

ECONOMIC RESTRUCTURING AND INDUSTRIAL CLUSTERING POLICY IN VIETNAM

About the types of industrial cluster, Paul Krugman [1] identified four types, including:

- First, Marshallian industrial cluster is the location gathering SMEs in an industry;
- Second, hub-and-spoke cluster is the location with one anchor firm and its affiliated firms. Japan calls this type as “company town”;
- Third, satellite industrial cluster is the location gathering supporting firms;
- Fourth, state-centralized industrial cluster is the location where firms are gathered around one or several state-owned enterprises. This type is typically in national defense industry.

Till now, Vietnam has not any industrial clustering policy. Following analysis will illustrate for the point. Due to the lack of international level large domestic firms or global competitive domestic firms, attracting foreign investments plays an crucial role toward Vietnamese economy. Therefore, among the four types of industrial clusters mentioned above, the second type should be developed in Vietnam.

To evaluate industrial clustering policy in Vietnam, including both formal and informal types, the research is going to apply the Kuchiki's flowchart [2]. At first, the country should develop industrial parks and export processing zones. Then, the country should improve its capacity including hard infrastructure (transportation, communication, electricity, water system), soft infrastructure (legislation, administrative apparatus especially checking and licensing agencies, human resources including both common and skilled human resources, and living standards for foreign managers and their family). Thirdly, it should attract FDI of anchor multinational corporations including brand firms, OEM and ODM firm. Lastly, it should promote outsourcing companies, subcontractors and other international and domestic joint ventures to participate into value chains/production networks leading by top multinational corporations.

Vietnam has been well done in the first step. To the end of 2020, there are 260 industrial parks in the whole country (besides, there are some industrial parks acquired licensing but not yet constructed or having planned but not yet approved). There are a great number of Vietnamese industrial parks gathering in the North (especially in Hanoi and the surroundings) and the southern key economic regions. Industrial parks concentrate mainly in Dong Nai (28 parks), Binh Duong (27 parks), Ho Chi Minh City and Hanoi (16 parks each city). We can observe the forming of "industrial corridors" along the national highways 1A, 2A, 5, 10, 13, 14, 18A, 22, 51A, etc. Hanoi plans to build 43 industrial clusters in 2021. To ensure efficient operation of industrial clusters, Hanoi would provide supporting policies for enterprises and business households relocating their operation into industrial clusters. The Hanoi People's Committee plans to kick off the construction of 43 industrial clusters this year in a bid to meet the increasing demand of businesses in the next years. The move was revealed in the plan No.68/KH-UBND on the management and development of industrial clusters in Hanoi in 2021. As of late 2020, Hanoi has a total of 300,000 operational enterprises, the second largest number nationwide behind Ho Chi Minh City, including 122,000 established in the 2016 - 2020 period. For the upcoming five years, the city targets to have an average of 30,000 new enterprises per year and create around 1.5 million new jobs. In the specific plan mapped out by the local authorities, the first industrial park is scheduled for construction in the first quarter of 2021; other 23 in the second quarter; 13 in the third and six in the final quarter. Hanoi also targets equipping 100% of industrial clusters with adequate technical infrastructure, including wastewater treatment system of national standards. To ensure efficient operation of industrial clusters, Hanoi would provide supporting policies for enterprises and business households relocating their operation into industrial clusters, while setting up a list of service fees for all industrial clusters in the city. In addition to building new industrial clusters, the city is set to evaluate the current state of operational ones for upgrade, if needed. Hanoi plans to further promote investment and higher occupancy rate in industrial clusters, gradually transforming the current management model towards greater efficiency in operation of industrial clusters. As of present, Hanoi has a total of 70 operational industrial clusters and parks in 17 districts and towns, covering a total area of 1,686 hectares and contributing significantly to economic development and social welfare. These industrial clusters and parks have attracted 3,864 businesses that created 60,000 jobs, and paid VND1.1 trillion (US\$47.28 million) to state coffers [3].

The fact that there are a number of industrial parks, regardless of size of the areas, nearing each other in large urban regions and along the important highways is a good condition to promote industrial clustering policy.

Thus, Vietnam needs industrial clustering policy in the program of restructuring the economy, which should consists of the following steps: restructuring territories, urban regions by narrow functions to provide the basis for development of industrial clusters; planning the development of industrial parks by sectors and sector function of region; planning transportation infrastructure in dealing with the plans for regions, industrial cluster development policy of

Vietnam, and special distribution of global production network and industrial clusters of other countries in the region; focusing on international cooperations in building industrial clustering policy, because many countries support overseas investments of their firms and therefore, are interesting in localization policy of investment-receiving countries; improving infrastructure capacity, institutions, living conditions; building program or white book on development of industrial cluster. The program or white book should mention to the content of program, objectives, solutions and conditions to implement such solutions. It is needed to refer the experiences of Japan, South Korea, and European countries.

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