investors and local laborers).

These lessons allow us to work out directions for the development of IPs in Vietnam. Some of them are as follows:

- + The administrative machinery should develop its one-stop service in order to give more advantages to IP companies. Local and central governments should cooperate in this effort instead of introducing too many rules and regulations that are not consistent.

- + Tasks of planning and running IPs should

aim at ensuring strict control for the State and advantages for investors. Governmental bodies should help IPs that meet with difficulties or obstacles to their development or construction. As for IPs that have no prospects, a new IP management should be established and new measures should be taken if need be.

- + Development of IPs must be linked with changes in the structure of industry and urbanization planning in order to ensure sustainable development for both the IP and the district where it is built. In addition, this effort also allows local government to make the best use of the stock of land and benefit from IP development.

- + Besides attracting projects to fill the IP, authorities must try to improve quality of the IP by selecting and encouraging projects that make the best use of local resources or introduce modern and pollution-free technologies. This selection may affect the effort to fill the IP with companies but it is an inevitable measure to ensure the sustainable development.

- + Some other aspects that require full attention are: protection for the environment, development of the local human resource, building of infrastructure outside the IP, and social problems arising from increases in local population, etc. ■

