



MEASURES TO EXPLOIT THE POTENTIALS AND ADVANTAGES, AND REMOVE BARRIERS TO DEVELOPMENT OF THE CENTRAL VIETNAM KEY ECONOMIC ZONE

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Abstract

The Central Vietnam Key Economic Zone, with its strategically important geographical position, is considered as a zone of great potentials and advantages that will become a dynamic of socio-economic development of Central Vietnam and Western Highlands. This article analyzes its potentials and advantages and identifies barriers to the development of this economic zone, thereby suggesting measures to the exploit such potentials and advantages and remove barriers to the quick and sustainable development of the whole zone.

The Central Vietnam Key Economic Zone (hereafter referred to as CVKEZ), established under PM Decision 1085/QĐ-TTg dated 12 Aug. 2008, consists of five administrative units: Thừa Thiên-Huế, Đà Nẵng, Quảng Nam, Quảng Ngãi, and Bình Định. Its area, 27,884 km², accounts for 8.4% of the total area of Vietnam and its population of 6.5 million, accounts for 7% of the total population of Vietnam. It has a string of seven big cities: Huế, Đà Nẵng, Hội An, Tam Kỳ, Vạn Tường, Quảng Ngãi and Quy Nhơn. Stretching along a coastal line of 609 km are four developing economic zones: Chân Mây, Chu Lai (an open economic zone), Dung Quất, and Nhơn Hội. Together with this string of industrial zones, export processing zones in this area have the advantage of

being near several seaports. The system of national and international warehouses here is to be linked with international ports, and inter-regional and trans-national communications networks. This zone is also very important to national defense, orientation of socioeconomic development of Central Vietnam and Western Highlands, and to the socioeconomic development strategy of the whole country as well. This key economic zone includes marine-based economy associated with industry and services. This zone would develop a pivotal sub-zone that provides spaces for the development of marine-based economy, a coastal corridor for international economic free trade along the national route 1A, the national railway line and the system of seaports. In the development strategy up to 2025, CVKEZ would become the impetus for the socioeconomic development in Central Vietnam and Western Highlands. It is also the chief entrepôt point as well as the center for trade and processing facilities in the greater Mekong area and in the Asia-Pacific rim.

1. Some assessments of the potential and advantage of CVKEZ

CVKEZ is on the North-South communications line with national routes linking its seaports to the Western Highlands, Laos, Northeastern Cambodia, Northeastern Thailand, and Myanmar

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along the East West Economic Corridor (EWEC) and the inner Mekong area GMS. Lying in the middle part of the country, CVKEZ has four airports and two international airports, Phú Bài and Đà Nẵng. Thanks to the system of seaports: Chân Mây, Liên Chiểu, Tiên Sa, Kỳ Hà, Dung Quất, and Quy Nhơn ports, it has an advantage in developing marine-based economy, seaport-related services, international entrepôt services, and production of seafood. Most of these ports are deep-water ones able to receive ships with great tonnage and not far from international waters and thus, may help make CVKEZ an important international trading hub in the region and in the world.

- The currently existing seaside economic zones have created new motivations for the development of four big centers of supporting industries: Chân Mây-Lăng Cô (Huế), Chu Lai (Quảng Nam), Dung Quất (Quảng Ngãi), and Nhơn Hội (Bình Định) economic zones. CVKEZ also has a string of 24 industrial zones and export processing zones having the advantage of being near the ports, systems of national and international warehouses linked with the general system of international seaports and inter-regional and inter-national communications lines.

- CVKEZ has the potential for developing tourism with plentiful and diversified tours thanks

to its numerous cultural heritage sites and historical relics as well as beautiful landscapes. It also has four cultural heritages (material and non-material), one UNESCO-recognized biosphere reservoir (Cù Lao Chàm), a 609km-long coast with various international-ranked beaches such as Lăng Cô (Thừa Thiên-Huế, Non Nước (Đà Nẵng), Mỹ Khê (Quảng Ngãi), and Quy Nhơn, such islands as Cù Lao Chàm and Lý Sơn are being planned and developed into tourist and fishery logistics centers.

- The most precious asset and breakthrough ability of Central Vietnam are its people with their diligence, intelligence, strong will power, discipline, passion for work, and creativity. It is predicted that, by 2025, the population of this area would grow to 8.15 million, out of which 6 million are in working age. This is a great advantage and potential but it is necessary to have appropriate policy to develop these advantage and potential and thus, to form a basis for development of a knowledge-based economy with increasingly high added values. According to results of the research and preliminary assessments of the Development Strategy Study Project for Đà Nẵng City and its neighborhoods conducted in 2009 by the Japanese International Co-operation Agency (JICA), basic potentials and capacity of the provinces in CVKEZ

Table 1: Four-grade assessment of the advantages and capacity of provinces in CVKEZ

Advantages and potentials	Thừa Thiên- Huế	Đà Nẵng	Quảng Nam	Quảng Ngãi	Bình Định
1. Key role	B	(A)	C	B	C
2. Tourist advantage	(A)	A	(A)	A	A
3. Industrial advantage	B	B	(A)	(A)	B
4. Service advantage	A	(A)	C	A	B
5. Environmental economy	B	A	B	B	B
6. Human resource development	A	A	A	B	B
7. Environment management	A	A	B	(A)	(A)
8. Culture preservation	(A)	B	(A)	B	B
9. Urban development	(A)	(A)	(A)	(A)	(A)
10. Rural development	(A)	B	(A)	(A)	(A)

(Source: Japanese International Co-operation Agency JICA - 2009)

Notes: (A): outstanding advantage; A: advantage; B: average; C: under average

are as follows:

“Thanks to relatively diverse and abundant natural resources and great potentials in terms of geographical position, natural resources, and manpower, CVKEZ has a very important position not only to the orientation of socioeconomic development in Central Vietnam but also to the development strategy of the whole country. In this key zone, there has arisen a system of urban areas spread equally over the territory and a system of economic zones, industrial zones, and tourist service zones”, said Dr. Nguyễn Bá Ân, Vice Director of the Institute of Development Strategy.

“CVKEZ, an axis of sea-oriented economy with modern and developed infrastructure, is the industrial backbone of the country. Central Vietnam, after establishing the axis of sea-oriented economy, has had unequal developments and breakthroughs ever happened before. CVKEZ is now developing and growing into a powerful sea-oriented economy in the whole country,” said Dr. Trương Đình Hiến, a senior researcher at the Forum “Central Vietnam Key Economic Zone - New Opportunity for Prosperity” in March 2010, Quảng Ngãi province.

2. Some barriers to the development of CVKEZ

Besides the above-mentioned potentials and advantages, CVKEZ is now meeting with some subjective and objective barriers as follows:

- CVKEZ lies in the area where natural disasters, storms, and floods often attack and its infrastructure, in general, is not yet developed.

- Compared with other areas in the country, CVKEZ is a poor one; per capita GDP is only 68.4% of the national average. Only Đà Nẵng province is able to balance its budget and the other four provinces still have to get support from the national budget (Quảng Ngãi province, thanks to the rapid development of the Dung Quất economic zone, would be able to balance its own budget in a few years). CVKEZ has a poor investment climate and foreign-invested projects (FDI) there only accounts for 4.9% of the total foreign-invested projects in the country (Source: Foreign Investment Agency - Ministry of Planning and Investment -2007). If this keeps going on, it would

be evident that the objective of developing CVKEZ into a nucleus for the socioeconomic development of Central Vietnam and the Western Highlands would be very hard to achieve.

- Localities in CVKEZ have the same conditions for development and the same economic structures (excluding Đà Nẵng with fairly developed manufacturing and service sectors). They all have seaports and airports (Quảng Nam and Quảng Ngãi shared the Chu Lai Airport). Therefore, if each province make its own economic development plan, unnecessary competition between them for investment and in growth target would be very great. There still exists in CVKEZ such barriers as the thinking way originated from a closed and small economy, the way of doing business is still trivial and petty; for example, all provinces want to have their own sugar factory or university, etc.

- Unlike other key economic zones in North and South Vietnam, CVKEZ has a big problem with its human resource. In recent years, this resource has developed remarkably but in order to ensure a rapid and sustainable development, the CVKEZ is caught in a dilemma: surplus of untrained labor and shortage of well-trained one. Currently, in CVKEZ there are a very few research institutes and centers and the training system is not strong enough. When big projects are developed, they always face a great shortage of workers, especially the ones trained in professions they need in terms of both quantity and quality. The fact that bosses outnumber workers and enterprises are “thirsty” for trained workers is a reality that could be seen in almost all industrial, economic, and export processing zones resulting in difficulties in production and service of enterprises. An example is the French Technip Technical Contractor Group. When this group started installing equipment in the Dung Quất Oil Refinery, it found out that it could not find a local-based technical welder able to perform high pressure welding. Instead, it had to hire welders from Malaysia, Thailand, and India to insure the speed of progress and at the same time, it helped Quảng Ngãi authorities build a training center for high-quality technical welders for Dung Quất Oil Refin-

ery.

- In CVKEZ, such services as finance, banking, education, and technological- scientific research are poorly developed. Share of foreign trade in local gross output is also low and entrepôt business is still a potential. This shows that the role of CVKEZ central cities has not reached their potentials as nuclei of growth. Financial and banking activities of cities and provinces are usually got done in HCMC.

- Sectionalism is also a big barrier to cooperation and development and it is necessary to get rid of it. So far, provinces in CVKEZ have operated independently without cooperation or mutual support though this is a very important way of implementing the development strategy of CVKEZ. Education and training are the fields where cooperation is very easy but, in reality, each province has at least two universities and many training facilities and they fail to establish constant and sustainable cooperation. In order to figure out solutions to the development of CVKEZ, universities and research institutes have held various seminars, workshops, and forums on investment promotion and cooperation for development. Findings of all these conferences and forums show that the conclusions reached at these events are only about the recognition of the problems and do not point out specific action plans to tap the potentials of CVKEZ. For example, the plan to build an Information Center for Human Resource, one of the most important solutions suggested by the conference on “Development of the Workforce via Professional Training to Meet the Requirements of Enterprises in CVKEZ” held on Dec. 12, 2008, by The Directory Office for the Development Coordination between Key Economic Zones and by Đà Nẵng Coordination Team and the General Vocational Training Office, has not been carried out yet.

3. Measures to exploit the potentials and advantages and deal with barriers to CVKEZ development

Based on the assessments and the factual situation of CVKEZ, we would like to propose some solutions to its development:

a. Development of the human resource for manufacturing and service sectors in CVKEZ:

In order to develop, an economy requires the following resources: capital, technology, natural resources, and human resource. In order to grow quickly and consistently, an economy also needs three basic factors: applying new technology, developing modern infrastructure, and improving the human resource. Developing the human resource is the key to dealing with such difficulties as efficiency, equality, stability, and growth. Being aware of the decisive role of the human resource among other resources, the CPV has pointed out “The human resource is the most precious resource playing a decisive role in the development of the country, especially when financial and material resources are still limited.” In CVKEZ, most laborers engage in agricultural production. In the process of modernization and industrialization, millions of farmers need training to change jobs, especially those who lost farming land when the government took it back to set up industrial and economic zones. These farmers would become a big pressure in professional education in the coming days. Therefore, it is necessary to take the following measures to develop the human resource to meet the requirement of the development of industry and service in CVKEZ:

- Forecasting and assessing the need for human resources: It is necessary to examine and assess the human resources in terms of quality, quantity and occupation structure. Particularly, attention must be paid to the fact that currently skillful and professional workers are in great shortage. It is necessary to assess this need at present and in the near future (5-7 years) as well to work out a plan to train laborers in skills needed for the future. The forecast and assessment will allow us to identify characteristics of the human resources affecting directly the quality and effectiveness of production and service along with other factors affecting the socioeconomic development for the human resource.

- Planning the network of training facilities: This plan should aim at improving the training effectiveness and supplying an army of laborers

meeting requirements of the economic growth in terms of quantity, quality, and occupation structure. In order to achieve this goal, the network of training facilities should be planned under the following principles: this network should be in accordance with the local socioeconomic development strategy and with the scope of public and private investments. It should provide conditions for everyone to participate in the building of training facilities. It should also satisfy the need for human resources of enterprises and the need for education of the public, especially a great number of those who need to change jobs due to the fact that they have lost their land when the government confiscates it for other projects.

- Big universities like Đà Nẵng and Huế universities should play the central “spillover effect” role in order to become the “guide” for the reform and help other training facilities train laborers to meet requirements of enterprises. Training facilities in CVKEZ should carry out the task of specialization, allocation, cooperation, supplementation, and support in view of teachers, programs, textbooks, and scientific researches. The most important thing is to improve the cooperation between training facilities and enterprises in designing and executing training programs, evaluating the training quality, and employing laborers after training to adjust training objectives to requirements of enterprises.

- Setting up the network of scientific research facilities in CVKEZ to study key problems about the socioeconomic development of CVKEZ (development strategy, planning, labor market information, pollution, environment protection, water supply, energy, agriculture, forestry, and fishery).

- People in Central Vietnam still want their children to go to college or university rather than attending vocational or technical high schools, which leads to a situation in which “bosses outnumber workers” and graduates from colleges or universities are forced to do jobs of plain workers. The inadequacy in labor division is a great waste of time and expenses of the trainees. Therefore, the government and training facilities should have policy and mechanism for job orientation to help

high school graduates to choose the right educational or training organizations. Government and training facilities should also cooperate in training, standardizing the army of teachers, ensuring the quality of training, and giving incentives to both teachers and students in forms of salary, bonus, scholarship, and education allowances.

b. Investment in infrastructure:

- Continuing to examine and assess the communications network in the whole CVKEZ in order to make new plans appropriate to the process of socioeconomic development.

- Increasing investment in the infrastructure and making the technical infrastructure appropriate to social structure are effective ways of improving the quality of the system of the necessary infrastructures for the sake of the economic development, social welfare, and sustainable development. In particular, it is necessary to give priority to the completion of highways along the seaside from Đà Nẵng to Hội An and Chu Lai open economic zone, and from Dung Quất to Sa Huỳnh. It is also necessary to upgrade Tiên Sa, Liên Chiểu, Chân Mây, and Quy Nhơn seaports and invest in the upgrading of Chu Lai airport to meet the requirement of communicating in the area as well as to upgrade and expand Đà Nẵng airport to develop it into an international airport of the Central Vietnam.

c. Cooperation of provinces for common development:

Cooperation of the five provinces and cities in CVKEZ would bring about benefits for all sides involved because it helps increase local ability to tap existing potentials, thereby saving expenses due to the reduction in competition costs and improving the competitiveness of the whole zone via coordination of specific advantages of each province, economies of scale, better labor division and specialization, and reduced risk based on joint responsibility.

In order to enhance the advantages of CVKEZ and ensure a sustainable development of CVKEZ, it is necessary for the provinces and cities to increase and expand cooperation in investment in order to improve the quality of the inter-regional

infrastructure, expand the ability of getting access to the markets, speed up the development of supporting industries, build tourism centers and systems of tours and services along the route of the world cultural heritages, and cooperate with other parties involved to make the most of the East-West corridor in order to exploit transportation services along this corridor. More importantly, this cooperation should be carried out in a professional and sustainable way to actually create a strong advantage for the whole area.

- It is necessary to set up an organization in charge of a mechanism that would insure the cooperation between the five provinces and cities in CVKEZ for development. This organization would coordinate efforts of the provinces and cities for the development of the inter-regional key infrastructures and exploit the potentials and advantages of the area such as seaports, airports, cultural heritages, historic sites, road network, railway, electricity, telecommunications, waste disposal, and environment, etc.

4. Conclusion

In order to carry out the development strategy to 2025 to make CVKEZ a dynamic of the socio-economic development of the Central Vietnam and Western Highlands and an entrepôt as well as a trading and processing center of the greater Mekong Delta and Asia-Pacific rim, it is necessary for CVKEZ to mobilize human resource, capital, and technology to overcome the barriers and to exploit well its potentials and advantages for the quick and sustainable development. The key to the success of the whole CVKEZ depends on the concurrence, determination and practical action of the

concerning agencies from the local authorities to the central government■

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