

Solutions to Attract Businesses to Choose Investment in the Nghi Son Economic Zone (Vietnam) in Post-Covid 19 Period



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The article is a research result from a ministerial-level scientific project, code B2021.HDU.05.TT

ABSTRACT: Nghi Son Economic Zone was established in 2006 and is one of 18 economic zones in Vietnam. Nghi Son EZ accounted for 19% of the total investment capital and 31% of the total investment capital in Vietnam's EZs and contributed 50% to the budget of Thanh Hoa province. However, in the context of the COVID-19 epidemic, the number of businesses choosing to invest in EZs in recent years has continuously decreased, affecting the overall development rate. This study analyzes 10-year investment data from 2013 to 2022 to assess the current situation and propose some solutions to attract businesses to invest in Nghi Son EZ in the post-COVID-19 context.

KEYWORDS: Economic zone, investment attraction, enterprise, investment choice.

1. INTRODUCTION

Nghi Son economic zone has been one of Vietnam's key investment economic zones since 2006. In the last ten years, Nghi Son EZ has made breakthrough business scale and technical infrastructure developments. However, in recent years, due to complicated and unpredictable changes in the world, high prices of raw materials, fuel, and materials and complex developments of the Covid-19 pandemic have adversely affected the production activities of enterprises and the investment speed of enterprises in the EZ. In that context, the Nghi Son Economic Zone Management Board has focused on implementing measures to prevent and control the COVID-19 epidemic, creating a favorable environment and conditions for businesses to maintain stable production and business activities, and contributing to the local socio-economic development. However, the attraction of investment enterprises has yet to be significantly improved. In this situation, it is necessary to have comprehensive and specific solutions to promote the growth and development of the economic zone in the coming time.

2. OVERVIEW OF NGHI SON ECONOMIC ZONE IN THE GENERAL CONTEXT OF VIETNAM'S ECONOMIC ZONES

Vietnam has 18 coastal economic zones with a total area of 857.6 thousand hectares. Of which, the land area is about 568.4 thousand hectares (accounting for 1.68% of the total area), including about 99.2 thousand hectares which are planned for the development of functional zones (about 8.6 thousand hectares of non-tariff zones, industrial parks in economic zones: about 39.8 thousand ha; functional areas of production, trade, tourism, and services: about 53.8 thousand ha).

These economic zones have attracted 254 foreign investment projects with a total registered capital of 42 billion USD and 1,079 domestic investment projects with a total investment capital of about 805.2 trillion VND [4]. About 60.4 thousand hectares of land have been built infrastructure and put into operation. The total area of land leased to implement production investment projects in the coastal economic zone is about 44.1 thousand hectares, accounting for about 45% of the total land area for industrial production, tourism, and services in the coastal economic zone.

Table 1: Some indicators of Vietnam's economic zones

Criteria	Unit	Total EZ in Vietnam	Nghi Sơn		Chu Lai		Đình Vũ	
			Number	Percentage	Number	Percentage	Number	Percentage
1. Founded year	Year		2006		2005		2008	
2. Acreage	ha	857.600	106.000	12%	45332	5,2%	22540	2,6%
3. Foreign investment								

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Total number of projects	Project	254	24	9%	48	19%	43	17%
Total registered investment capital	Million USD	42.000	12.814	31%	721	2%	11.000	26%
4. Domestic investment								
Total number of projects	Project	1079	297	28%	132	12%	232	22%
Total registered investment capital	Billion VND	805.200	149.538	19%	106.500	13%	100.000	12%

Source: Ministry of Planning and Investment

Nghi Son economic zone, Thanh Hoa province, was established in 2006, and the current area is 106,000 ha. The birth and development of Nghi Son EZ have turned the southern land of Thanh Hoa with the "specialty" of Lao wind and white sand, making the people here for many generations who mainly live by fishing become one dynamic economic zone. Accumulated to 2022, Nghi Son EZ has 297 domestic investment projects with a total registered investment capital of 149,538 billion VND (accounting for 19% of the total investment capital of 18 economic zones), implemented capital reaching 70,366 billion VND and 24 projects foreign investment projects with a total registered capital of 12,814 million USD, realized capital reaching 12,694 million USD (accounting for 31% of total investment capital in Vietnam's economic zones).

Nghi Son EZ has now officially become the energy center of the country, with two thermal power plants generating electricity with a total capacity of more than 11.4 billion kWh annually on the national grid, creating confidence and firmly spreading about attracting investment in this critical economic zone. Nghi Son Steel Rolling Factory No. 2 of Nghi Son VAS Group Joint Stock Company, with a capacity of 3 million tons/year and a total investment of nearly 8,000 billion VND, just started construction in early 2022. In particular, Nghi Economic Zone Son has a project of Nghi Son Refinery and Petrochemical with an investment of 9.2 billion USD, significantly contributing to making Thanh Hoa the leading province in the North Central region and the 8th in the country in attracting FDI. In 2022, Nghi Son Refinery and Petrochemical Company contributed about 15,040 billion VND to the State budget (equivalent to 29.4% of the whole Thanh Hoa province) [5].

Nghi Son EZ has unique advantages in terms of traffic, such as a convenient road, waterway, railway, and near airport. Nghi Son has the potential to build a deep-water seaport (with a secure channel for ships with a cargo of over 30,000DWT), along with a synchronous investment in general technical infrastructure; this place will become a center for international trade, the modern industrial center of the North Central region and Vietnam, the main gateway of the Northern Economic Triangle. With the available "attraction" from its geographical location, grasping the province's orientations and investment trends, the Management Board of Nghi Son EZ and Industrial Parks have also actively implemented many promotion solutions to make Nghi Son continue to become an attractive destination for many domestic and foreign investors. Many investment delegations from Japan, Korea, Italy, and India have come to research and learn to have investment orientation in projects with high added value. Most recently, in the last days of December 2022, after a period of study and survey, Vietnam - India High-tech Pharmaceutical Industrial Park Construction Investment Co., Ltd (VNIP) officially approved the investment certificate of the International Pharmaceutical Industrial Park in Nghi Son EZ, with a total investment of 12,200 billion VND.

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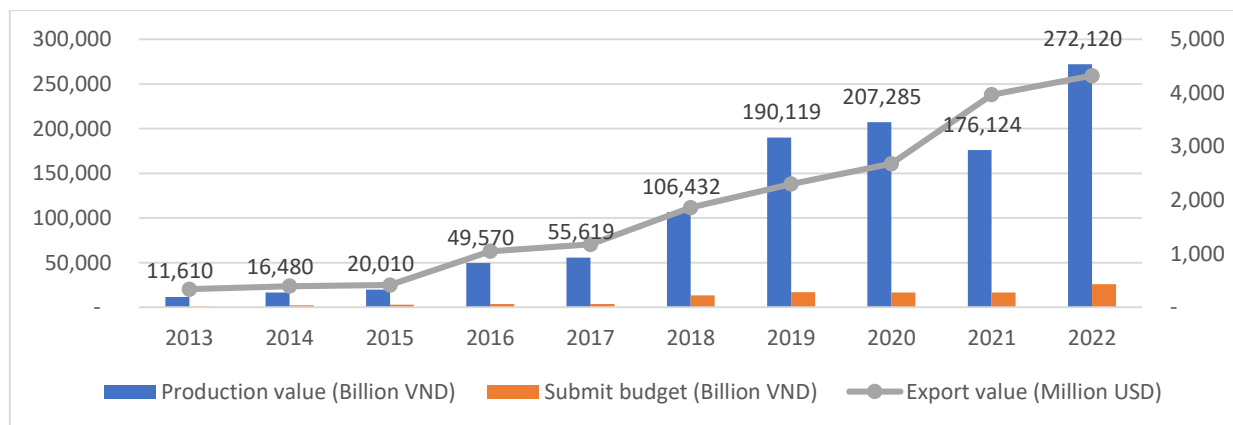


Figure 1: Business performance of enterprises in Nghi Son EZ

Source: Nghi Son EZ Management Board

Although the results of investment attraction have tended to slow down in recent years due to the context of the Covid-19 epidemic, the results of production and business activities of enterprises in Nghi Son EZ in 2022 have an impressive growth rate. In 2022, Production value: VND 251,294 billion, 33.91 times higher than 2013. In particular, enterprises in Nghi Son EZ in 2022 contributed VND 25,232 billion, accounting for more than 50% of the total budget revenue of Thanh Hoa province (50,000 billion VND); this value increased very quickly with an impressive figure, 36.06 times in 10 years (from 2013 to 2022). The export value of enterprises in the EZ also increased significantly in 2015 to \$2.984 billion, accounting for 62% of the province's export value (US\$4.814 billion), 24.03 times higher than in 2013. In 2022, the import value of enterprises in Nghi Son EZ was 8.391 billion USD, accounting for 90.66% of Thanh Hoa province's export value (9,255 billion USD), creating jobs for 35,983 workers. Thus, enterprises in Nghi Son EZ have significantly contributed to the locality's development. Large projects such as the Nghi Son refinery and petrochemical, thermal power, iron, and steel came into operation in 2016, creating a breakthrough development of this economic zone.

Table 2: Business performance of enterprises in Nghi Son EZ

No.	Criteria	Unit	2013	2018	2022	2022/ 2018	2022/2013
1	Production value	Billion VND	7.410	66.732	251.294	3,77	33,91
2	Submit budget	Billion VND	700	12171	25.232	2,07	36,05
3	Export value	Million USD	124	779	2.984	3,83	24,06
4	Labor	People	12000	21.000	35.983	1,71	3,00

Source: Nghi Son EZ Management Board

3. SITUATION OF ATTRACTING INVESTMENT IN NGHI SON ECONOMIC ZONE AFTER COVID 19

In order to improve the efficiency of investment promotion activities, Thanh Hoa province has directed to promote the promotion of potentials and advantages of economic zones and industrial zones on several large and reputable international media channels, coordinated with Vietnamese embassies in other countries and investment consulting organizations; developed annual investment promotion programs and plans and a list of projects calling for investment as a basis for implementation, attracting large-scale projects and small and medium-sized projects with high output. products with high added value, calling for investment by corporations and businesses with strengths of Vietnam and the world, Focusing on approaching potential markets such as Japan, Korea, Singapore, EU, and the USA,.... The on-the-spot promotion also focuses on supporting and accompanying investors and businesses during project implementation.

Accumulated up to now, Nghi Son EZ in 2022 has 297 domestic investment projects with a total registered investment capital of VND 149,538 billion (accounting for 19% of the total investment capital of 18 EZs), implemented capital of VND 70,366 billion and 24 foreign investment projects with a total registered investment capital of 12,814 million USD, realized capital reaching 12,694 million USD (accounting for 31% of total investment capital in Vietnam's economic zones).

As of 2013, the total investment projects in Nghi Son EZ are 63. Thus, the number of investment projects in this EZ in 2022 will be 5.1 times higher in 10 years, showing that the EZ's growth rate of investment attraction is quite good. However, compared to 2017, it only increased 1.84 times, indicating that the investment attraction speed in the last five years has tended

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to slow down.

Table 3: Investment attraction results in Nghi Son EZ

Criteria	Unit	2013	2017	2022	2022/2017 (time)	2022/2013 (time)
Total Projects	Project	63	174	321	1,84	5,10
Total investment capital	Million USD	13.037	16.952	19.205	1,13	1,47
I. Foreign investment						
Number of projects	Project	7	15	24	1,60	3,43
Total capital	Million USD	9.782	12.836	12.814	1,00	1,31
II. Domestic investment						
Number of projects	Project	56	157	297	1,89	5,30
Total capital	Million USD	3.255,0	4.115,7	6.390,5	1,55	1,96

Source: Nghi Son EZ Management Board

Considering the value of investment attraction, in 10 years from 2013 to 2022, it only increased 1.96 times. Specifically, the total registered investment capital of projects in Nghi Son EZ was converted to USD 19,205 billion, and in 2012 was USD 9,782 billion. The growth rate of investment capital of foreign projects in 10 years only increased by 1.31 times (equivalent to a growth rate of 31%). In 2013, with the Nghi Son Refinery and Petrochemical Project, the most significant investment project in Vietnam, Thanh Hoa ranked second in the country regarding FDI attraction. In the last five years, the speed of attracting foreign investment of Nghi Son EZ has slowed down. In 2017-2022, the growth rate of foreign investment projects was 1.6 times, but the growth rate in value was almost zero. The reason is that there are continuously new investment projects, but many projects still need to be withdrawn due to their invalidity. Specifically, in 2022, the number of projects canceled/expired is 11 projects with a total registered capital of 686 billion VND and 73.75 million USD.

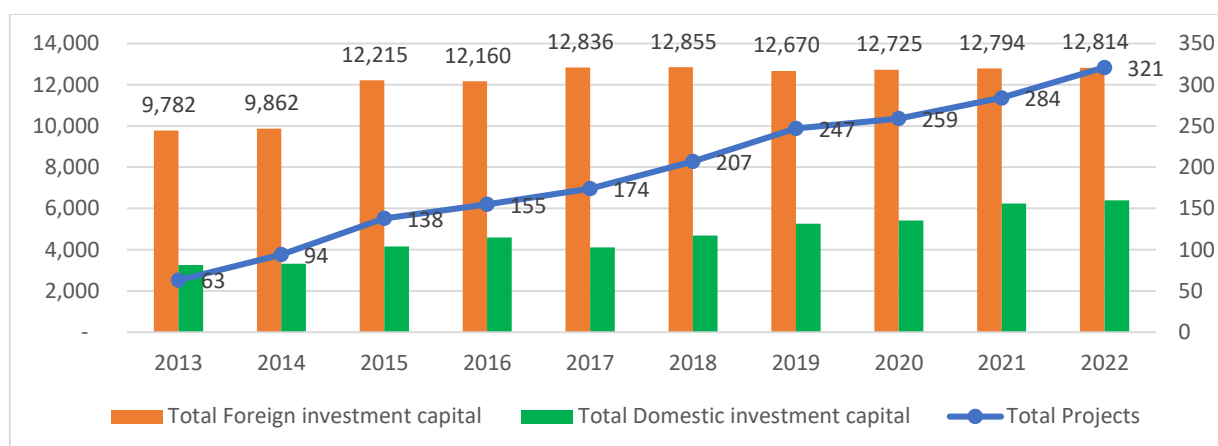


Figure 2: Situation of investment projects in Nghi Son EZ

In 2019, 2020, and 2021, the rate of investment attraction for projects in Nghi Son EZ continuously decreased due to the impact of the covid 19 epidemic. Specifically in 2021, although the EZ Management Board has welcomed, worked, and exchanged providing information and documents for many potential investors, such as Foxconn Group; Tham-Viet Investment Union Company Limited (VCEP); Millennium Corporation; Xuan Thien Group, signed a Memorandum of Understanding with AVG Capital Partners on the implementation of the pork processing complex project; Asia Asset Management and Investment Joint Stock Company on the investment project of the North Central Logistics Center and the construction of the infrastructure of the Industrial Park No. 6 in Nghi Son Economic Zone, but the registered capital for investment in domestic investment projects decreased by 13 % over the same period in 2020, the registered investment capital of foreign projects decreased by 44% over the same period in 2020)

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Compared with other localities, the number of projects and FDI sources that Thanh Hoa has attracted in recent years has been surpassed by neighboring localities such as Nghe An and Ha Tinh. Typically, in 2022, Thanh Hoa will attract 7 FDI projects, with a total registered investment capital of 71.2 million USD. Meanwhile, in 2022, for the first time, Nghe An entered the top 10 provinces attracting the largest FDI in the country with a new and adjusted capital of more than 1.5 billion USD. Remarkably, four electronics and new technology projects, such as Goertek, Everwin, JuTeng, and Luxshare ITC have attracted nearly 1.1 billion USD. Ha Tinh is also a locality that has achieved a "speed up" in attracting "foreign capital" and has so far reached \$11.7 billion (approximately Thanh Hoa).

In addition to the objective reason due to the severe impact of the COVID-19 epidemic, one of the significant limitations that makes Thanh Hoa's FDI attraction unsatisfactory is the limitations of "clean" premises with a large scale to welcome projects with immediate investment and production needs. Nghi Son EZ is currently planned with 25 industrial zones, with an area of nearly 9,058 hectares. There are 23 existing industrial zones, one warehouse subdivision, and one industrial logistics service subdivision. Out of these 25 IPs, 4 IPs have been assigned to investors to implement the project, but the occupancy rate of the projects is still low. There are 19 industrial zones without infrastructure investors.

Meanwhile, mobilizing and attracting industrial park infrastructure and secondary investors still face many difficulties and have yet to achieve the desired results. In particular, the progress of infrastructure investment in industrial zones in the EZ is plodding; items have yet to be invested synchronously. Most industrial zones have not yet recovered their land, compensated, supported, resettled, and cleared according to approved land use master plans and plans. The reason is that the socio-technical infrastructure system still needs to meet the requirements of investors.

In addition, the recovery of advances in some projects with significant and prolonged excess capital has yet to be achieved as planned; several projects using public investment capital are still under construction, disbursed slower than required and low compared to the plan. Many projects have been approved for investment policies and have land re-allocated or leased land behind schedule; the implementation of projects with land use encountered many obstacles that needed to be improved to resolve. In the process of construction and operation, there are still projects that do not have full awareness of the importance of environmental protection, have not thoughtfully implemented the investment and construction of works, gas collection and treatment systems, wastewater and waste classification arising from project activities to transfer to functional units for treatment.

Finally, the support of international and domestic shipping means, Supporting enterprises to transport goods by container through Nghi Son Port, has yet to be effective.

4. SOME SOLUTIONS TO ATTRACT INVESTMENT FROM BUSINESSES IN THE POST-COVID CONTEXT

From 2022 to 2025, Thanh Hoa aims to attract a total FDI and domestic investment (DDI) of about 30 billion USD. In particular, the objective will be to approach and promote 3-6 companies owning original technology among the top 500 transnational companies in the world to invest in Thanh Hoa. In addition to attaching importance to traditional areas and partners, such as Japan, Korea, Singapore, Kuwait, and Taiwan, Thanh Hoa will diversify and attract new potential partners, such as Russia, the United States, and European countries. At the same time, effectively exploiting relationships from large corporations in developed countries such as G7, G8, OECD...

Firstly, to increase the advantages of attracting investment in Nghi Son EZ in the post-COVID-19 context, one of the essential tasks that Thanh Hoa province strives to focus resources on site clearance and technical investment infrastructure, creating many "clean" land funds to attract investment. In particular, in addition to selecting investors with capacity and experience in infrastructure investment in industrial zones and clusters, Thanh Hoa province will also prioritize excellent budget sources to invest in industrial zones that meet domestic and international standards with a large area. Typically, from 2022 to 2026, Thanh Hoa will prioritize resources to complete investment in essential infrastructure, especially in EZ, industrial zones, and critical areas. Accordingly, in 2023-2027, Thanh Hoa will spend more than 11,000 billion dongs from the budget to invest in resettlement areas and site clearance in industrial zones in the EZ.

Secondly, the locality needs to focus on strongly improving the business investment environment, enhancing competitiveness to attract investment, strengthening support for businesses, removing obstacles and difficulties, speeding up the implementation of projects, vast and critical projects, and creating a driving force for economic growth; effectively implement the Policy of supporting international and domestic shipping means; supporting enterprises to transport goods by container through Nghi Son Port, Thanh Hoa province; improve the efficiency of administrative reform, strengthen organizational discipline and discipline; strengthen planning and construction management, protect the environment, create jobs, improve workers' lives, maintain security and order, stabilize production and business, and prevent the state of labor strikes and collective cessation of work to ensure sustainable development.

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Third, promote administrative reform and strictly implement the "4 increase, two decreases, three no" regulation in handling managerial procedures for investors, businesses, and building administrative agencies. , increasing the rate of receiving administrative procedures dossiers level 3 and 4 by over 90%. Enormously improve the business investment environment, accompanies businesses and investors to solve difficulties and obstacles, creating the most favorable conditions for businesses and investors' production, business, trade, and service activities.

Fourth, implement effectively the Policy to support international and domestic shipping means; support enterprises to transport goods by container through Nghi Son Port, Thanh Hoa province; best prepare necessary conditions to attract heavy industry projects with high added value; energy industries, processing industries, manufacturing and logistics services.

Fifth, Attract investment with a focus on potential investors. Currently, Nghi Son EZ has functional subdivisions suitable for different business objects. Therefore, the EZ Management Board should focus on these objects to attract clusters and chains of investment projects; the efficiency of investment promotion activities will be higher and can attract more businesses choosing to invest in Nghi Son EZ. The number of investment promotion activities and enterprises participating in investment promotion during the past 16 years of operation has also been quite large. These businesses will have activities to reinvest and expand development activities, so continuing to promote investment for old customers will lower costs. In addition, enterprises investing in EZs choose where their input and output partners are to facilitate their production and business activities.

CONCLUSION

Nghi Son economic zone is one of the five key economic zones of Vietnam, which has affirmed its position in the contribution of production value, import-export value, and local budget revenue. The development of EZs contributing to regional economic growth is a suitable topic for the Vietnamese government. In the context of the COVID-19 epidemic, the EZ Management Board also had many practical activities to accompany the development of enterprises. However, due to limitations in investment promotion during the epidemic and some limitations in infrastructure and planning, etc., activities to attract investors to Nghi Son EZ were slowed down. In the new context, the EZ Management Board needs to be more proactive so that investors continue to choose to invest in the EZ worthy of the inherent potential of this land.

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