

# Promote Connections Central Key Economic Zone Aim to Increase Foreign Direct Investment (FDI) into Danang City

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**ABSTRACT:** Economic association is a form of cooperation at a high level in production and business. During the renovation process in Vietnam, the issue of economic linkage is of interest to researchers, especially applied to the development of economic regions of the country. Conceptually, economic linkage is understood as the establishment of relationships between production and business entities, possibly between enterprises in the same field of activity and activities of complementary nature or between businesses competitive partners in the fields of labor, capital, technology, policies, markets... in order to save costs, time and achieve high efficiency in production and business. The Central Key Economic Zone (CKEZ), including 5 localities namely Da Nang city, Thua Thien - Hue, Quang Nam, Quang Ngai and Binh Dinh provinces, is known for its special advantages in strategic location, infrastructure systems such as deep-water seaports, airports, trans-Vietnamese and international highways, economic zones, industrial parks and world cultural heritages. With its position, the CFEZ is not only considered as a key driving force for the socio-economic development of both the Central and Central Highlands regions, but also an important nucleus in socio-economic development association of Vietnam. Due to the specificity of the relationship of FDI with the development conditions of each region, it is necessary to review the issues related to FDI policy, especially related to the FDI attraction of the country each locality in particular and the region in general.

**KEYWORDS:** Economic association, Central Key Economic Zone, Foreign Direct Investment, socio-economic development, industrial parks

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## I.INTRODUCTION

Economic linkages are increasingly developing and taking place in both macro and micro aspects. At the macro level, economic linkages are made through the establishment of economic cooperation relationships among countries, localities, regions, etc. At the micro level, economic linkages are made through the establishment of business cooperation relationships between production and business entities in the economy. Links have many forms such as: horizontal links, vertical links, inclined links, satellite links, territorial links, business associations, industry associations, etc. According to researchers, any form of association plays an important role in supporting and promoting business and production entities to develop and bring about high economic efficiency.

**Overview of the Central Key Economic Zone :** The Central Key Economic Zone in Vietnam is the axis of industry, tourism and service development along the Coastal Region from Da Nang to Quang Ngai formed in 1994 with the approval of the deep-water seaport project and Dung Quat Industrial Park. In 1996, the region extended to the north to Thua Thien Hue with the approval of the project of a deep-water seaport and Chan May industrial, commercial, tourism and service industry. In 2004, the region was expanded to the south to Da Nang with the birth of a deep-water seaport project and Nhon Hoi Economic Zone. Up to now, CKEZ comprises of five provinces – Thua Thien Hue, Da Nang, Quang Nam, Quang Ngai, and Binh Dinh, with the major of activity occurring around Danang. The Central region is not as established as its neighbors are in the north and south; however, opportunities in this region are likely to materialize in the next few years. Key industries include light industry projects such as food processing[1]. Compared to the two key economic regions in the north and south, the region is weaker in terms of infrastructure and human resources, but has great potential and advantages in terms of an open economic location, beautiful beaches, and world cultural heritage, marine natural resources, rich forests with its own identity, many airtight deep-water bays and large economic zones. The region not only plays an important role in promoting the development of the Central and Central Highlands regions, but also plays an important role in trade between domestic regions and foreign countries.

**Regional linkage in economic development:** According to William Morris, 2016, “Regional linkage is defined as (1) A connection or relation; an association and (2) A negotiating policy of making agreement on one issue dependent on progress towards another objective”[6]. Regional linkage revolves around the focus on regional production and business entities with the following trends: production linkages, supply linkages, support linkages. In addition, regional linkages are also carried out between businesses in the region based on clusters of industry links and value chains[4]. According to Nguyen Hiep (2017), regional linkage in FDI attraction is a joint action of local governments in a region to increase foreign investors' interest in investment opportunities in the region in general and into each locality in particular, enticing them to make, maintain or increase investment activities in the region for the purpose of increasing capital potential and other local development goals. Joint actions among localities often focus on (1) coordination on goals in attracting FDI; (2) coordinate industry orientation and FDI attraction projects; (3) links in improving the investment environment to attract FDI; (4) linkage in the use of tools to encourage FDI; (5) association in the promotion and promotion of FDI; (6) links in competition monitoring to attract FDI[4]. In short, promoting linkages to the CKEZ is an effective tool for formulating policies for regional economic development, and at the same time has a positive impact on attracting FDI into CKEZ in general and Danang in particular.

**MATERIALS AND METHODS:** The Author Uses Theoretical Research Methods In The Direction Of Logic - History Approach, System Approach, Interdisciplinary Integrated Approach To Analyze The Contents Of Regional Linkage; Using Statistical Analysis Methods To Synthesize And Analyze The Situation Of Attracting Fdi In Ckez And Da Nang.

Research's data sources are mainly collected from secondary sources: relevant scientific publications, statistical yearbooks, reports on local FDI attraction, and state policy documents.

## II. RESULTS AND DISCUSSION

**Overview of the region's Foreign Direct Investment :** The activities of attracting foreign direct investment at CKEZ in recent years have had a positive effect on investment activities in Danang city. According to statistics from the provinces, in the past 5 years, the situation of attracting FDI investment into the Central region has a lot volatility. In particular, in the last two years, the impact of the Covid-19 pandemic has also negatively affected FDI attraction activities. In the first 6 months of 2021, there were only 33 new projects to attract FDI in the Central region, with a total registered capital of 377 million USD, 19 projects registered for adjustment and 57 times of capital contribution to buy shares; total FDI in the whole region accounted for only 2.93% of total FDI in the country. Thus, the COVID-19 epidemic has hindered attracting FDI into the region. Accumulated to June 2021, the whole region has 1,377 valid projects, with a total registered capital of 18.9 billion USD, accounting for only 4.76% of the country's total FDI.

Table 1. Situation of economic growth in the Central Key Economic Zone

Region	2006-2020	2011-2015	2016-2020	2020	6/2021
Thua Thien Hue	11,90	5,36	8,07	2,06	5,64
Da Nang	13,68	13,77	8,90	-9,77	4,99
Quang Nam	12,04	12,05	6,90	-6,98	11,7
Quang Ngai	19,84	18,40	4,92	0,36	4,03
Binh Dinh	12,84	11,32	6,20	3,61	6,14

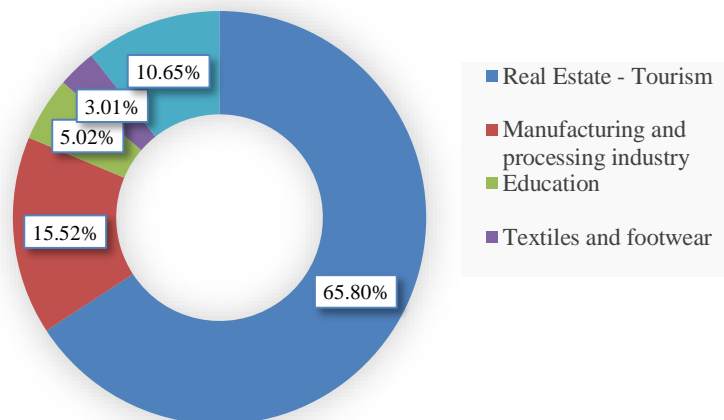
Source: Vietnam Academy of Social Sciences

In the first 6 months of 2021, thanks to accelerating the implementation of dual goals under the direction of the Government, the economic growth of the localities in the region has improved, but is still at a low level. In addition to Quang Nam and Binh Dinh, which achieved higher growth rates than the national average, the rest of the provinces all achieved lower growth rates despite positive changes in economic growth compared to 2020. The region's import and export activities also prospered in the first 6 months of 2021. The total import and export turnover of the whole region in the first 6 months of 2021 reached nearly 7 billion USD, equaling 61.15% of the total import and export turnover of the region. 2020. In which, exports reached 3,463 million USD, imports reached 3,504 million USD, and the trade deficit reached 42 million USD. Although localities have made many efforts, the effectiveness is still low, the number of projects and the amount of capital implemented compared to the registered capital is still very low, not contributing much to the local socio-economic development. Therefore, in order for the locality in particular and the region in general to develop faster, it is necessary to have many solutions, in which

the solution to link the region plays a very important role, especially in the current period of economic restructuring. now on. This solution has great significance in development for the region in general, and localities in particular, including Binh Dinh province, especially in the field of FDI.

**Situation of attracting FDI into Da Nang city :** As the city that continuously leads the country in the Provincial Competitiveness Index (PCI) and the country in the readiness index for development and application of information technology, Da Nang is considered an attractive investment rendezvous. attractive to investors, especially foreign investment. However, in recent years, the world economic recession and the storm of the European public debt crisis have significantly affected the activities of attracting foreign investment to Vietnam and Da Nang.

In the 2016-2020 period, the city has attracted 530 new projects with a total newly registered investment capital of 1,045.4 million USD. In which, Industrial Parks and Hi-Tech Parks have attracted 44 projects with total investment capital of 507.63 million USD and 486 foreign direct investment projects making investments outside of Industrial Parks. The high-tech park is granted an Investment Registration Certificate with a total registered investment capital of 537.77 million USD); 60 capital increase projects with total additional capital of 144.5 million USD; there were 605 times of capital contribution, share purchase and capital contribution in economic organizations with a total value of 211.8 million USD. Real Estate - Tourism led with 25 investment projects, registered investment capital reached 2,147,402,097 USD (accounting for 65.8% of total registered investment capital). The manufacturing and processing industry ranked second with 74 investment projects, registered investment capital of 506,554,350 USD (accounting for 15.52% of total registered investment capital), followed by the education sector with registered investment capital is 163,966,666 USD (accounting for 5.02%).

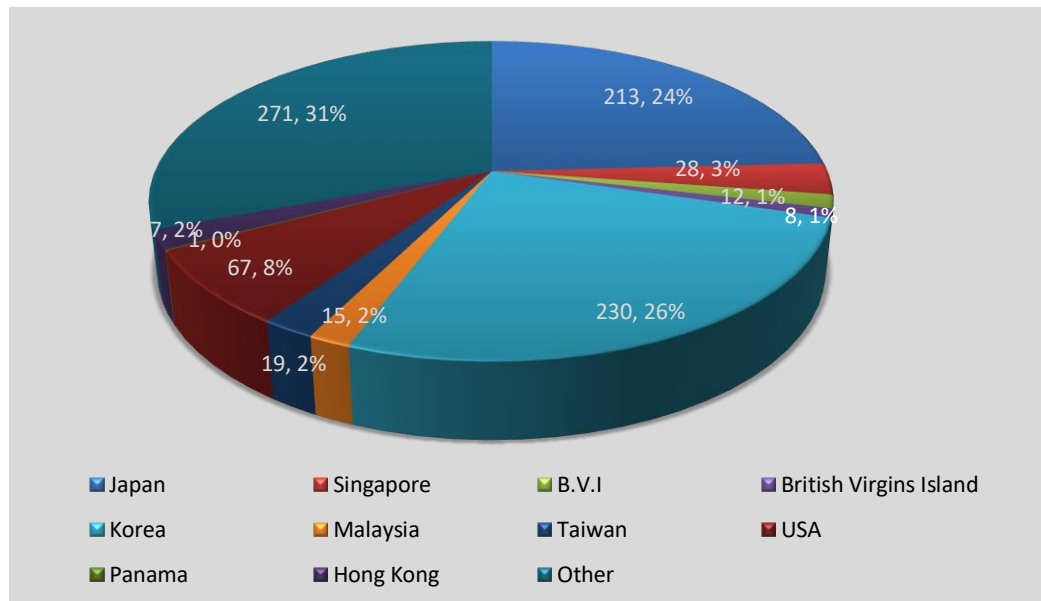


Source:Da Nang Investment promotion agency  
Figure 1. FDI by investment sector

Accumulated to August 2021, the whole city has 914 valid foreign direct investment projects with a total registered investment capital of 3,863 million USD (of which, there are 784 investment projects outside industrial parks. , Centralized Information Technology Park and High-Tech Park with a total registered investment capital of about USD 2,009 million and 130 investment projects in Industrial Parks, Concentrated Information Technology Parks and High-Tech Parks with a total registered investment capital is about 1,854 million USD), of which, the manufacturing and processing industry has a registered capital of 1,862 million USD, accounting for 48.02% of the total registered capital; real estate; real estate - tourism registered capital of nearly 1,292.28 million USD, accounting for 33.45% of total registered capital; some other fields such as education, health care, information technology and other services. The group of countries with the largest investment capital in the city today are Japan, Singapore, and South Korea, respectively.

Analysis by investment partner:More than 30 countries and territories have investment projects in Da Nang city. In which, British Virgins Island leads with registered investment capital of 1,181,629,936 USD, accounting for 36.2% of total registered investment capital in the city; Korea ranked second with registered investment capital of 696,409,600 USD, accounting for 21.34% of total registered investment

capital; The United States ranked third with 24 projects, with investment capital of 375,355,351 USD, accounting for 11.5%.



Source: Da Nang Investment promotion agency  
Figure 2. FDI by investment partner

**Solutions for regional economic linkage in attracting FDI in Da Nang :** Through the above analysis, in order to promote FDI attraction to Da Nang from the perspective of regional linkage, in our opinion, it is necessary to synchronously implement the following solutions:

➤ Firstly, link infrastructure development to serve socio-economic development and attract FDI. It can be said that the infrastructure systems of the provinces/cities from Thua Thien Hue to Khanh Hoa are in the planning and upgrading stage, not meeting the needs of investors, especially FDI. In fact, many infrastructure projects at the local and central levels are almost implemented slowly and have not been completed according to the set schedule. Therefore, in order to accelerate FDI attraction, the Government and localities in the region (especially Da Nang city) must cooperate to promote investment in a number of key technical infrastructures, especially the system. transport system connecting industrial zones, economic zones, tourist centers, investing in the construction of highways and coastal roads between provinces in the region, building main roads, crossroads create a smooth traffic network connecting with the Central, Central Highlands, economic regions across the country and abroad.

For transportation, the investment in construction, upgrading and completion of transport infrastructure must ensure convenient transport connections within the region and other regions. At the same time, continue to upgrade techniques and efficiency in using the system of seaports and airports and invest in the construction of a number of river routes in accordance with plans and master plans associated with regional linkages. For industrial zones, economic zones, and tourist centers, it is necessary to further upgrade the infrastructure in the direction of promoting efficiency in use and sustainable development, implementing transport connections throughout the region and the whole country in order to reduce production costs and create attractiveness for FDI.

➤ Second, linking in the development of marine economic sectors associated with FDI attraction. It can be said that the special potential and strengths of the provinces in the coastal zone are associated with the sea, so the development of marine economic sectors should be considered as a top priority. In the development of economic sectors associated with the sea, the whole region in general and Da Nang city in particular need to link and cooperate at both macro and micro scale between localities, businesses and production establishments business activities in terms of human resources, technology, capital, markets and preferential policies for industries such as: fisheries, shipping, sea tourism, coastal services, islands, etc.

To develop further, it is necessary to carry out regional linkages and cooperation to coordinate and support in all aspects to create a favorable environment and conditions in attracting foreign investment, especially FDI.

➤ Thirdly, linking in human resource training and scientific research in service of attracting FDI in the Central key economic region. The city needs to have policies, plans and budgets to exploit the region's training strengths to train human resources to attract foreign investment, especially FDI. Forms of association are implemented: multi-disciplinary and multi-level training association; exchange of training and management experiences; exchange of teachers through inviting guest lectures, guiding master's and doctoral theses; link in curriculum compilation, program development; joint opening of short-term training classes at production facilities and enterprises; links in vocational training, links with universities in the region. This is a model that needs to be replicated to actively train local human resources.

➤ Fourthly, link within departments to encourage policies to attract investment in general and FDI in particular. The fact shows that the provinces in the region have quite similar economic development, because of the similarity in many contents, each province tries its best to market and give incentives with its own policy mechanism, this has caused difficult for investors, even if not well coordinated, it will lead to unfair competition among enterprises, production and business establishments in localities in the region. Therefore, it is necessary to improve the policy of regional integration to ensure regional consistency and convenience for FDI investors.

### III. CONCLUSIONS

Enhancing the quality of investment promotion, advertising the potentials and the strengths of Da Nang to domestic and foreign enterprises. The city needs to conduct market research and promotion to identify the strategic investors and areas needed to call for investments, then making a plan to select and approach the strategic investors in the field of ODA and PPP. The impact of the COVID-19 epidemic has been and continues to have a heavy impact on the economic growth of the entire CFEZ, so localities in the region need to focus on controlling and preventing the disease from spreading in the area. This is a key foundation for promoting regional socio-economic development. Localities must resolutely aim to realize the dual goals of both fighting the epidemic and striving to fulfill local socio-economic development goals. Completing institutions, mechanisms and policies to improve an attractive, open and transparent business and investment environment. First of all, it is necessary to continue to improve the legal system related to the business environment in the direction of creating attractiveness, transparency, consistency and stability. Promote PAR in order to improve the local business environment. All administrative procedures related to investment and business activities, especially FDI activities, must be very compact, without increasing costs, without causing difficulties for investors and businesses. Build trust and always stand with investors before, during and after investment activities. Another factor to focus on is promoting linkages and development of the CFEZ, focusing on tourism services, transport services and industrial production in the immediate future in order to restart and recover the economy in the future epidemic. In particular, localities in the region need to pay more attention to both hard links (infrastructure systems, human resources) and soft links (institutions, policies, investment promotion programs).

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