

Developing the Southern Economic Zone of Ho Chi Minh City

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Abstract: *The paper analyzes the current situation of the southern area of Ho Chi Minh City in terms of criteria for developing an economic zone. Our data¹ were collected following the criteria defined in the project “Determining eligible localities to develop special administrative-economic zone master plans in Vietnam” by the Ministry of Planning and Investment in 2013. Based on the analysis, the paper proposes several solutions for the development of the southern economic zone in Ho Chi Minh City.*

Keywords: Economic Zone, Southern Area of Ho Chi Minh City, Special Administrative - Economic Zone, Vietnam

Introduction

The southern part of Ho Chi Minh City (HCMC), previously a muddy lowland area of poor soil quality, has been developed into an industrial hub with the presence of Tan Thuan Export Processing Zone - Vietnam’s very first export processing zone, Phu My Hung New Urban Area, and Hiep Phuoc Urban Port Town. The paper contributes to the discussion on whether this part of the city would meet the criteria for becoming an economic zone.

¹ The data were sourced from the author’s 2020 survey for his doctoral dissertation titled “Development of economic zones in selected Asian countries and implications for the development of southern economic zone in Ho Chi Minh city”.

1. Overview of the southern part of Ho Chi Minh City

a) Physical characteristics

HCMC’s southern part covers three districts of Nha Be, Can Gio, and District 7 with a total area of 840.24 square kilometers (sq. km) (HCMC’s Statistical Office, 2019) (Table 1). This area is considered a prime location for development, connecting HCMC and the Southeast and the Mekong Delta regions.

The southern part of HCMC is also endowed with favorable natural and ecological conditions and moderate weather and climate year-round while less being affected by natural disasters. Its protection forest of Can Gio district that spreads on an area of 35,287 hectares has been recognized as a

Table 1. Number of administrative units in the southern part of HCMC in terms of ward/town/commune in 2019

District	Total	Ward	Town	Commune
District 7	10	10	0	0
Nha Be District	7	0	1	6
Can Gio District	7	0	1	6
Total	24	10	2	12

Source: HCMC's Statistical Office, 2019.

biosphere reserve by UNESCO. Mangroves in the area, the 'green lungs' of the city, are mostly originated from Indonesia and Malaysia, contributing to the local biodiversity preservation and providing habitat also for the fauna of more than 200 species, among those 11 reptiles are named in the Red List (Can Gio District People's Committee, 2020).

b) Socio-economic features

The southern part of HCMC has made significant contribution to the city's economic development over the years. District 7 has been producing a stable economic growth with an economic structure shifted towards increasing proportions of trade and services sectors and decreasing gradually the sizes of industry, construction and agriculture. The district's production values of trade and services grew from 67.7% in early 2015 to 70.8% in late 2019 (Political report for 2020-2025 at the 6th Party Congress of District 7). As for Nha Be district, its economic

growth was steady during the period of 2015-2020, at an average rate of 12.14%. The highest growth rate was observed in the services sector with an average of 12.53% for the same period (Political report for 2020-2025 at the 12th Party Congress of Nha Be district). In Can Gio district in 2019, the gross production value increased at 15.4%, 0.3% exceeding the targeted rate; the total social investment reached VND 3,860 billion, 23.7% higher than the planned target and accounting for 58.4% of the gross production value. The district's total state budget revenue was also 19.3% higher than the estimate with a value of VND 239.7 billion (HCMC's Statistical Office, 2019).

Regarding population and employment, there was an upward trend in the growth of population in District 7 and Nha Be district in 2015-2019 while the situation in Can Gio district was reverse (Table 2). It is due mainly to a labor migration out of Can Gio district in the last few years, particularly among the younger workforce and male workers. All district authorities pay adequate attention to job creation and training to meet the fundamental needs of both employees and enterprises. About 85% of the students are employed after training. In Can Gio district in particular, there were 1,256 workers

Table 2. Population of districts in the southern part of HCMC in 2015-2019

Unit: person

District	2015	2016	2017	2018	2019
District 7	323,424	332,242	341,007	350,657	360,317
Nha Be District	157,452	168,737	180,674	193,818	208,766
Can Gio District	74,819	75,552	75,759	74,294	71,526
Total	555,695	576,531	597,440	618,769	640,609

Source: HCMC's Statistical Office, 2019.

hired in 2019, 4.7% above the target. The district's proportion of trained workers also exceeded the target 0.7% to reach 85.78% in the same year (People's Committee of Can Gio district, 2020).

c) Infrastructure

About road connections, a series of large projects have been prioritized by the government of HCMC for the southern area, namely the road tunnels and flyover systems along Nguyen Van Linh and Nguyen Huu Tho streets and two VND thousand-billion projects of Thu Thiem 3 and 4 bridges (between Thu Duc city and District 7). Other key projects which are being accelerated include Nguyen Khoai bridge between District 7 and District 4 (with a total investment of VND 1,250 billion), the expansion of Nguyen Tat Thanh street in District 4, and a North-South road connecting HCMC's downtown with District 4, District 7 and Nha Be district with an estimated investment of over VND 8,500 billion (HCMC's Department of Transport, 2020).

Concerning port infrastructure, Saigon Premier Container Terminal (SPCT) located in Hiep Phuoc Industrial Park can offer an annual throughput capacity of up to one million TEUs. There are also two jets at Saigon-Hiep Phuoc port with a total length of 500 meters that could serve general cargo ships and container ships of up to 50,000 DWT (HCMC's Department of Transport, 2020).

Urban development projects which are now mushrooming in the southern part of HCMC have contributed significantly to the city's development. Phu My Hung Urban Area, an exemplary urban space in Vietnam, has located itself as the

center of finance, commerce, services, industry, science, culture, education and entertainment. Other key projects could be named as the GS Metrocity Nha Be (Zeitgeist City) - a mega-metropolitan area of 349 hectares developed by South Korea's GS Group - and Saigon Peninsula of 118 hectares with an investment of more than USD 6 billion from Van Thinh Phat Group (GSO, 2019).

2. Assessment of the southern part of Ho Chi Minh city following criteria of an economic zone

In order to assess the eligibility of HCMC's southern area, we rely on a set of ten criteria developed by Ministry of Planning and Investment (MPI) in the draft proposal for "Identifying qualified localities for the development of administrative-economic zones in Vietnam" announced in July 2013 for general consultation (MPI, 2013). These criteria also provide the basis for our development of questionnaires and interviews with 20 experts from state management institutions, such as HCMC People's Committee, the Urban Division of HCMC People's Council, HCMC's Department of Planning and Architecture, HCMC's Institute for Development Studies, the Management Authority for Southern Area Development of HCMC, the management authorities of export processing zones and industrial parks, the People's Committees of District 7, Nha Be district and Can Gio district, and so forth. The performance for each criterion is assessed on a 1-5 grading scale, with 5 corresponding to highly qualified, 4 for well qualified, 3 for qualified, 2 for unqualified, and 1 for totally unqualified. Table 3 represents the assessment results.

The expert scores for the southern part of HCMC regarding the criteria 1, 2, 4, 7, 8 and 9 differ from 3 to 5, with average scores within the range of 3.90-4.35. In other words, this location is labeled qualified or highly qualified for the aforementioned criteria. Despite covering an area of over 840 sq. km against the MPI's minimum requirement of 40 sq. km and having favorable natural conditions, the average expert scores for the location concerning these two criteria (1 and 2) are 3.95 and 3.90 respectively - the lowest scores compared to those for other criteria. The low elevation and weak soil foundation of the location

would increase construction costs, not to mention the concern of experts for more than 35 sq. km of Can Gio protection forest within the planned area.

On the contrary, the average scores for criteria 4, 7, 8 and 9 are all higher than four, indicating the leading role of HCMC in the Southern Key Economic Zone (KEN) as well as in Vietnam's economy. HCMC's gross regional domestic production (GRDP) in 2020 was estimated to make up 22.8% of Vietnam's GDP and about 48.4% of the southern area of Ho Chi Minh City's GRDP. Its state budget revenue in 2020 reached VND 405,828 billion,

Table 3. Assessment results following ten criteria for the southern part of HCMC

Criteria	Minimum score	Maximum score	Average score
1. Natural area	3	5	3.95
2. Natural and ecological conditions	3	5	3.90
3. Economic corridors, road and maritime routes	4	5	4.10
4. Key economic region	3	5	4.15
5. Spatial separation	2	5	3.95
6. Multi industries/sectors	4	5	4.05
7. Physical connections	3	5	4.30
8. International transit center	3	5	4.35
9. Attraction to large-scale projects	3	5	4.05
10. HCMC's strong political will for renovation and reform in the area	2	5	4.45
Total score			41.25

Source: Author's survey results, 2019.

Table 4. Capital investment in HCMC in 2015-2019 in 2010 comparative price

Unit: VND billion

Type of capital investment	2015	2016	2017	2018	2019
State investment	47,683	47,002	43,709	42,270	37,121
Non-state investment	156,122	170,839	195,489	214,857	239,900
Foreign direct investment	35,913	40,099	43,316	45,135	47,827
Total	239,718	257,940	282,514	302,262	324,848

Source: HCMC's Statistical Office, 2019.

corresponding to 27% of the country's total revenue (Phung Ngoc Bao, 2020). There was also an increase by 36% in the city's capital investment, from VND 239,718 billion in 2015 to VND 324,848 billion in 2019 (HCMC's Statistical Office, 2019). The city's foreign direct investment and non-state capital investment also saw a rise, but the state investment declined (Table 4). The southern part of HCMC is well connected with the city's center as well as with Tan Son Nhat international airport and under-construction Long Thanh international airport. As HCMC is located at the intersection of the North-South and East-West maritime trade routes in the Southeast Asia, Hiep Phuoc seaport is projected to become a regional hub port. This would be the central point of regional traffic and an international gateway (HCMC's Department of Transport, 2020). The expert scores regarding criteria 3 and 6 range from 4 to 5 with average scores of 4.1 and 1.05 respectively. A location facing the sea is significant for the development of an economic zone, ensuring its function as an international gateway and the city's focal point. The oriented industries for the southern part of HCMC are also based on its advantages in terms of geographical position and infrastructure, including (i) marine and maritime economy, (ii) high value-added logistics and export services, (iii) financial and banking services, (iv) high-tech industries, (v) tourism and entertainment industry, and (vi) high-quality workforce training services.

The Southern Economic Zone of HCMC should be a relatively separate space. Currently, two rivers of Soai Rap and Long Tau form the natural borders between the

zone and two provinces of Long An and Dong Nai. While the city's central area and the southern zone lie both sides of the Kenh Te canal, their boundary is not clearly defined, resulting in an average score of 3.95 for its spatial separation.

The highest average score from experts is 4.45 for the criterion 9. The special mechanism and policies approved by the National Assembly¹ for HCMC would be a launch pad for strategic breakthroughs in economic development towards transforming the city into a smart and modern metropolitan area and the country's economic driving force.

In brief, the southern part of HCMC is given a total score of 41.25 for its eligibility. In other words, the location is qualified for the development of an economic zone based on all ten criteria.

3. Proposed solutions

In order to utilize best the advantages of natural conditions and position of the southern part of HCMC for the development of an economic zone, boosting up the economic activities of neighboring areas and creating economic breakthrough for the city, we propose some solutions as follows: Firstly, *improving the quality of development planning*. It is necessary to orient the development of the southern economic zone towards green smart urban areas, which are able to respond proactively to climate change and suitable with its resource conditions, socioeconomic features and geo-economic advantages.

¹ National Assembly's Resolution No. 54/2017 dated November 24, 2017 on piloting special mechanisms and policies in HCMC following the Politburo's Conclusion No. 21-KL/TW dated October 24, 2017.

Secondly, *perfecting management mechanisms and policies*. The establishment of a Southern Economic Zone of HCMC management authority would facilitate the development of an open environment for domestic and foreign investments. It is required also a prompt formulation and promulgation of regulations and favorable policies for investors. At the same time, incentives for businesses should be reconsidered, reformed and applied in a transparent manner.

Thirdly, *improving and upgrading the quality of infrastructure*. Diversifying forms of investment and promoting partnership between the state and private investors would be good for attracting capital investment. Priority of investment allocation from the city's state budget should be given to the construction of infrastructure, particularly the one connecting the economic zone with the city center, Thu Duc city, the Mekong Delta and the Southern KEZ.

Fourthly, *attracting capital investment*. It is necessary to make good use of the special mechanisms and policies from the central government as well as the incentives and policies from the government of HCMC. Another solution is simplifying the procedures for investment into the economic zone while focusing more on large domestic and international corporations and investors in order to create breakthroughs for growth, economic development and institutional reform.

Fifthly, *enhancing investment promotion*. A division for investment promotion should be established under the management authority to be charged for development

of long- and medium-term investment promotion plans in accordance with the strategic goals for the periods of five to ten years. It is good also to diversify the channels and forms of investment promotion through the world wide webs and cooperation with international organizations for stronger effectiveness.

Sixthly, *attracting employees*. The management authority should pay attention to social infrastructure that serves migrant workers in the economic zone. There should be also training centers for workers in order to meet the skill requirements of investors and businesses. At the same time, it is necessary to improve the quality of employment and business support services and to put in place policies for attracting graduate students from universities, colleges and vocational schools. Businesses should be encouraged to provide housing for their employees and to develop preferential policies for highly skilled workers, such as funding their studies and training or building an effective working environment.

Seventhly, *protecting environment*. Promoting the role of media in improving awareness of environmental protection and climate change response is one measure. Another is to perfect mechanisms and policies to attract investment in green industries and to encourage investors for technology research and development. In addition, the management apparatus and leading management staff need to be consolidated and human resources for environmental work should be ensured. Regular inspection and examination of the exploitation of natural resources would help strengthen the protection and responsibility

towards the environment. Businesses with advanced technology and equipment that contribute to the reduction of waste and pollution should be encouraged. It is necessary also to strengthen the links and cooperation with the neighboring authorities and provinces in the region in order to cope with environmental, climate and resource-related issues.

Conclusion

HCMC is a mega city with a key role to play not only in politics and economy but also in education, training, science and technology as well. It is positioned as the hub for international exchanges and industries and services in both the Southern Vietnam and Southeast Asia. The city has always been at forefront over the passing years of breakthroughs and creating a driving force for the country's economic growth and general development.

Today's development of economic zones of various forms has been the option of many countries to promote their economies. It is necessary to establish an economic zone in Southern HCMC in order to create a new and strong breakthrough for the city to continue its leading roles, particularly in the current context of intensive and international economic integration □

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