



Rice farmers in the Mekong Delta rely on the river for irrigation and nutrient-rich sediment, both of which are under threat. © Getty Images

ECONOMY

Investment floods into Mekong Delta

Vietnam seeks to foster high-tech agriculture, renewable energy

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BANGKOK -- The Mekong Delta once sheltered Viet Cong guerrillas as they battled U.S. forces during the Vietnam War. Today the area is the country's "rice bowl," providing half of the national rice supply. It is also becoming an increasingly attractive investment destination for domestic and foreign companies.

Vietnam Dairy Products, Vietnam's largest listed company by market capitalization, is looking to grow coconuts there. At its shareholders meeting in April, Vinamilk, as the company is also known, announced it had acquired a 25% stake in Asia Coconut Processing, a maker of coconut products based in the delta province of Ben Tre.

"The Mekong Delta is abundant in natural resources, but beverage companies have not yet invested enough to benefit from this," Mai Kieu Lien, Vinamilk's chief executive, told shareholders. The acquisition -- along with plans to invest in processing facilities and new organic coconut plantations -- forms part of the company's strategy of diversifying away from dairy products. A new coconut drink is expected to hit store shelves by the end of 2018, with shipment to the U.S. market to start in 2019.

Vinamilk is also banking on the Mekong Delta for its core dairy business. It plans to invest in local cattle breeders as part of plans to double the size of its herd to 240,000 head by 2022. The milk from these cows will be supplied to a dairy factory that Vinamilk opened in the delta region in 2001.

DHG Pharmaceutical, the country's third-largest drug company, is likewise beefing up investment in the region, where it aims to grow herbs. The state-owned listed company aims to source 10% of the natural material it uses in its drugs from the region by 2020. It also plans to partner with Vinamilk to produce dietary supplements using raw material sourced from the delta.

In 2009, the Vietnamese government unveiled plans to create roughly 100 industrial parks and woo heavy industry factories to the Mekong Delta, but opposition from residents and environmental activists forced a rethink. A new 30-year development plan introduced in March focuses more on the region's agricultural advantages and aims to attract investment in high-tech agriculture and renewable energies, such as wind and solar power.

Overseas companies seem to be taking note of these developments. Danish wind power company Vestas Wind Systems is investing in renewable energy, while the delta's agriculture sector is drawing attention from Japanese tractor companies Yanmar and Kubota and South Korea's CJ group. Foreign investment over the last decade has increased by more than 25 times, totaling \$1.3 billion in 2017.

Yet even as businesses wake up to the opportunities in the Mekong Delta, there are fears about its most basic virtue: the sediment that makes the region so fertile. Damming on China's segment of the river has reduced the flow of sediment to the lower Mekong by 50%; it will be halved again if 11 planned dams are built, according to data from the Mekong River Commission.

"Without the nutrients from the sediments, Vietnam will soon lose its capacity to export rice and this will have implication on food security of the region and the world," said Nguyen Huu Thien, an independent ecologist in Vietnam and expert on the Mekong Delta.

In 1988, then-Thai Prime Minister Chatichai Choonhavan talked of harnessing economic development to turn the Indochina region "from a battlefield into a marketplace."

The Mekong Delta is clearly turning into a thriving marketplace. The question is whether it will become the site of another battle -- this time over natural resources.