



Feasible Scenario for Expired Industrial Parks of Ho Chi Minh City

Le Thi Bao Thu^(✉)

Faculty of Civil Engineering, Ho Chi Minh City University of Technology, VNU-HCM, HCM City, Vietnam
thu.bmkt@hcmut.edu.vn

Abstract. VietNam has oriented to carry out industrialization for the sake of socio-economic development since last 3 decades. Ho Chi Minh city started the strategy for industry development from 1990. The authorities implemented land use master plan to clarify industrial belt surrounding city's periphery; approved investment projects and issued permission for construction industrial parks. All were ready to relocate workshops, plants out of inner city. Tax exemption policy in the commence years of operation production work in good condition with adequate infrastructure facilities and separation from residential area have helped attracting manufacturers to industrial zones, thereby the city has fulfilled the goal of increasing income from manufacture in GDP and other social goals as well. At the time of policy making to promote industrialization, the type of industrial park was defined with an operating term of 50 years. After 30 years implementing industrialization, HCMC government is considering feasible scenario for industrial parks after the 50-year term expired and where will the manufacturing activities be arranged to ensure their contribution to the GRDP.

Keywords: Industrial park · Industrialization · Deindustrialization

Abbreviations

EPZ	Export Processing Zone
GRDP	Gross Regional Domestic Product
HCMC	Ho Chi Minh City
Hepza	HoChiMinh city Export processing and industrial Zone Authority
SHTP	SaiGon High Tech Park
IP	Industrial park
VNU-HCM	VietNam National University—Ho Chi Minh City

1 Introduction

Industrial parks are planned in suburb of the city where the vast vacant land plot connected directly to national highway and waterway are favorable for IP development. At North, South, East, Westward of the city are located key IPs to ensure the balance of urban spatial structure's development (Fig. 1).

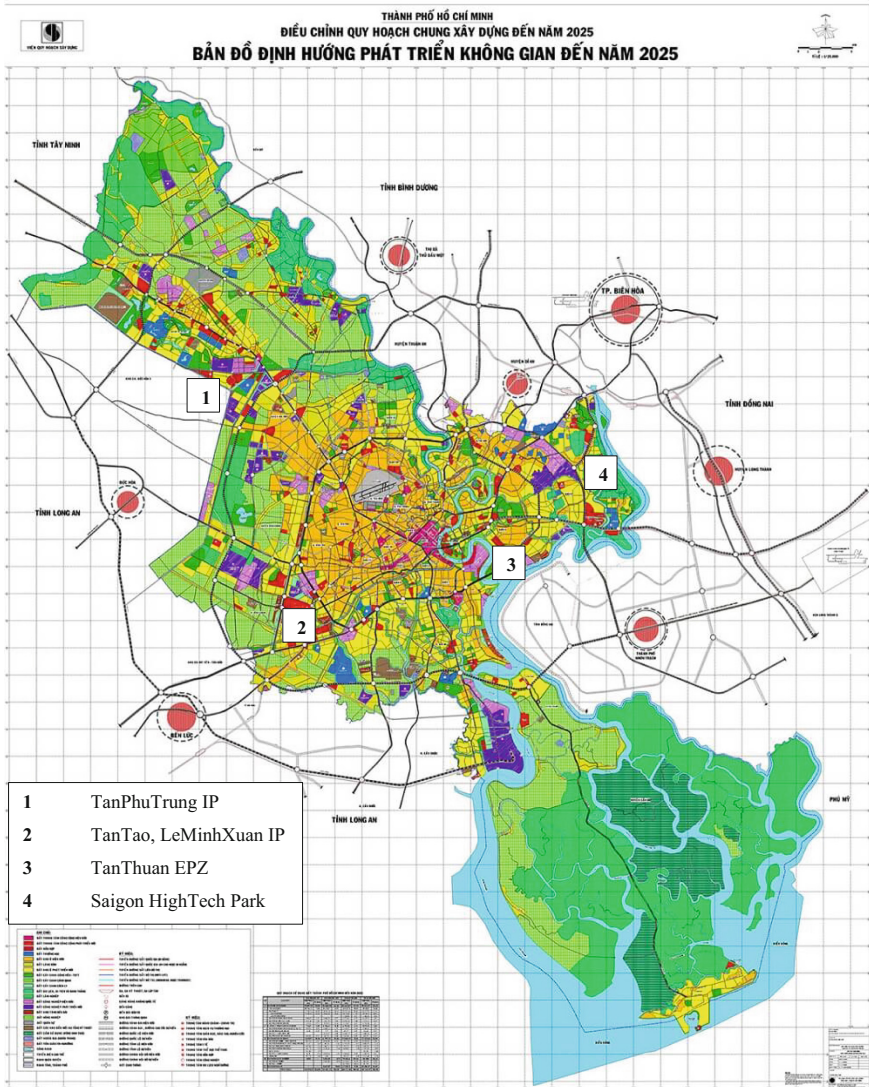


Fig. 1. Map of general orientation for spatial development of HCMC view to 2025. Re: <http://www.planic.org.vn> [2]

After 30 years of implementation, these IP sites have completed the goal of industrialization and urbanization from manufacturing activities. Currently, the East of the city, with Tan Thuan EPZ in the role of the growth pole, has strongly promoted the formation of the eastern urban area, whose core is Phu My Hung. In the Northwest, Tan Phu Trung IP is the driving force to upgrade the Nation way 22 into Trans Asia Highway. In the South of the city, Tan Tao IP and Le Minh Xuan IP are the growth poles, attracting urban resources, promoting the transformation of an agricultural suburb into the second

most populous area of the city. In the North, SHTP and bustling system of ports and docks such as Cat Lai, Long Binh, are the basis for the formation of Thu Duc city with the expectation of effectively exploiting high-quality human resources from VNU-HCM in the area combined with IP, incubator, and the most modern transport infrastructure system of HCMC.

As key growth pole of the urbanization process in HCMC, IPs have agglomerated labour and secondary economic activities, creating a vortex that attracts 13 million people to live and work in HCMC. These IPs have been quickly surrounded by nascent residential areas. After 30 years of industrialization, leading to successful urbanization, advantages of the periphery such as vast vacant land, easy transportation, and low cost are no longer vital yet. The agricultural rural districts at outskirts of the city have become populous industrial districts. The population of Binh Tan district, where located Tan Tao IP, Tan Binh IP, Le Minh Xuan, Vinh Loc IP has increased continuously for 23 years, only has a decreasing trend since 2020, when the Covid-19 Pandemic appeared (Fig. 2).

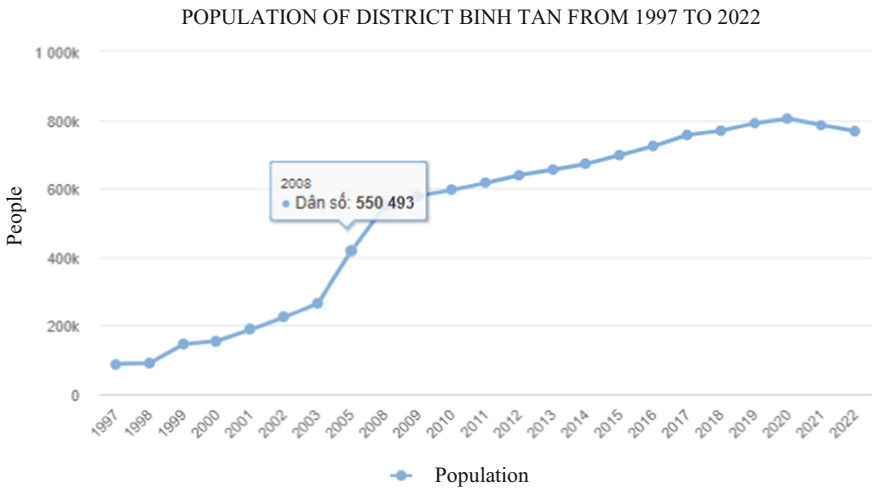


Fig. 2. The Population growth since commence of industrialization of District Binh Tan. Re: HCMC Statistical Office

Along with population growth, the attractiveness of secondary economic activities contributes to pull the living cost in HCMC up to the highest rank in Vietnam. The value of real estate and related activities such as leasing and construction budget are also at the highest. In that development trend, the rent of industrial real estate and related services has increased to the highest price within 30 years of industrial development in HCMC. Data surveyed by CBRE Vietnam (Coldwell Banker Richard Ellis Corp.) in 4 provinces/cities as the key industrial hubs in the Southern VietNam, namely Ho Chi Minh City, Dong Nai, Binh Duong and Long An, shows that leasing expense has increased by 8–13% compared to the same period last year. HCMC recorded the highest cost, at 180–300 USD/m²/lease term [6].

2 Research

2.1 Overview

a. *De-industrialization*

De-industrialization has been considered as a phenomenon of decline manufacturing factors such as workforce and closed plants or downsize or move to lower cost location, meanwhile the share of services has grown in contribution to socio-economy development [1].

The phenomenon is considered that caused by internal and external impacts. From internal is the increase of productivity that leads to value of physical goods become lower than service's. This is a natural tendency when a society gets richer. The more money earned, the more it spent on services like education, entertainment, healthcare, culture. And not only consumers spend more for services, but the business sector also [3].

b. *New Role of Manufacturing in the Urban Economy*

When expression of de-industrialization appeared, new role of manufacturing sector in the urban economy is raised. There are differences between city types in range of Industrial city in emerging economy; Traditional industry city; Advanced diversified city; Smaller industry town.

New role of manufacturing sector in each of mentioned city types demonstrated as: (i) in emerging economy, the service sector grows fast, the good staff become scarce commodity, manufacturing shifts to cheaper location; (ii) in traditional industry city, the manufacturing remain resilient and transfer to "knowledge intensive" for niche global market; (iii) in advanced diversity city, it is likely remain high knowledge intensive manufacturing; (iv) smaller industrial town is constantly modernizing its industry and excel in specific global industrial market, benefit from sophisticated products [4].

2.2 Research

The result of industrialization has promoted comprehensive socio-economic growth of HCMC (Fig. 3).

No	Province/city name	Urbanization rate (%)
1	Ho Chi Minh city	80,45
2	Ha Noi city	69,70
3	Binh Duong province	74,10
4	Hai Phong city	45,48

Fig. 3. Provinces/Cities with high urbanization rate of VietNam. Re: [3]

Manufacture production and logistic activities' demand has trigger boom of service of finance and secondary trade. The agglomeration of labour and resources in field of global banking and finance play the role of dynamic to change the city appearance and

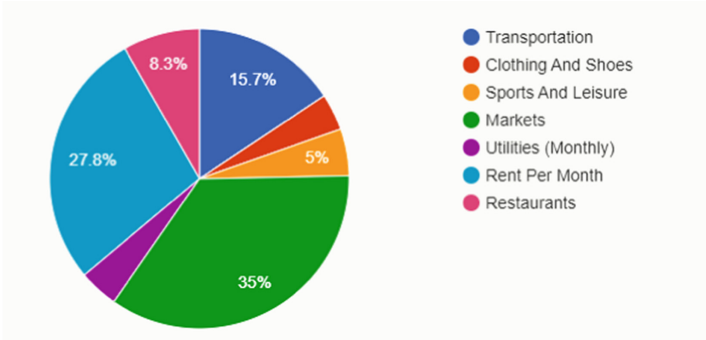


Fig. 4. Distribution of expenses in HCMC in 2022. Re: www.numbeo.org [7]

raise the living cost in HCMC. According to Numbeo records, HCMC is the place of highest living cost of VietNam (Fig. 4).

Income of labour in industrial sector such as workers, has not kept pace with the increasing of consumption. With same salary, workers have to choose enterprises located in adjacent provinces like Long An, Binh Duong. This fact is the reason why it is difficult for manufacturers of HCMC IPs to recruit in recent years. It’s also the reason that causes the population decline in industrialized district like Binh Tan, especially in Covid-19 pandemic so far.

Hepza’s survey on the qualifications of human resources working in IPs in HCMC shows that the proportion of workers earning low-average income—corresponding to qualifications, accounts for a high proportion of the manufacturing workforce’s qualification structure in HCMC (Fig. 5).

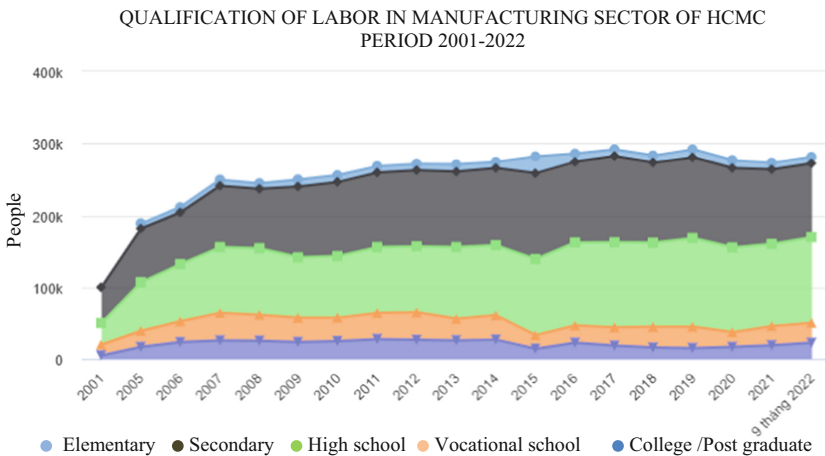


Fig. 5. Qualification of workforce in manufacturing sector of HCMC. Re: Report of Hepza [6]

Meanwhile, at the aspect of industrial facility, the Covid-19 pandemic has spurred a wave of manufacture and logistic move into Vietnam, including HCMC. Increasing

demand for industrial properties pushes leasing prices up, reducing the profits of existing manufacturers.

Parallel to the demand for manufacture building is warehouse of logistic distribution in the era of e-commerce and Vietnam is a member in the list of logistic hubs in the World Logistic Passport in 2023 [10]. In this situation, HCMC is identified as a logistic center in the action program of the Vietnamese government. CBRE forecasts that Vietnam needs 2 million m² warehouse and facilities in further for e-commerce by 2025.

3 Discussion

Over the past 30 years, HCMC has experienced rapid socio-economic from industrial parks. Existing 41000 ha of IP estates need suitable scenario for the next stage of development. The city has oriented to develop the knowledge-base and services economy, with the resource such as Vietnam National University-HCMC (VNU-HCM), population of 25 million and urbanization rate of 25% view to 2030 of HCMC region. To contribute to the planned goal, IPs of HCMC should be taken on proper functions as manufacturing hub, logistic services and incubators.

Function of Manufacturing Hub

Planning principles issued by UNIDO recommend the effectiveness of an IP, which attracts manufacturers by its strong infrastructure and services. From this approach, concept of “tailored investor” lead to variety of benefit harvesting from IP, not only for manufacturing or processing, but for services also [8]. Especially, when IP site has been the urbanized area with higher living cost, the industrial estates has to improve for higher value added. Hepza will host global manufacturer panel discussions. The authority considers requirements of IP tenant and promulgates regulation of renovation of IP’s infrastructure to create more value added to the IP developer, community and manufacturer. By then, new generation of IP can contribute to circular economy and zero emission by 2050 as committed at COP26.

Function of Logistic Services

HCMC has been rapidly growing e-commerce. It’s urgent to develop system of urban warehouse for the consumption that buyer decides an order not only for the good quality and price, but also the fast delivery. IPs locates in urban core or within 15 km from the urban center, with available warehouse, suitable infrastructure for freight transportation and loading/unloading, can be converted to warehouses [9]. Together with warehouse, distribution center forms multitier system for logistic activities to serve the market of 25 million inhabitants of HCMC region view to 2030. IPs that directly connect to transport hubs have advantages of developing logistic service functions. IP Cat Lai, IP Tan Thuan, IP Hiep Phuoc are potential effective distribution center by their location at the site of important ports of HCMC as Cat Lai, Tan Thuan, Hiep Phuoc.

Function of Incubators

A science park is to promote innovation and competitiveness of associated businesses and knowledge-based institutions. It stimulates and manages the flow of knowledge and

technology amongst universities, R&D institutions, companies and markets. It provides value-added services together with high quality space and facilities.

HCMC has develop 200 ha Hi-tech park SHTP2, as expansion of SHTP1, which is considered as the first hi-tech IP of the city. The government organised workshop for experts of many fields to discuss how SHTP2 to be high effective for the development. The feasible scenario for SHTP2, located within Thu Duc city, the creative hub of HCMC, is a science park to promote the knowledge economy, an incubator for innovation start-up projects, exploiting usefully interaction with VNU-HCM and SHTP1.

4 Conclusion

The feasible scenario for HCMC is that the manufacturing remain resilient and transfer to “knowledge intensive” for niche global market. The authorities need to issue legal basis for renovation of existing IPs to accommodate highly skilled workforce. The concerned issues are social environment and logistic facility.

Existing 4100 ha IPs of HCMC need to classify into 3 types: for manufacturing activities; for renovation as logistic facility; for renovation as R&D hub or incubator utility.

IP adjacent to river/sea port such as Tan Thuan; Cat Lai, Hiep Phuoc; IPs connected to railway lines in the planning such as Tay Bac Cu Chi, Nhi Xuan, need to be adjusted to add more utilities to become logistic facility.

Outside the IP boundaries for high-tech industries, the HCMC authority needs to focus on renovating and developing social infrastructure in line with the needs of the new workforce such as international experts and technicians.

In addition, the authorities need to consider if it should extend the 50-year validity term of IPs in HCMC for some IPs properly because of their potential to be a part of global processing and providing organization.

References

1. Rodrik D Premature deindustrialization in developing world, <https://cepr.org/voxeu/columns>
2. <http://www.planic.org.vn>
3. <https://quochoi.vn>
4. Rowthorn R, Ramaswamy R Deindustrialization-Its causes and implications, www.imf.org/external/pubs
5. Winden WV What role for manufacturing industries in the urban knowledge economy?. www.urbaniq.nl
6. www.hepza.hochiminhcity.gov.vn
7. www.numbeo.org
8. UNIDO (2019) “International guidelines for industrial parks.” [Online]. Available: https://www.unido.org/sites/default/files/files/2019-11/International_Guidelines_for_Industrial_Parks.pdf
9. "Understanding the role of Last-mile distribution and warehousing," December 2019. [Online]. Available: <http://www.globeconfreight.com/blog/understanding-role-last-mile-distribution-warehousing>
10. www.worldlogisticpassport.com