

CHAPTER 4

Cambodia-Laos-Vietnam Development Triangle: A View Point from Vietnam

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CHAPTER 4

CAMBODIA-LAOS-VIETNAM DEVELOPMENT TRIANGLE: A VIEW POINT FROM VIETNAM¹

Nguyen Binh Giang

INTRODUCTION

In the thirteen years since the first unofficial summit in 1999 at which Cambodian, Laotian and Vietnamese leaders reached an agreement on building a development triangle among the three countries, the Cambodia-Laos-Vietnam Development Triangle area (hereafter CLV-DTA) has been established and has made important progress, though faced with many challenges.

At the establishment of CLV-DTA in 2004, the Vietnamese member provinces included Kon Tum, Gia Lai, Dak Lak and Dak Nong. During the Fourth Joint Coordination Committee (JCC) in 2009, Binh Phuoc Province was added to bring the number of Vietnamese member provinces to five. The Vietnamese member provinces of CLV-DTA are referred to in this chapter as the VDTA provinces.

In this chapter, the author would like to uncover challenges and suggest key policies to address them. The first section of this chapter will give an introduction on the VDTA provinces of CLV-DTA. The second section will present the market potential within the Vietnamese area of CLV-DTA. Cross-border trade through border crossings between VDTA provinces and Cambodian member provinces (CDTA), Lao member provinces (LDTA) as well as transport corridors for shipping goods will be discussed in this part. In the third section, challenges will be pointed out. It would be a shortcoming if this section mentioned only challenges but not the development potential that would help address these challenges. At the conclusion of this chapter, the author will

¹ The evaluation and comments on the potential and challenges of Vietnamese member provinces of CLV-DTA are from the author's own viewpoint. They do not represent the views of the Institute of World Economics and Politics, the Bangkok Research Center (JETRO) or those of the Vietnamese or Japanese governments.

summarize the findings and suggest selected policies.

1. SOCIO-ECONOMIC FEATURES

1.1. Overall

This area, located in the highlands of central Vietnam,² stretches from 15°27' north to 11°31' north. The area adjoins the Central Key Economic Region on the north and east, the Southern Key Economic Region on the south, and southern Lao PDR and northeast Cambodia on the west.³ The area includes Kon Tum, Gia Lai, Dak Lak, Dak Nong and Binh Phuoc provinces and covers 51,742.8 km² with over 4.9 million inhabitants (Table 1).

Table 1: Population and Area by Province

Province	Population (thousands persons in 2010) ¹⁾	Population Density (persons / km ² , in 2010) ¹⁾	Total Area (km ²) ¹⁾	Agricultural Land Area (km ² as of 1/1/2009) ²⁾	Forest Area (km ² as estimated in 2009) ³⁾
Kom Tum	443.4	46	9,690.5	1,441	6,503
Gia Lai	1,300.9	84	15,536.9	5,153	7,157
Dak Lak	1,754.4	134	13,125.4	4,835	6,332
Dak Nong	510.6	78	6,515.6	2,484	3,240
Binh Phuoc	893.4	130	6,874.4	4,464	1,139
Region	4,902.7	95	51,742.8	18,377	24,371

Note: 3) Including natural forest and planted forest.

Source: 1) General Statistic Office at

<http://www.gso.gov.vn/default.aspx?tabid=387&idmid=3&ItemID=11505>.

2) General Statistic Office at

<http://www.gso.gov.vn/default.aspx?tabid=386&idmid=3&ItemID=9835>.

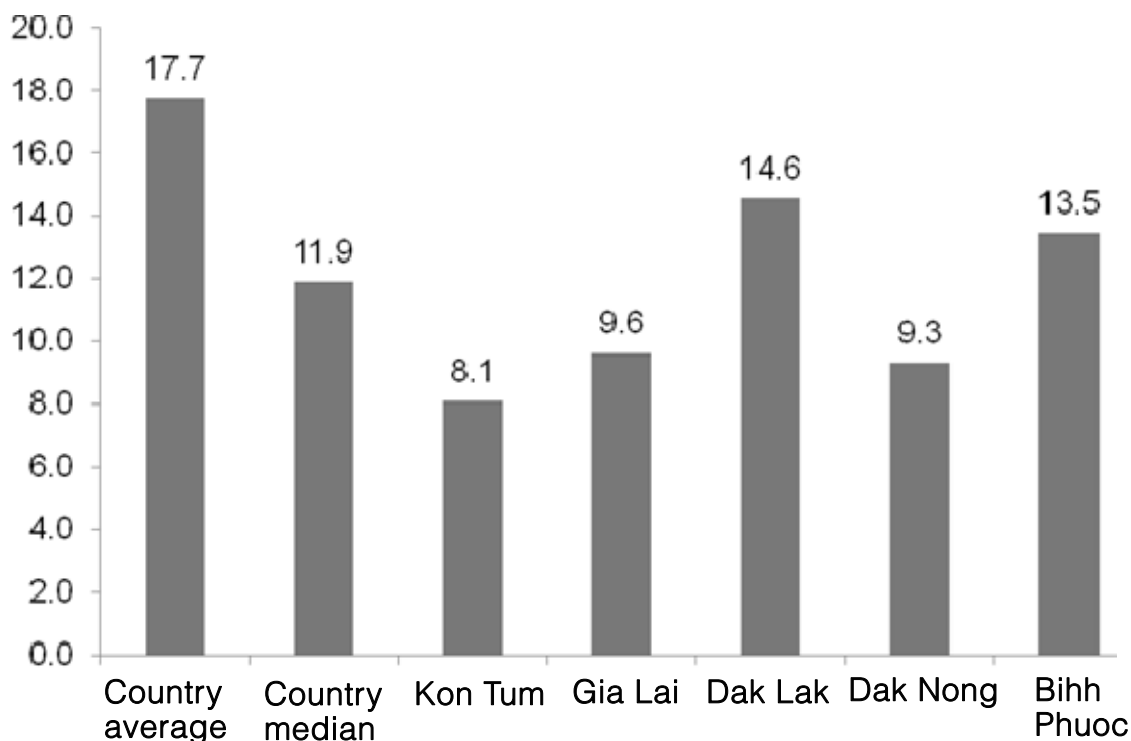
3) General Statistic Office at

<http://www.gso.gov.vn/default.aspx?tabid=390&idmid=3&ItemID=11560>.

² Binh Phuoc province is not considered as part of the Vietnamese Central Highlands. In many legal documents issued by the Vietnamese government, however, at least five of ten subdivisions of Binh Phuoc are considered as part of the Central Highlands area.

³ The Central Key Economic Region includes Thua Thien-Hue, Danang, Quang Nam, Quang Ngai and Binh Dinh provinces on the middle coast of Vietnam. The Southern Key Economic Region includes Ho Chi Minh City and Ba Ria-Vung Tau, Dong Nai, Binh Duong, Binh Phuoc, Tay Ninh, Long An and Tien Giang provinces in the south of the country. Key economic regions in Vietnam have been established to be growth centers for the country's economy. The other two key economic regions include the Northern Key Economic Region and the Mekong Delta key Economic Region.

Figure 1: Retail Sales Value per Capita of Goods and Services in 2010 (Estimated, in VND Million)



Source: Calculated and drawn by the author base on data from General Statistics Office.

The VDTA provinces in CLV-DTA have small populations, low population densities and include many ethnic groups. The native ethnic groups include the Mon-Khmer language family, such as Bahnar, Cho Ro, Gie Trieng, H're, Ro Mam, So Dang (Sedang), Stieng, and Mnong, and the Malayo-Polynesian languages of the E De and Jarai groups. Some native peoples are also reported in LDTA and CDTA provinces, such as the So Dang, Jarai, E De, Stieng, and Mnong. A number of ethnic groups recently immigrated to this area, such as the Brau, Bru, Co Tu, and Ta Oi. They are also reported in LDTA provinces. The native ethnic groups make up a small part of the total population nowadays. From the French colonial period, the Kinh and Chinese peoples emigrated from the central coast to this area to be workers in rubber and coffee plantations or on road construction. After national reunification in 1975, the Kinh and Muong (of the Mon-Khmer language family), Tay and Thai (of the Tay-Thai language family), H'mong, and Yao groups (of the Tai-Kadai language family) immigrated to this

Table 2: Retail Sales Value of Goods and Services by Province

(Unit: VND billion)

	2004	2005	2006	2007	2008	2009	2010 (estimated)
Kon Tum	845.5	1,019.2	1,252.4	1,566.2	2,188.6	2,790.6	3,584.0
Gia Lai	2,981.4	3,733.4	4,661.5	6,079.8	8,229.9	10,069.5	12,519.7
Dak Lak	4,483.9	5,321.9	6,712.5	8,395.7	13,271.4	19,115.8	25,541.2
Dak Nong	681.4	1,348.0	1,798.5	2,583.0	3,344.5	4,184.6	4,758.5
Binh Phuoc	2,577.4	3,271.8	4,570.4	5,692.8	7,834.1	9,380.8	12,025.9
Whole country	398,524.5	480,293.5	596,207.1	746,159.4	1,007,213.5	1,238,145.0	1,541,800.0

Source: General Statistics Office.**Table 3: Household Income per Capita by Province as of 2010**

(Unit: VND thousand)

	Monthly	Whole year
Kon Tum	947.2	11,366.4
Gia Lai	1,027.0	12,324.0
Dak Lak	1,067.7	12,812.4
Dak Nong	1,038.6	12,463.2
Binh Phuoc	1,525.7	18,308.4

Source: General Statistics Office (2010), Household Living Standard Survey 2010.**Table 4: Poverty Rate by Province**

(Unit: %)

Province	Rate
Kon Tum	31.9
Gia Lai	25.9
Dak Lak	21.9
Dak Nong	28.3
Binh Phuoc	9.4
Whole Country	14.2

Note: A poor household is the household that has income is 400 thousand dong or lower per capita per month for the rural area and 500 thousand dong or lower per capita per month for the urban area.

Source: General Statistics Office (2010), Household Living Standard Survey 2010.

area. Today, the Kinh people make up the majority of the area's population.

The two religions that have the largest number of registered adherents in VDTA provinces are Catholicism and Protestantism. The majority of inhabitants are, however, unregistered adherents of Mahayana Buddhism.

Table 5: Major Perennial Crop Trees in 2010

Province	Coffee		Rubber (<i>hevea brasiliensis</i>)		Pepper (<i>piper nigrum</i>)		Cashew	
	Planted Area (thou. ha)	Production (thou. tons of beans)	Planted Area (thou. ha)	Production (thou. tons of latex)	Planted Area (thou. ha)	Production (thou. tons of nuts)	Planted Area (thou. ha)	Production (thou. tons of nuts)
Kon Tum	11.5 (2.3)	21.2 (1.9)	43.8 (5.9)	23.3 (3.2)	0.1 (0.2)	0.1 (0.1)	0.2 (0.1)	0.1 (0.03)
Gia Lai	77.2 (15.2)	144.7 (13.1)	83.3 (11.3)	71.8 (9.8)	5.8 (11.3)	22.5 (20.2)	20.2 (5.4)	11.3 (3.9)
Dak Lak	183.9 (36.2)	403.6 (36.5)	28.7 (3.9)	28.6 (3.9)	5.2 (10.1)	12.4 (11.2)	29.9 (8.0)	24.8 (8.6)
Dak Nong	76.0 (14.9)	139.3 (12.6)	22.8 (3.1)	8.1 (1.1)	7.2 (14.0)	12.4 (11.2)	21.5 (5.8)	12.0 (4.1)
Binh Phuoc	12.5 (2.5)	16.0 (1.4)	159.8 (21.6)	193.5 (26.4)	10.0 (19.5)	29.3 (26.3)	155.7 (41.8)	133.0 (45.9)
Whole country	508.5 (100)	1 105.7 (100)	740.0 (100)	732.7 (100)	51.3 (100)	111.2 (100)	372.6 (100)	289.9 (100)

Note: figures in parentheses are provincial share in whole country (in percentage); calculated by the author.

Source: Center for Informatics and Statistics, Ministry of Agriculture and Rural Development.

Table 6: Food Grains and Roots in 2011

Province	Paddy		Maize		Sweet Potato		Cassava	
	Planted Area	Production	Planted Area	Production	Planted Area	Production	Planted Area	Production
	(thou. ha)	(thou. tons)	(thou. ha)	(thou. tons)	(thou. ha)	(thou. tons)	(thou. ha)	(thou. tons)
Kon Tum	22.6	77.0	7.3	26.2	0.1	1.0	41.7	629.0
Gia Lai	70.5	293.3	50.7	207.7	1.4	10.1	63.4	1,016.7
Dak Lak	84.5	474.3	116.0	642.3	3.2	33.0	32.0	610.0
Dak Nong	12.3	64.9	41.8	255.8	7.1	80.8	17.7	326.2
Binh Phuoc	13.4	42.9	5.3	16.7	0.7	4.3	21.6	491.3

Source: Center for Informatics and Statistics, Ministry of Agriculture and Rural Development.

VDTA provinces are the poorest. Due to a lack of recent data on gross provincial product or provincial income officially published by the Vietnamese General Statistics Office, we have collected data on the retail sales value of goods and services by

province to show economic development. Figure 1 shows the retail sales value of per capita goods and services in the year 2010 and recent trends are shown in Table 2. These reveal that all VDTA provinces are in lower positions than the country average. Dak Lak and Binh Phuoc are the richest in the area. Their per capita retail sales value of goods and services is above the country median. Kon Tum province, Gia Lai and Dak Nong are below the country median. Kon Tum province is even below the country's lower quartile (first quartile).

By per capita retail sales value of goods and services, Dak Lak is the wealthiest province among VDTA provinces with VND 14.6 million (or USD 782.2). By per capita household income, however, Binh Phuoc is at the top with VND 18.3 million (or USD 983.6), while Dak Lak is in second place with VND 12.8 million (or USD 688.4, Table 3). Meanwhile, as shown in Table 4, only Binh Phuoc has a rate of household poverty that is below the country average. Other provincial rates are much higher than the country average, particular that of Kon Tum.

Agriculture obviously plays a profound role in the area's economy. Thanks to soil type and climate, perennial crop trees such as coffee, rubber (*hevea brasiliensis*), pepper (*piper nigrum*) and cashews are major crops. Provinces in the area are the largest producers of coffee, pepper and cashews and among the largest producers of rubber in Vietnam (Table 5). Gia Lai, Dak Lak, and Dak Nong are considered by the Vietnamese government as key provinces for robusta coffee farming. Kon Tum and Binh Phuoc are also designated as important provinces for robusta coffee plantation development.⁴ Kon Tum, however, has been selected to grow Arabica coffee. Binh Phuoc has the largest area planted with rubber and cashews of all provinces in Vietnam. Additionally, as shown in Table 6, the major food crops in the area are rice and cassava. Rice cultivation is, however, smaller in area and of lower yield in comparison to other provinces. There are only two paddy seasons per year in most of the area (while there are three paddy seasons in the Mekong and Red River deltas). VDTA provinces, especially Kon Tum and Gia Lai, are the largest cassava producers in the country. Most cassava production is for export or for processing into domestic livestock feed. A small part is directly consumed as food, particularly by minority ethnic peoples. The area is also one of four

⁴ Quy hoạch phát triển ngành ca phê dennam 2020 va tam nhin 2030.

Table 7: Provincial Contribution to Nation Industrial Value

(Unit: %)

	2005	2006	2007	2008	2009
Kon Tum	0.04	0.05	0.06	0.05	0.06
Gia Lai	0.16	0.17	0.20	0.23	0.24
Dak Lak	0.22	0.22	0.21	0.21	0.22
Dak Nong	0.08	0.08	0.07	0.08	0.08
Binh Phuoc	0.22	0.20	0.23	0.32	0.33

Source: Calculated by author according with data by General Statistics Office.

main regions for sugar cane plantation in Vietnam.⁵ The member provinces contribute about one-fourth of the total maize-growing area in Vietnam. Large animal husbandry is relatively developed, including oxen, water buffaloes and goats as major livestock.

Except Binh Phuoc, as shown in Table 7, VDTA provinces have very small industrial production (particularly in manufacturing). Ranked by provincial contribution to the industrial production value of Vietnam as a whole, these provinces are below the country's average and median.

1.2. Kon Tum Province

Kon Tum Province is the northern-most province in the area. Administratively, the province is divided into nine subdivisions including the capital city (also named Kon Tum) and eight districts.

It has an area of 9,690.5 km² (the smallest among VDTA provinces) and a population of 443.4 thousands (as of 2010). There are 42 ethnic groups. The Kinh group numbers 201,153 and accounts for 47% of the population. The remainder includes the So Dang at 104,759 (24%), the Bahnar at 53,997 (13%), the Gie Trieng at 31,644 (7%), the Jarai at 20,606 (5%), the Muong at 5,386, the Thai at 4,249, the Tay at 2,630, the Nung at 1,997, and the Hre at 1,547.⁶

Neighbouring Vietnamese provinces are Quang Nam to the north and northeast, Quang Ngai to the east, and Gia Lai to the south. In the west, it shares a 154.7km border with the Laotian Sekong and Attapeu provinces and a 120-km border with the Cambodian province of Ratanak Kiri. In Kon Tum province, Vietnam has an international

⁵ Other main regions include South Middle Coast, Southeastern and Mekong Delta regions.

⁶ The 2009 Vietnam Population and Housing Census.

Table 8: Border Gates in Vietnam with Lao PDR and Cambodia in CLV-DTA

<Vietnam and Lao PDR>

Border gates (Vietnam - Lao PDR)	Location in Vietnam			Location in Laos	
	Province	District	Commune²⁾	District	Province²⁾
La Lay - Lalay (nl)	Quang Tri	Dakrong	A Ngo PR No.558,	Samuoi NR No. 15	Saravane
Coc - A Xoc (local)	Quang Tri	Dakrong	Ba Nang	Samuoi	Saravane
Hong Van - Cu Tai (nl)	Thua Thien-Hue	A Luoi	Hong Van NR No. 49	Samuoi	Saravane
A Dot - Ta Vang (nl)	Thua Thien-Hue	A Luoi	A Dot HCM NR,	Kalum	Sekong
Nam Giang - Dak Ta Ork (nl)	Quang Nam	Nam Giang	La Dee NR No.14D	Dakcheung NR No. 16	Sekong
Dak Blo - Dak Bar (local, but nl by a plan)	Kon Tum	Dak Glei	Dak Blo	Dakcheung	Sekong
Dak Long - Vang Tat (local)	Kon Tum	Dak Glei	Dak Long	Dakcheung	Sekong
Bo Y - Phuokeua (intl)	Kon Tum	Ngoc Hoi		Sanxay NR No. 18B (AH 132)	Attapeu

<Vietnam and Cambodia>

Border gates (Vietnam – Cambodia)	Location in Vietnam			Location in Cambodia	
	Province	District	Commune²⁾	District²⁾	Province
Bo Y - Kon Tui Nias (nl)	Kon Tum	Ngoc Hoi	Bo Y NR No. 40	Ta Veang	Ratanak Kiri
Le Thanh - O' Yadav (intl)	Gia Lai	Duc Co	Ia Dom NR No. 19	Andoung Meas NR No. 78	Ratana Kiri
Dak Rue - Chi Miet (nl)	Dak Lak	Ea Sup	Ea Bung PR Np. 691/NR No. 29	Kaoh Nheack	Mondol Kiri
Dak Per - Nam Lieou or Bu Sra (nl)	Dak Nong	Dak Mil	Thuan An NR No. 14	Pech Chreada	Mondol Kiri
Bup'rang - Dak Dam (nl)	Dak Nong	Tuy Duc	Quang Truc NR No. 14C	Ou Reang	Mondol Kiri
Hoang Dzieu - Lapakhe (nl)	Binh Phuoc	Bu Dop	Hung Phuoc PR No. 748	Kaev Seima	Mondol Kiri
Hoa Lu - Trapaeng Srae (intl)	Binh Phuoc	Loc Ninh	Loc Hoa NR No. 13	Snoul NR No. 7	Kratie
Tan Tien - Chay Khleung (local)	Binh Phuoc	Bu Dop	Tan Tien	Memot	Kompong Cham
Loc Thinh (Ta Vat as former name) - Tonle Cham (local)	Binh Phuoc	Loc Ninh	Loc Thinh PR No. 754	Memot	Kongpong Cham

Notes: 1) The abbreviations in the table are NR (national road), PR (provincial road) and intl (international level) and nl (national level).

2) The access roads to the border gate are shown under the name of communes or provinces.

Source: Created by the author in accordance with Cambodia, Laos and Vietnam administrative maps.

border crossing with Laos named Bo Y (Phukeua in Laos). Bo Y is also a national border crossing to Cambodia (Kon Tui Nias in Cambodia). Additionally, there are two local border crossings with Laos, Dak Blo and Dak Bla.

Kon Tum Province is primarily agricultural.

1.3. Gia Lai Province

Gia Lai borders on Kon Tum Province in the north, Quang Ngai and Binh Dinh Provinces in the east, Dak Lak in the south, and the Cambodian Province Ratanak Kiri in the west. From 1976 to 1991, Gia Lai and Kon Tum were united as Gia Lai-Kon Tum province.

The province is divided into 16 subdivisions including the capital city (Pleiku), two towns (An Khe and Ayun Pa), and 13 districts. Ia Grai, Duc Co, and Chu Prong are districts that share a 90-km border with the Andoung Meas, Lumphat and O'Yadav districts of Ratanak Kiri. Vietnam has an international border crossing named Le Thanh (O' Yadav in Cambodia) at Gia Lai at the end of national road (NR) No.19, and two local border crossings.

Gia Lai has an area of 15,536.9 km² (the largest among VDTA provinces) and a population of 1,309 thousands (the second largest in the area). There are 38 ethnic groups: the Kinh account for 56% of the population, the Jarai 29% (372,302), and the Bahnar 12% (150,416). Smaller numbers are given for the Tay at 10,107, the Nung at 10,045, the Muong at 6,133, the Thai at 3,584, the Yao at 3,420, and the H'Mong at 1,245.⁷ The name of the province is derived from the name of Jarai people.

Gia Lai is primarily agricultural. It is famous in Vietnam for pepper (*piper nigrum*) and coffee.

1.4. Dak Lak Province

Dak Lak has Gia Lai province as its neighbor to the north, Phu Yen and Khanh Hoa provinces as neighbors to the east, Lam Dong province in the south, Dak Nong province in the southwest and the Cambodian province Mondol Kiri to the west. It has an area of 13,125.4 km² (the second largest in the area) with over 1,754.4 thousands inhabitants of

⁷ The 2009 Vietnam Population and Housing Census.

47 ethnic groups. The Kinh group numbers 1,161,533 (67% of the Dak Lak population), the E De have 298,534 people (17%), the Nung 71,461, the Tay 51,285, the MNong 40,344, the H'Mong 22,760, the Jarai 16,129, the Yao 15,303, the Xo Dang 8,041, the San Chay 5,220, and the Chinese 3,476.⁸

The province is divided into a capital city (Buon Ma Thuot) and 13 districts. Two of the districts, Buon Don and Ea Sup, share a 73-km border with the Cambodian provinces Ratanak Kiri and Mondol Kiri. There is a national border crossing to Cambodia named Dak Rue (Chi Miet in Cambodia).

Dak Lak is the largest coffee producer in Vietnam. The province is recognized as the “coffee capital” of the country. Every year, the province exports USD 500 million to USD 600 million worth of coffee to around 60 countries and territories of which Western Europe, the United States and Japan are the largest markets.

Coffee exports are the main locomotive for the province's economy. It is considered the richest province in the area in terms of income. Dak Lak organized the Buon Ma Thuot Coffee Festivals in March 2005, 2008, and 2011 to promote the trademark Buon Ma Thuot Coffee. The next festival will be held in March 2013. The Buon Ma Thuot Coffee Exchange Center opened in 2008. It works as a futures and spot market for coffee. It is also expected to support storage needs for coffee producers in Vietnam.

In March 2010, Buon Ma Thuot was designated as a “first-class provincial city”⁹ in Vietnam thanks to its size, urbanization level, and industrial development level.

1.5. Dak Nong Province

Dak Nong is divided into eight subdivisions including a small capital town (Gia Nghia) and seven districts. It covers an area of 6,515.6 km² with 510.6 thousands inhabitants of 40 ethnic groups. The Kinh people number 332,431 (68%), the MNong 39,964 (8%), the Nung 27,333, the H'Mong 21,952, the Tay 20,475, the Yao 13,932, the Thai 10,311, the Ma 6,456, the E De 5,271, the Chinese 4,686, and the Muong 4,070.¹⁰

Before the year 2004, Dak Nong was a part of Dak Lak province. The province

⁸ The 2009 Vietnam Population and Housing Census.

⁹ Currently, there are nine first-class provincial cities and three centrally-controlled first-class cities.

¹⁰ The 2009 Vietnam Population and Housing Census.

now borders Dak Lak in the north and northeast, Lam Dong province in the south and southeast, Binh Phuoc province in the southwest, and the Cambodian province Mondol Kiri in the west. There are seven communes and four districts that share a 120-km border with Mondol Kiri. Dak Per and Bup'rang are two national border crossings in the province.

Dak Nong is primarily agricultural.

1.6. Binh Phuoc Province

Binh Phuoc is the southernmost among VDTA provinces. It has a population of 893.4 thousands comprised of 40 ethnic groups: the Kinh people account for 80% (701,359), the Stieng 9% (81,708), the Tay 23,228, the Nung 23,198, and the Khmer 2.2% (15,578).¹¹

Binh Phuoc is divided into ten subdivisions, including three towns and seven districts. The province's capital is Dong Xoai town, which is 128 km from Ho Chi Minh City on NR No.13. Binh Phuoc shares a 120 km border with the Cambodian provinces Mondol Kiri, Kratie, and Kompong Cham. There is an international border crossing named Hoa Lu at the end of NR No.13 (Trapeang Srae in Cambodia). There is a national border crossing named Hoang Dzieu (Lapakhe in Cambodia). In addition, there are two local border crossings to Kompong Cham. Binh Phuoc borders Dak Nong province in the northeast, Lam Dong province in the east and southeast, and Binh Duong and Tay Ninh provinces in the southwest.

Binh Phuoc is primarily agricultural. It is famous in Vietnam for rubber, cashew and pepper (*piper nigrum*) plantations. It has, however, a manufacturing sector that is the most developed in the area. Binh Phuoc is, at the same time, a member province of the Southern Key Economic Region: the most important industrial agglomeration area in Vietnam.

¹¹ The 2009 Vietnam Population and Housing Census; other ethnic peoples that have large populations include the Chinese (9,770), the MNong (8,599), the Yao (3,254 persons), the Muong (2,482), and the Thai (1,196).

2. MARKET POTENTIAL

The total population of the area is over 4.9 million, equivalent to three-quarters of the Laotian population or one-third of the Cambodian population. As of 2010, the area's retail sales value of goods and services was about VND 58,429 billion or USD 3.14 billion. As shown in Figure 1, the value increased quickly. For those reasons, even though it is a poor area in Vietnam, it may still be a large potential market for its counterparts in Cambodia and Laos.

There are ten border crossings between Vietnamese provincial members and LDTA and CDTA members, of which three are international crossings and five are national crossings (see Table 8). Additionally, there are five national crossings and a local crossing between Quang Tri, Thua Thien-Hue, Quang Nam and Saravane, Sekong (Lao PDR), and two local crossings between Binh Phuoc and Kompong Cham (Cambodia). The three international gates that include Bo Y, Le Thanh and Hoa Lu are significant points for trade and tourism between Vietnam, Cambodia, and Lao PDR. At three international border crossings, Vietnam has three border economic zones which all are operating. The direct connections between Vietnam's national roads and Cambodian and Laotian national roads are advantageous for economic development near these border crossings. These corridors are as follows (see Table 3, Chapter 1):

- 1) Vietnam's NR No. 40D and Lao NR No.18B at Bo Y-Phukeua (or Asian Highway 132): this is considered as part of a sub-corridor for the East-West Corridor in the Greater Mekong Sub-region.
- 2) Vietnam's NR No.19 and Cambodian NR No.78 at Le Thanh- O' Yadav: this is considered as part of a northern sub-corridor of the South Economic Corridor of the GMS.
- 3) Vietnam's NR No.13 and Cambodian NR No.74 at Hoa Lu-Trapaeng Srae

Two national crossings, Bup'rang and Hoang Dzieu, are also rather active. Other crossings have currently not recorded cross-border trade or tourism due to the lack of access roads to those crossings on the Vietnamese side and/or the Cambodia and Lao PDR sides. Certain ones, however, will be upgraded and road access to the crossings from

Table 9A: Imports and Exports through Border Gates in Kon Tum Province

<Imports in Kon Tum Province>		
Year	Goods	Value (in USD thousands)
2005	Timber	525
2009	Timber	22,528
	Other	1,996
2010	Timber	29,186
	Other	1,517
2011	Timber	41,556
	Rubber latex crepe	2,395
	Other	1,820
2012 (Jan.-Jun.)	Timber	25,340
	Rubber latex crepe	1,776
	Other	1,469

<Exports in Kon Tum Province>		
Year	Goods	Value (in USD thousands)
2009	Machines, facilities, tools and parts	2,402
	Steel and other metal materials	1,237
	Diesel oil	1,053
	Timber	532
	Other	5,319
2010	Machines, facilities, tools and parts	1,140
	Diesel oil	1,084
	Steel products	790
	Steel and other metal materials	665
	Other	4,501
2011	Steel products	5,364
	Machines, facilities, tools and parts	4,256
	Diesel oil	2,101
	Electric grids and cables	1,918
	Trucks	1,121
	Steel and other metal materials	819
	Plastic products	775
	Gasoline	765
	Other	4,689
2012 (Jan.-Jun.)	Machines, facilities, tools and parts	5,364
	Steel products	4,528
	Fertilizers	3,294
	Diesel oil	2,729
	Steel other metal materials	2,539
	Plastic products	2,077
	Electric grids and cables	829
	Gasoline	602
	Other	6,181

Note: Because there is only one international border gate in Kon Tum, i.e Bo Y, and there is no national border gate (Bo Y national border gate to Cambodia is not in operation yet), so the data in this table is mostly on export through Bo Y.

Source: General Department of Customs (2012). Data by the request from Institute of World Economics and Politics.

Table 9B: Imports and Exports through Border Gates in Gia Lai Province

<Imports in Gia Lai Province>		
Year	Goods	Value (in USD thousands)
2005	Timber	15,178
	Rubber latex crepe	2,729
	Other	302
2009	Rubber latex crepe	3,669
	Timber	2,493
	Other	1,871
2010	Rubber latex crepe	3,915
	Timber	663
	Other	3,739
2011	Cashew nut	8,967
	Rubber latex crepe	7,606
	Timber	347
	Other	1,337
2012 (Jan.-Jun.)	Cashew nut	19,364
	Rubber latex crepe	3,186
	Timber	1,278
	Other	19,264

<Exports in Gia Lai Province>		
Year	Goods	Value (in USD thousands)
2005	Diesel oil	199
	Machines, facilities, tools and parts	116
	Other	2,889
2009	Diesel oil	4,319
	Gasoline	3,231
	Machines, facilities, tools and parts	453
	Confectionery and other products from grains	419
	Other	2,954
2010	Diesel oil	6,686
	Gasoline	5,676
	Machines, facilities, tools and parts	725
	Confectionery and other products from grains	532
	Other	2,360
2011	Gasoline	8,507
	Diesel oil	7,757
	Fertilizer	1,384
	Machines, facilities, tools and parts	1,320
	Confectionery and other products from grains	881
	Steel products	519
	Other	2,394
2012 (Jan.-Jun.)	Diesel oil	7,940
	Gasoline	7,234
	Fertilizer	1,574
	Confectionery and other products from grains	626
	Other	2,541

Note: Because there is only one international border gate in Gia Lai, i.e Le Thanh, and there is no national border gate, so the data in this table is probably on import through Le Thanh.

Source: General Department of Customs (2012). Data by the request from Institute of World Economics and Politics

Table 9C: Imports and Exports through Hoa Lu International Border Gate

<Import through Hoa Lu International Border Gate>

Year	Goods	Value (in USD thousands)
2005	Timber	3,110
	Other	588
2009	Fruits and vegetables	3,615
	Rubber latex crepe	379
	Timber	312
	Other	2,706
2010	Fruits and vegetables	1,625
	Timber	864
	Other	2,549
2011	Cashew nuts	2,039
	Timber	1,074
	Fruits and vegetables	999
	Other	2,890
2012	Cashew nuts	3,174
(Jan.- Jun.)	Fruits and vegetables	1,070
	Rubber latex crepe	659
	Timber	205
	Other	6,360

Source: General Department of Customs (2012). Data by the request from Institute of World Economics and Politics.

<Exports through Hoa Lu International Border Gate>

Year	Goods	Value (in USD thousands)
2005	Rubber latex crepe	1,458
	Machines, facilities, tools and parts	262
	Others	714
2009	Plastic products	707
	Chemical products	374
	Confectionery and other products from grains	227
	Machines, facilities, tools and parts	223
	Other petroleum products	151
	Timber and wood products	126
	Steel products	125
	Rubber latex crepe	115
	Others	4,045
2010	Machines, facilities, tools and parts	753
	Confectionery and other products from grains	532
	Chemical products	287
	Rubber latex crepe	204
	Sea products	122
	Chemical substances	70
	Automobile parts	56
	Paper products	50
	Others	8,631
2011	Machines, facilities, tools and parts	2,649
	Steel products	1,531
	Confectionery and other products from grains	908
	Fertilizers	558
	Automobile parts	470
	Sea products	454
	Chemical products	402
	Material plastics	343
	Electric grids and cables	310
	Motorbike parts	172
	Others	12,135

2012 (Jan.- Jun.)	Machines, facilities, tools and parts	1,777
	Automobile parts	394
	Chemical products	379
	Sea products	365
	Fertilizers	354
	Confectionery and other products from grains	260
	Chemical substances	241
	Motorbike parts	123
	Others	13,237

Source: General Department of Customs (2012). Data by the request from Institute of World Economics and Politics.

Table 9D: Export-Import through Border Gates in 2011

(Unit: USD thousands)						
Border gates	Export from Vietnam side			Import to Vietnam		
	2005	2009	2011	2005	2009	2011
Bo Y	n.a.	10,579	21,808	525	24,524	45,771
Le Thanh	3,204	11,276	22,762	18,209	8033	18,257
Bup'rang	45	n.a.	1134	274	513	1,070
Hoa Lu	2,524	6,093	19,932	3,698	7,012	7,002
Hoang Dieu	208	959	362	798	268	430

Source: General Department of Vietnam Customs.

the Vietnamese side will be improved under approved plans.

Tables 9A through 9D show cross-border imports and exports between VDTA and LDTA or CDTA. Summarizing the tables, from the Vietnamese side, major export products are machines and facilities, metal products, fertilizers, daily consumer goods, and tree and plant seeds (rubber, coffee, cashews, cassava, and sugar cane). A large volume of machines and facilities are temporary exports-re-imports that accompany investment projects from Vietnam to Cambodia or Lao PDR or accompany work on hydropower projects. When those projects are completed, the machines and facilities temporary exports-re-imports are expected to fall. Other products may be replaced such as products by the Dung Quat oil refinery, fertilizers, construction materials, manufacturing products, etc.

Meanwhile, imports into Vietnam are mostly timber. The timber sources are natural forests which were cut down to develop rubber plantations or hydropower projects. At present, the Laotian Government is reconsidering the trade-off between eco-tourism development and rubber and hydropower development. It is expected that timber exports to Vietnam will decrease in the near future. Recently, the volume of other

agricultural products such as crepe rubber, raw cashew nuts, cassava chips, vegetables, and pine oil has increased. It is expected that crepe rubber and raw cashew-nut imports will increase because Vietnam has advantages in terms of labour, marketing and capital in product processing. The importing of electricity may also increase due to increasing demand for power in Vietnam and the increase in production of hydro-electricity in CDTA and LDTA provinces.

According to reports by the Dak Nong government, during the period from 2004 to 2011, Dak Nong's export volume to Mondol Kiri reached USD 1.986 million, while its import volume from Mondol Kiri was USD 5.996 million.

The major obstacle to cross-border trade inside CLV-DTA is the similar economic structure among province members. They are all agricultural with the same tree species and farm animals. Coffee, rubber, cashews, cassava, and maize are major agricultural products in all CLV-DTA province members. Black pepper is also a major agricultural product in CDTA and VDTA provinces. CLV-DTA, CDTA and LDTA province members are self-sufficient in rice, the main staple, while VDTA provinces are supported by rice produced in the Mekong delta rather than by importing.

Among province members, VDTA provinces are advanced in manufacturing-sector development. The demand for manufactured products in CDTA and LDTA members is met by imports from Thailand rather than from Vietnam mainly due to transport conditions.

3. DEVELOPMENT POTENTIAL AND CHALLENGES

3.1. Transport infrastructure

The transport infrastructure in VDTA provinces is underdeveloped. It does not meet the transport demands of citizens or companies. There is neither railway nor waterway. The most important vertical road corridor in the area is NR No. 14 (a part of the Ho Chi Minh Highway and Asian Highway 17). This corridor goes through all five VDTA provinces. The restructuring of sections through urban areas was started in 2005 and completed. Repairs of other sections, however, were started in 2010. The BOT investors, however, did not have enough capital, so the contractors could not finish the work on

time. Currently, there are many sections that are under construction. Meanwhile, the newly finished sections are being destroyed by heavy trucks and buses.¹²

Besides this vertical corridor, there are several horizontal corridors that connect VDTA provinces to coastal provinces. They are:

- 1) NR No. 14B and 14E that connect NR No.14 north of Kon Tum to the Trans-Vietnam NR No. 1A and to Tien Sa Port in Danang;
- 2) NR No. 24 that connects NR No. 14 in Kon Tum City to NR No. 1A in Quang Ngai province and to two coastal SEZs, i.e., Dung Quat and Chu Lai (Quang Nam), and to Dung Quat Port in Quang Ngai;
- 3) NR No. 19 that connects NR No. 14 in Pleiku (Gia Lai) to Le Thanh international crossing in the west and to NR No. 1A and Quy Nhon Port and Nhon Hoi SEZ in Binh Dinh province in the east;
- 4) NR No. 25 that connects NR No. 14 south of Pleiku to NR No. 1A and the Nam Phu Yen SEZ in Phu Yen province. In the future, it will help to access Vung Ro Port in Phu Yen and Van Phong Port in Khanh Hoa province;
- 5) NR No. 29 that connects NR No. 14 in Buon Ho town (Dak Lak) to NR No. 1A in Phu Yen province and to two coastal SEZs (Nam Phu Yen and Van Phong) as well as to the deep sea ports of Vung Ro and Van Phong;
- 6) NR No. 26 that connects NR No. 14 in Buon Ma Thuot to NR No. 1A in Ninh Hoa town (Khanh Hoa province) and to Van Phong port;
- 7) NR No. 27 that connects NR No. 14 in Buon Ma Thuot to NR No. 1A in Phan Rang-Thap Cham City of Ninh Thuan province;
- 8) NR No. 28 that connects NR No. 14 in Gia Nghia town (Dak Nong) to NR No. 1A in Phan Thiet City in Binh Thuan province.
- 9) NR No. 13 that connects NR No. 14 in Binh Phuoc to Hoa Lu international border crossing in the west and to Ho Chi Minh City in east.

Except for NR No. 14B, these horizontal corridors are not easy for drivers to negotiate.

Due to the poor road network, there is an increasing demand for aviation transport.

¹² By a design approved by the Ministry of Transport, the sections through rural areas are only 12 meters wide despite the large number of transport vehicles using the road.

Currently, there are two civil airports in VDTA provinces: Pleiku (PXU) and Buon Ma Thuot (BMV). Everyday, both Air Mekong and Vietnam Airlines provide flights by ATR-72, Fokker 7, and Bombardier CRJ-900 aircraft in order to connect Pleiku to Hanoi, Pleiku to Ho Chi Minh City, Pleiku to Danang, Buon Ma Thuot to Hanoi, Buon Ma Thuot to Ho Chi Minh City, and Buon Ma Thuot to Vinh.

There are several plans for infrastructure development in the area, such as the General Master Plan of Central Highlands Area Socio-Economic Development up to 2020, the Master Plan of Vietnam-Cambodia Border Area Development up to 2020, the Master Plan of Vietnam-Laos Border Area Development up to 2020. But due to the lack of proper plans and lack of financing, the road network in the area is the worst among regions in Vietnam. For the same reasons, the cooperation and coordination among infrastructure development plans between member provinces in three countries cannot be carried out. The role of VDTA provinces as gateways for CDTA and LDTA provinces to access the ocean (defined in the Master Plan of CLV-DTA Development), therefore, remains unfulfilled. The new NR No. 40A that is expected to substantially reduce the distance from the Bo Y border crossing to Dung Quat Port has not been constructed yet, though it should have been completed in the period of 2006-2010, according to the Master Plan. These problems also limit opportunities for cooperation and development in other fields such as tourism, manufacturing, and agriculture.

According to estimates by the Ministry of Transport, the necessary capital for transport infrastructure development in the Central Highlands area during the period between 2012 and 2015 is VND 26 trillion. Due to the current economic slowdown, however, the available capital is estimated to be about VND 6.843 trillion, which is equal to only 26% of total needed capital.¹³

3.2. Tourism

VDTA provinces have considerable tourism potential thanks to beautiful landscapes, historic-cultural sites, and architecture. Many of these sites and buildings are designated as National Heritage Sites.

¹³ The website of Dak Nong Broadcasting.

3.2.1. Waterfalls

Many famous waterfalls of Vietnam are located in this area. They include Bau Can, Phu Cuong, Le Kim, Xung Khoeng, Cong Chua (Princess), the Ya Ma-Yang Yung waterfall in Gia Lai, Drai Dlong, Dray Sap Thuong, Drai Nur, Drai Kpor, the Ea Puk waterfall in Dak Lak, Luu Ly, Len Gun, Ba Tang (Three Steps), Dieu Thanh, Trinh Nu (Virgin), Dak G'lun, and the Gau (Bear) waterfall in Dak Nong.

3.2.2. Lakes and Reservoirs

Two famous natural lakes in the area are To Nueng (or Bien Ho) Lake in Pleiku, Gia Lai province and Lak Lake in the Lak district of Dak Lak. Additionally, there are several reservoirs which have been created by hydropower or irrigation projects, such as the Ya Li and Lower Ayun reservoirs in the Chu Pah district of Gia Lai and the Dong Nai III reservoirs in the Dak Glong district of Dak Nong. These reservoirs are attractive to visitors thanks to a combination of vast water shed, high mountains, green forests and blue skies, all of which are characteristics of the area.

3.2.3. Landscape Sites

There are several popular landscape sites in the area, such as the Mang Den highland in the Kon Plong district of Kon Tum province (commonly referred as the second Da Lat), the Mang Yang mountain pass along NR No.19 in the Mang Yang district of Gia Lai, the Dak Po pine hills in the Dak Po district of Gia Lai, the Bau Lach grass fields in Binh Phuoc, and Ba Ra Mountain in Phuoc Long town, Binh Phuoc province.

3.2.4. Architectural Sites

The Wooden Church and the Bishop's House in Kon Tum City and the Bishop's House in Buon Ma Thuot are examples of beautiful architecture. The association of Catholic architecture with native traditional architecture makes these buildings attractive not only to Vietnamese visitors, but also to foreign visitors. Meanwhile, the Yang Prong Tower in the Ea Sup district of Dak Lak is famous for its unique Hindu temple which was constructed by the Cham people in 13th century. These examples of Catholic architecture and Cham Hindu architecture demonstrate the expansion of western and Cham people to the highlands very long ago.

3.2.5. *Native and Eco-cultural Tourism*

Native ethnic culture is now utilized by VDTA provinces in order to promote tourism. A number of programs to preserve and restore traditional still houses have been implemented with funds from central and local governments. Traditional festivals include the gong¹⁴ festival, the elephant racing festival, and the water buffalo consecration festivals. Additionally, several ethnic villages have been chosen to promote native and eco-cultural tourism. Buon Don and Buon Jun villages in Dak Lak are the most famous of these.

According to the Master Plan of CLV-DTA Social-Economic Development, seven tourism projects in VDTA provinces have been prioritized, including the Mang Den eco-tourism park in Kon Tum, the tourism park on the Son Lang plateau in the Kon Chu Rang protected area, the To Nueng Lake tourism area in Gia Lai, the Buon Don eco-tourism park in Dak Lak, the Dak N'Tao eco-tourism park in Dak Nong, the Ba Ra-Thac Mo tourism park and the Bau Lach grassland tourism park in Binh Phuoc. These seven projects highlight eco-tourism.

Despite significant potential, tourism development in VDTA provinces faces challenges. Inside Vietnam, provinces demonstrate good cooperation in inter-province or regional tourism. However, the cooperation between VDTA provinces and CDTA and LDTA provinces so far is poor. Several tourism fairs and seminars have been held that provided appealing opportunities for members to raise and exchange ideas of cooperation; nevertheless, no progress has been recorded. The reasons may include:

- (i) The similarities of ecological characteristics that cause member provinces to compete rather than complement each other. There are many beautiful landscape sites, including waterfalls and rivers, in CDTA and LDTA provinces
- (ii) the poor road network in member provinces
- (iii) the poor facilities in some provinces
- (iv) the lack of a trilateral arrangement on transport that allows buses to travel to the three countries
- (v) the lack of project details for tourism cooperation

¹⁴ Musical percussion instrument.

3.3. Hydropower

VDTA provinces have huge potential where hydropower is concerned. Currently, 16 hydropower plants are in operation and five projects are under construction. Another two projects are planned (Table 10). In addition, several dozen mini-projects (those with

Table 10: List of Hydro-power Projects in the Region

	Name	District	Province	River	Situations	InstalledCapacity (MW)
1	Pleikrong	Sa Thay, KonTum	Kon Tum	Sesan	Completed in 2009	100MW
2	Kon Tum Thuong (Upper Kontum)	Kon Plong	Kon Tum	Dak So Nghe	Under construction	220MW
3	Sesan 4	Chu Thay	Kon Tum	Sesan	Completed in 2010	360MW
4	Sesan 3	Ia Grai	Gia Lai	Sesan	Completed in 2006	260MW
5	Ialy	Chu Pah	Gia Lai	Sesan	Completed in 2003	720MW
6	Sesan 3A	Ia Grai	Gia Lai	Sesan	Completed in 2007	108MW
7	Sesan 4A	Ia Grai	Gia Lai	Sesan	Completed in 2011	63MW
8	An Khe	Kbang, An Khe	Gia Lai	Ba	Completed in 2011	160MW
9	Ayun Ha (Lower Ayun)	Ayun Pa	Gia Lai	Ayun	Completed in 2002	30MW
10	Buon Tua Srah	Lak	Dak Lak	Krong no	Completed in 2009	86MW
11	Buon Kuop	Cu Jut, Krongno	Dak Lak	Srepok	Completed in 2009	280MW
12	Duc Xuyen	Krongno	Dak Lak	Srepok	Underconstruction	58
13	Srepok 3	Buon Don	Dak Lak	Srepok	Underconstruction	220
14	Srepok 4	Buon Don	Dak Lak	Srepok	Underconstruction	33
15	Dak R'tih	Gia Nghia	Dak Nong	Dong Nai	Completed in 2011	144MW
16	Dong Nai 3	Dak Glong	Dak Nong	Dong Nai	Completed in 2011	180MW
		Bao Lam, Di Linh, Lam Ha	Lam Dong			
17	Dong Nai 4	Dak Glong	Dak Nong	Dong Nai	Completed in 2012	340MW
		Bao Lam	Lam Dong			
18	Dong Nai 5	Dak R'lap	Dak Nong	Dong Nai	Under construction	150MW
		Bao Lam	Lam Dong			
19	Dong Nai 6	Dak Song	Dak Nong	Dong Nai	Planned	135MW
		Bu Dang	Binh Phuoc			
		Cat Tien	Lam Dong			
20	Dong Nai 6A	Dak Song	Dak Nong	Dong Nai	Planned	106MW
		Bu Dang	Binh Phuoc			
		Cat Tien	Lam Dong			
21	Thac Mo	Phuoc Long	Binh Phuoc	Be	Completed in 1995	150MW
22	Can Don	Loc Ninh	Binh Phuoc	Be	Completed in 2004	77.6 MW
23	Srok Phu Mieng	Bu Gia Map	Binh Phuoc	Be	Completed in 2006	51MW

Note: This list includes only projects that the installed capacity of each individual project is larger than 30 MW. There are plenty of mini hydro-power project in this region which the capacity is up to 30 MW.

Source: Survey by the Institute of World Economics and Politics.

installed capacity of 30 MW or less) are in operation or under construction. These projects provide enough electricity for local people even in remote villages. They also supply water to agricultural production, especially to the paddy fields around the reservoirs.

Since the model of the single-buyer, multi-independent producer power market was introduced in Vietnam, many private investors have been allowed to construct hydropower plants, particularly mini-plants that are under the authorization of provincial governments. As a result, there is increasing concern about the situation of uncontrolled hydropower development as well as the potential loss of forests and farmland and an insufficient water supply for agricultural production further downstream in rivers.¹⁵ The lack of provincial government capacity for supervision of mini-hydropower projects causes experts in this sector to worry about moral hazard related to the construction of projects.¹⁶

How VDTA provinces can share their experiences on hydropower development with CDTA and LDTA as expected by leaders of the three countries is still a big question.

3.4. Agro-industry

As mentioned above, coffee, rubber, cashews, pepper and cassava are major crops in VDTA provinces. The processing, however, is underdeveloped. For that reason, the added value in exporting agricultural products is small. For example, coffee processing is mainly at the stage of raw processing (polishing and sorting). Coffee color sorting, roasting and further processing to powdered or instant coffee is still limited. Vietnamese coffee exports lack a trademark for their coffee beans. Though coffee is the second most important agricultural export in Vietnam, the quality is not high. One reason is the customs of coffee raising and processing. Farmers often cut off the tops of coffee plants in order to make plants have more branches, facilitate photosynthesis, and increase the number of berries. This is the first cause of Vietnamese coffee's low quality. Further,

¹⁵ (in Vietnamese) Lao Dong Newspaper on-line: "Hydropower development in Central and Central Highlands Regions: The Inestimable Impact". Retrieved from <http://laodong.com.vn/Xa-hoi/Thuy-dien-Mien-Trung-Tay-Nguyen-He-luy-khong-tinh-duoc-bang-tien/88004.bld>.

¹⁶ (in Vietnamese) Lao Dong Newspaper on-line: "Mini hydropower projects, huge potential risks". Retrieved from <http://laodong.com.vn/Xa-hoi/Thuy-dien-nho-tiem-an-nguy-co-lon/87717.bld>.

coffee berries are mostly strip-picked (ripe as well green berries are stripped off at the same time). Green berries make low quality coffee. Additionally, harvested berries are sometimes not immediately dried, but stored. In that case, the coffee beans change color. Another factor contributing to low quality is that the drying process on many farms is done on the ground. Few farmers dry coffee berries on paved ground or with machines. For this reason, the coffee berries are not clean. Berries are sometimes not raked or turned so that the beans become mouldy. The hulling on many farms is done by simple millstones that break the beans. Just recently, Vietnam has reduced the area of coffee planting and is paying more attention to quality farming and better processing.

Similarly, processed rubber latex is only about 10%. Rubber processing is basically the stage of turning rubber latex from liquid to concentrated latex or crepe. Exported rubber products are mainly latex crepe or furniture products made from rubber tree wood.

Cashew nut processing in Vietnam in general and in the area in particular is also simple. That is why exported cashew products are mainly cashew kernels. The share of highly processed products is only about 3%. Vietnam imports, however, raw cashew nuts from Cambodia and Africa and processes them, manually or automatically, into cashew kernels.

Cassava root processing is mostly at the stage of making cassava starch. Only a small share of fresh cassava roots, cassava chips or cassava starch is processed into seasonings, livestock feed or bio-ethanol. Cassava production is mainly for export, but exported products are mostly cassava chips and cassava starch.

Because of the above situation in agro-processing in VDTA provinces, cooperation between VDTA provinces and CDTA and LDTA provinces could not advance as expected by leaders of the three countries. Currently, Vietnam can only supply simple processing lines and crop seeds to Cambodia and Laos.

Looking forward, agro-processing industry development in VDTA provinces is expected. According to the master plan of the rubber industry up to 2015 and the vision of 2020, VDTA provinces are focal regions for rubber plantation. Ineffective agricultural and forest lands will be converted to rubber plantations. Along with the expansion of rubber plantation, the rubber processing industry will be promoted.

To control the quality of coffee, the expansion of the coffee plantation area has

been stopped. At the same time, coffee processing has been given greater attention during the last five years. Agricultural promotion centers have launched extensive programs to teach farmers, especially ethnic farmers, the standard techniques of raising, caring for, and harvesting coffee. Several coffee processing factories have been set up in the area by both domestic and FDI firms. The biannual Buon Ma Thuot Coffee Festivals are expected to promote domestic brand names of coffee in the area.

Currently, there are two ethanol production factories in operation in the VDTA provinces. The first one, a property of Dai Viet-a domestic company-is located in Tam Thang industrial park in the Cu Jut district of Dak Nong. This factory can produce 50 thousand tons of ethanol a year from cassava chips. The second is located in the Bu Dang district of Binh Phuoc and is a joint venture between the Japanese company Itochu and three Vietnamese companies. It can produce 100,000 cubic meters of ethanol from 220,000 tons of cassava chips a year. Further, there are two factories under construction in Dak Lak, in which one, MS Bio-Energy Inc. from Japan, has invested, while the other has received investment from a domestic firm, the Bio-Ethanol Dak Lak Jsc. The former's capacity is 100,000 tons of ethanol a year made from cassava chips. The latter can produce 66,000 cubic meters of ethanol a year from jackfruit seeds, maize kernels and Job's tears (*Coix lacryma-jobi*) seeds. The Vietnamese Government plans to respond to climate change with expanded production and consumption of bio-fuels (E5 and E10 ethanol fuel mixtures, and B5 and B10 biodiesel-petrodiesel mixtures). This activity highlights the importance of cassava roots, sugar cane and maize processing development in VDTA provinces.

According to the Vietnamese plan for cotton plant (*Gossypium*) development, Gia Lai, Dak Lak, Dak Nong and Binh Phuoc provinces are the growing regions and the centers of cotton plantation.¹⁷ Tobacco industry development will take place in Gia Lai and Dak Lak where high quality tobacco planting has been prioritized for investment.¹⁸ The Central Highland provinces are also planned to be regions for raising beef cattle.¹⁹

¹⁷ Program of Vietnam Cotton Plant Development up to 2015 and Orientation to 2020 (approved in January 2010).

¹⁸ Overall Strategy for Tobacco Industry up to 2010 and vision to 2020.

¹⁹ Strategy for Animal Husbandry up to 2020.

3.5. Investment

As of December 31 2010, there were 7,048 active enterprises in VDTA provinces that provided jobs for 262,398 workers. Several large and well-known domestic companies were established here, such as Hoang Anh Gia Lai, Dakruco, Duc Long, and Trung Nguyen. The average size of enterprises, however, is small. The average capital is only VND 15.6 billion, while the average number of employees is only 37.

Though Dak Lak ranks first in terms of the number of enterprises and the number of workers in enterprises, Gia Lai ranks first in terms of capital as shown in Tables 11-13.

As of the end of 2011, Binh Phuoc attracted 93 FDI projects with a total registered capital of USD 678.9 million (Table 4). The advantage of Binh Phuoc is that the province is also a member of the Southern Key Economic Region which is an important industrial agglomeration area in Vietnam. Recently, as industrial parks in Binh Duong and Dong Nai provinces became congested, foreign investors paid more attention to Binh Phuoc. The success of a South Korean industrial park developer, i.e., C&N Vina, in developing the Minh Hung-South Korea industrial park was an important condition to attract Korean firms. This experience encouraged Binh Phuoc to grant licenses to the Binh Phuoc-Taiwan industrial park whose developer is a Taiwanese company, i.e., the King Jade Industrial Co. Ltd (VN). A rather successful domestic industrial developer named Becamex also developed an industrial park in Binh Phuoc along with its six IPs in Binh Duong and two IPs in the north in a joint venture with VSIP, a well-known industrial park developer from Singapore. Currently there are 19 industrial parks in Binh Duong located along NR No.13 or the last section of NR No.14.

Table 11: Number of Acting Enterprises as of Annual 31 December by Province

	2005	2007	2008	2009	2010
Kon Tum	324	490	586	738	873
Gia Lai	805	799	1,725	1,796	1,684
Dak Lak	1,069	1,516	2,075	2,368	2,556
Dak Nong	227	360	429	520	575
Binh Phuoc	520	821	1,060	1,179	1,360
Region	2,945	3,986	5,875	6,601	7,048

Source: General Statistical Office (2012), Statistical Yearbook 2011, Table 96.

Table 12: Number of Employees in Enterprises as of Annual December 31 by Province

	2005	2007	2008	2009	2010
Kon Tum	17,238	20,317	22,691	23,606	29,380
Gia Lai	44,816	53,590	59,775	64,273	71,172
Dak Lak	63,309	64,730	76,169	81,515	84,279
Dak Nong	7,239	10,026	11,214	11,618	12,021
Binh Phuoc	38,079	46,612	52,128	56,281	65,546
Region	170,681	195,275	221,977	237,293	262,398

Source: General Statistical Office (2012), Statistical Yearbook 2011, Table 99.

Table 13: Annual Capital of Enterprises by Provinces

(Unit: VND billion)

	2005	2007	2008	2009	2010
Kon Tum	2,908	4,427	5,735	7,408	10,810
Gia Lai	17,920	24,999	25,458	31,725	58,707
Dak Lak	11,024	14,386	21,413	35,783	32,506
Dak Nong	1,604	2,843	3,904	6,087	5,585
Binh Phuoc	5,445	9,117	14,951	14,991	2,084
Region	38,901	55,772	71,461	95,994	109,692

Source: General Statistical Office (2012), Statistical Yearbook 2011, Table 105.

Table 14: Licensed Inbound FDI by Province

(Accumulation of projects having effect as of 31/12/2011)

Province	Number of projects	Total registered capital (USD million)
Kom Tum	2	71.9
Gia Lai	10	83.4
Dak Lak	8	166.0
Dak Nong	7	20.56
Binh Phuoc	93	678.9
Region	115	955.6

Source: General Statistical Office (2012), Statistical Yearbook 2011, Table 83. Figures for Dak Lak are accepted from Dak Lak Center for Trade, Tourism and Investment Promotion. Figures for Dak Nong accepted from Dak Nong Department of Planning and Investment.

Soft infrastructure elements, such as human resources and administrative procedures, as well as hard infrastructure elements, such as transport and industrial parks, obviously facilitate the industrial agglomeration in Binh Phuoc and explain why Binh Phuoc is successful in attracting FDI.

In terms of FDI capital, Dak Lak ranks in second place among VDTA provinces. The province, however, attracted only USD 166 million for eight projects, so far. Of those projects, four focused on agricultural products processing (coffee, pepper) by ED & F Man Coffee from the UK. Others are Louis Dreyfus Commodities from the Netherlands, Olam International from Singapore, and CCL Products India from India. Other projects include a flower-raising project by a Japanese company, a livestock feed production project (from cassava roots) by Charoen Pokphand from Thailand, a bio-ethanol production project (also from cassava roots) by MS Bio-Energy Inc. from Japan, and a shopping mall project by Metro Cash & Carry from Germany. These FDI projects exploit the material strengths of Dak Lak (coffee, pepper and cassava) as well as the relatively large consumer market (as the author mentioned above, Dak Lak has the highest per capita goods and service retail value in the region, VND 14.6 million in 2010). FDI firms became major buyers and exporters of coffee products in Dak Lak.

Similar to Dak Lak, coffee produced by Gia Lai is bought and exported by an FDI firm. Among VDTA provinces, Kon Tum is the least successful in attracting FDI with only two projects, one of which is an afforestation project by Innov Green from Taiwan.

As mentioned above, domestic firms in VDTA provinces are small and inbound FDI to the area is limited. As a result, provinces try to be FDI hosts rather than donors. A few outbound FDI projects from the area to Cambodia and Laos have been recorded. According to the Ministry of Planning and Investment, the entire Vietnamese FDI into CDTA and LDTA provinces (not only the VDTA provinces of CLV-DTA) is about USD 3.05 billion in terms of the registered capital of 75 projects.²⁰ There are seven projects from Gia Lai ongoing in CDTA member provinces with a total registered capital of USD 366 million. Gia Lai investors include Duc Cuong JSC, Hoang Anh Gia Lai Rubber JSC, Mang Yang-Ratanakiri Rubber JSC, Chu Prong-Stung Treng Rubber JSC,

²⁰ Lao Dong Online (10/11/2012), "To increase the investment into Development Triangle area." Retrieved 13 November 2012 from <http://laodong.com.vn/Kinh-doanh/Day-manh-dau-tu-cho-tam-giac-phet-trien/91081.bld>.

and 75-Ratanakiri Co. Ltd. These projects are in the sectors of rubber plantation and iron ore exploitation. There are also seven projects from Gia Lai in Laos with a total registered capital of USD 437 million.²¹

Currently, there are two rubber plantation projects from Dak Lak in CDTA provinces. The first is a project by Dakruco company in Mondol Kiri with a registered capital of USD 10 million. The other is a project by the Krong Buk-Dak Lak Company in Ratanak Kiri with a registered capital of VND 700 billion.²² The Dakruco Company also invested in Champasak, Saravane, Sekong and Attapeu in Laos to develop ten thousand hectares of rubber.²³

Four companies from Kon Tum, including Duc Nhan JSC, Quoc Vy Co. Ltd, Hung Viet JSC and Thinh Phat-Kon Tum JSC, have invested in five rubber plantation projects in Cambodia. Also from Kon Tum, Sai Gon-Tay Nguyen Investment JSC and Viet-Laos JSC have invested in a rubber plantation project, a mineral exploitation project, and a coal exploitation project in Laos.²⁴

From Binh Phuoc, there are three rubber plantation projects with a total registered capital of USD 108.186 million in Kratie, Cambodia.²⁵

As one can see, these projects are resource-seeking, such as developing rubber and coffee plantations as well as mineral exploitation. The potential of outbound FDI from VDTA provinces to other sectors is limited. Cambodia and the Lao government do not want to expand the areas of rubber plantations. There are also challenges to Vietnamese firms who look for investment opportunities in Cambodia and Lao member provinces, including the lack of local workers.

²¹ (in Vietnamese) Gia Lai Department of Planning and Investment website: “Gia Lai pushes its cooperation with Cambodian and Laos neighbor provinces,” retrieved from <http://khdtgialai.gov.vn/Chuong-trinh-hop-tac-kinh-te-xa-hoi/Gia-Lai-tang-cuong-hop-tac-voi-cac-tinh-ban-Campuchia-Lao.aspx>.

²² (In Vietnamese) Dak Lak Center for Trade and Investment Promotion website: “The progress of outbound FDI projects by Dak Lak enterprises into the Kingdom of Cambodia”. Retrieved from <http://www.daktra.com.vn/tin-tuc/tin-trong-tinh/38138.aspx>.

²³ (In Vietnamese) Dak Lak Center for Trade and Investment Promotion website: “Investment on 9,000 hectares of rubber in Laos” Retrieved from [http://www.daktra.com.vn/tin-tuc/tin-trong-tinh/40841/](http://www.daktra.com.vn/tin-tuc/tin-trong-tinh/40841.aspx).aspx.

²⁴ Kon Tum Government report to the Bangkok Research Center and the Institute of World Economics and Politics.

²⁵ Binh Phuoc Government report to the Bangkok Research Center and the Institute of World Economics and Politics.

3.6. Border Economic Zones, industrial Parks and the Choice of “Growth Poles”

Bo Y Border Economic Zone was officially established around the Bo Y international border crossing in 2005 in the Ngoc Hoi district of Kon Tum province. Special development schemes, however, have been granted for the 400-hectare area around the border crossing since 1999. By an approved plan, Bo Y BEZ covers an area of 704.38 km² and includes several sub-zones, such as an industrial zone, a free trade zone, a warehouse zone, a public infrastructure zone, new towns, a rural residence zone, a science park, and an agriculture and forest industry zone. As shown in that plan, the central government and the Kon Tum provincial governments expect that the Bo Y BEZ will utilize its location advantage to be a growth pole for the central highlands region of Vietnam. Nevertheless, the BEZ future, as we surveyed in August 2012, is gloomy.

NR No.19 Border Economic Zone (or Le Thanh BEZ) was established in the area around the Le Thanh international border crossing in October 2001 in the Duc Co district of Gia Lai province. It covers half of the district, including the township. The 213 km NR No.19 connects this BEZ with Quy Nhon Port, which is the most active seaport on the central coast of Vietnam. Infrastructure development for this BEZ started in 2003. The situation of investment attraction into this BEZ, however, is even worse than Bo Y BEZ.

The Hoa Lu Border Economic Zone was established in the area around Hoa Lu international border crossing in May 2005 in the Loc Ninh district of Binh Phuoc province. Under an approved plan, this BEZ will cover an area of 60 km² in 2025. The situation of investment attraction into this BEZ is as poor as that of Bo Y BEZ.

According to agreements between the Vietnamese and Cambodian governments, as well as between the Vietnamese and Laotian governments, border SEZs should be developed in CDTA and LDTA provinces. The problem, however, is that those provinces have small labor forces.

From the recent experience of BEZ development in Vietnam, the development plans of BEZs in Dak Rue (Dak Lak) and Dak Per (Dak Nong) during the period between 2016 and 2020, which are mentioned in the Master Plan of Socio-Economic Development in CLV-DTA, are surely challenged.

Also by the above Master Plan, Vietnam will develop and attract investment into twenty industrial parks in member provinces in which there are already three parks in

Kon Tum, five parks in Gia Lai, one park in Dak Lak, one park in Dak Nong, and ten parks in Binh Phuoc.

Binh Phuoc, a member province of the Southern Key Economic Region, currently has fifteen established industrial parks of which eight are in operation, including Minh Hung-South Korea, Minh Hung III, Chon Thanh I, Chon Thanh II, Dong Xoai I, Tan Khai, Tan Khai I, and Bac Dong Phu. These IPs are relatively successful in attracting FDI from South Korea and Taiwan. As a result, Binh Phuoc has emerged as an agglomeration area for automobile and motorbike makers, apparel, and wood and furniture processing.

Other provinces have a number of industrial parks in operation, but they have not been successful in attracting investment.

After comparing performance among VDTA provinces, one may be surprised as to why Dak Lak, but not Binh Phuoc, is considered as a “growth pole” of the area. The author did not find any documents concerning the role of Binh Phuoc in CLV-DTA. There are, however, documents that mention the role of Dak Lak as a “growth pole” of the area.

On our field trip, we asked Binh Phuoc provincial government officials why the province has been added to CLV-DTA. The answer we received is that as the province is poor, mountainous and in the hinterland, it asked the central government to be allowed to be a new member of CLV-DTA. Binh Phuoc expects that it will receive development assistance from the central government as well as from international organizations and foreign governments if it is a member of CLV-DTA. We also heard complaints that the addition of Binh Phuoc to CLV-DTA will reduce the amount of assistance to other member provinces.

From the point of view of industrial agglomeration, manufacturing firms tend to locate in Binh Phuoc rather than in the other VDTA provinces of CLV-DTA. The agro-processing factories, however, tend to be located close to their major source of raw materials. As the author mentioned above, the Central Highland provinces, as well as Binh Phuoc, are planned to become agricultural and forestry resource areas. For that reason, Dak Lak has more advantages in terms of geographic position to attract agro-processing enterprises. To be the center of an agro-processing area, Dak Lak should have a suitable industrial clustering policy. Choosing Dak Lak as “capital” for

the Vietnamese part of CLV-DTA is also good for human resource development for minority ethnic peoples because agro-processing factories are more suitable for minority ethnic labourers than manufacturing factories. Dak Lak has more and better higher educational institutions, including vocational institutions necessary for agro-industry, than Binh Phuoc.

Binh Phuoc, with a higher per capita income, should be considered as a significant market for the Vietnamese area of CLV-DTA in particular and the entire CLV-DTA in general.

CONCLUDING REMARKS

In this chapter, the author has outlined the socio-economic features of VDTA provinces in CLV-DTA and their market potential. The essential points of my arguments on development potential and the challenges of VDTA provinces have also been expressed.

To sum up, the most significant provincial features are that they are poor agricultural economies, have under-developed transport infrastructure, and present a multi-ethnic demography. The market potential of Kon Tum, Gia Lai, Dak Lak, Dak Nong and Binh Phuoc is small in Vietnam, but may be larger in CLV-DTA due to (1) their large populations in comparison to CDTA and LDTA provinces, (2) their high income growth rates and rapid urbanization, and (3) their inclusion in the Central Key Economic Region and Southern Key Economic Region of Vietnam.

The largest challenge to the development of VDTA provinces is the poor transport infrastructure. The economic slowdown of recent years has had an adverse impact on road development in the area. Poor infrastructure also prevents the cooperation and coordination among infrastructure development plans, according to the Master Plan of CLV-DTA Socio-Economic Development, from being implemented. As well, the role of VDTA provinces as gateways for CLV-DTA to access the ocean cannot be fulfilled as expected by leaders of the three countries.

The most significant potential of VDTA in tourism is the attraction of the natural landscape and native ethnic cultures. The similarities of ecological characteristics cause member provinces of the three countries to compete rather than complement each other.

Besides, three “poors” and two “lacks” further obstruct tourism development. These are: (1) the poor cooperation among member provinces of the three countries, (2) the poor road network in all member provinces, (3) the poor facilities in some member provinces, (4) the lack of a trilateral arrangement on transport that allows bus travel among the three countries, and (5) the lack of project details for tourism cooperation among member provinces.

VDTA provinces have huge potential in hydropower. Nevertheless, the uncontrolled development of hydropower, especially mini-projects, has created some concern, including moral hazard related to the construction of projects.

The currently under-developed agro-processing industry in VDTA provinces cannot create high added value in agriculture exports. It also bars cooperation among VDTA provinces and CDTA and LDTA provinces in the agro-processing sectors. However, plans to develop VDTA provinces as major resource centers for coffee, rubber, black pepper, cashews, cassava, sugar cane, and maize have been approved by the Vietnamese government. Bio-fuel production can meet greater demand by utilizing provincial resources. Agro-processing enterprises will be encouraged to invest in this area.

In comparison to CDTA and LDTA member provinces, VDTA provinces have been more successful in attracting investment. They have even become FDI donors to Cambodia and Laos in general and these countries’ member provinces of CLV-DTA in particular. Binh Phuoc plays an important role as a market for the area, while Dak Lak plays an important role as a future center for the agro-processing industry. Border economic zone development policies may not achieve entirely positive results due to the higher labor wages on the Vietnamese side and smaller labor forces on the Cambodian and Laotian sides.

To exploit potential and address challenges, Vietnam should accelerate road expansion projects. Funds for projects should be from the state budget rather than the private sector because the latter tends to pause or even stop projects when faced with business difficulties. Even in a period of economic slowdown, government funds should not stop and these projects should be considered from the point of view of fiscal stimulus.

Thanks to higher population density in comparison to CDTA and LDTA member

provinces, VDTA provinces have more advantages in native ethnic culture tourism. The combination of eco-tourism with cultural tourism will be an effective way to attract visitors. Eco-tourism alone will be difficult to promote due to the above-mentioned causes. Training ethnic people for culture-eco-tourism will prove to be very worthwhile.

A trilateral agreement on transport that will allow trucks and buses to travel through the three countries will facilitate trade and tourism.

The approved strategies, programs, and plans of resource regions as well as agro-processing industry development should be seriously implemented. The central government should provide incentives to agro-processing investment projects in the area. Meanwhile, the provincial governments should implement suitable industrial clustering policies to facilitate the location of agro-processing enterprises in provinces.

Bio-energy production and consumption in VDTA provinces should be promoted. Bio-energy not only protects the environment for eco-cultural tourism, but also creates new demand that benefits the agro-processing industry.

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