

THE TREND OF INDUSTRIAL DEVELOPMENT IN HCMC IN THE CHANGE OF STRUCTURE OF INDUSTRY

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Manufacturing industry is the most important sector in HCMC. It produces around 40% of local gross output representing about one third of the national industrial output. This industry employed the better part of local labor force (56.8%).

In the market mechanism, this industry needs rearrangement in order to adapt to new conditions and develop. Therefore in this industry, many concerns have gained high growth rate while other ones gained low growth rate or met financial difficulties or faced bankruptcy. This situation, however, is inevitable in the development of the market economy.

Generally, however, in the 10-year period of economic renovation; especially from 1990 to 1995, the manufacturing industry in HCMC and in the nation as a whole, has come to a new stage of fast development. The trend towards stable development of this industry is a good precondition for the national industrialization and modernization.

The alteration of the structure of industry is the main feature of the industrialization process. According to orthodox concept, the alteration of the structure of industry is the result of capital accumulation and increase in personal income, but in the new concept of structuralists, the alteration of this structure is the cause of development, and technology is the most important factor in the structural alteration, or in other words, the development of the manufacturing industry is the main dynamic of the alteration of the structure of industry in our country, and in HCMC to be precise.

We are going to analyse effects of the industrial production on the structural alteration of local economy. First of all, the alteration will be examined by the following aspects:

a. The trend of structural altera-

tion in the manufacturing industry, its percentage in the GDP of the economy including three basic sectors.

industrial production.

1. The trend of structural alteration in the manufacturing industry

Table 1: Manufacturing industry and GDP

| | 1990 | 1991 | 1992 | 1993 | |
|---|-------|-------|-------|-------|-------|
| HCMC gross output (%) | | 9.10 | 11.60 | 12.50 | 14.60 |
| HCMC manufacturing industry in local gross output (%) | 42.03 | 41.29 | 39.24 | 41.61 | 41.70 |
| GDP growth rate (%) | | 6.00 | 8.60 | 8.10 | 8.50 |
| National manufacturing industry in GDP (%) | | 19.3 | 20.6 | 22.30 | 29.30 |

Source: Vietnam Statistical yearbook

b. The structural alteration of economic sectors.

c. The structural alteration of the labor force.

d. The structural alteration in investment.

e. The structural alteration in personal income of different classes.

Generally, in recent years, the manufacturing industry has seen a lot of remarkable changes and tended to integrate into the world economy, but they weren't qualitative changes. In the long run, we have to change the structure of industry basically and increase the importance of the manufacturing industry, and then, the importance of the service sector. This is the true qualitative change which enables the economy develop stably.

Moreover, when our economy becomes more connected with the world economy, the alteration of the structure of industry also becomes more urgent. The foreign technology must be considered as one of strategies for economic development basing on the development of local technology and manufacturing industry. This strategy will aim at making Vietnam manufactured goods (besides traditional products) more competitive in the world market.

Now we will examine the structural alteration in the manufacturing industry in HCMC and compare it with the development of the national

We can see that the growth rate of HCMC manufacturing industry is always higher than the national average and this industry represented over 40% of the local gross output. But in the period between 1990 and 1994, there was no remarkable change in the local structure of industry, that is, the HCMC manufacturing industry met with a lot of difficulties (shortage of capital, technology and skilled laborers) so it couldn't represent a higher importance in the local gross output. Why is there no structural changes in this industry in spite of its high growth rate in recent years?

In the period 1990-1995, the strategy pursued was to develop labor-intensive and export-oriented industries. Importing labor-intensive technologies is a measure appropriate to present conditions to accumulate needed capital and reinvest quickly.

In the table 2, we can see that there was also no remarkable change in the HCMC manufacturing industry in spite of high growth rates of certain businesses. This affirms that the HCMC manufacturing industry in this period kept on using old technology and producing goods of medium quality.

In an overview, the national industrial production has made good progress in the past two years and affected positively the economy as a whole.

Table 2: Structural alteration in HCMC manufacturing industry

| | 1990 | 1991 | 1992 | 1993 | 1994 |
|--|--------|--------|--------|--------|--------|
| Manufacturing industry in HCMC Growth rate (a) | | 12.60 | 14.80 | 17.76 | 18.50 |
| Percentage in the industry (b) | 100.00 | 100.00 | 100.00 | 100.00 | 100.00 |
| 1. Mining (a) | | | | 2.85 | 31.10 |
| (b) | | | 0.15 | 0.13 | 0.14 |
| 2. Manufactured goods (a) | | | | 4.60 | 29.90 |
| (b) | | | 80.47 | 86.91 | 85.95 |
| 3. Gas and electricity (a) | | | | 0.95 | 8.10 |
| (b) | | | 4.90 | 4.27 | 3.94 |
| 4. Textile (a) | | 22.50 | 16.40 | 11.30 | 10.32 |
| (b) | | | 11.60 | 11.08 | 9.62 |
| 5. Food and drink (a) | | 9.75 | 19.02 | 16.90 | 10.00 |
| (b) | | | 23.28 | 19.61 | 19.08 |
| 6. Plastic (a) | | 13.78 | 20.18 | 72.70 | 22.20 |
| (b) | | | 8.30 | 7.82 | 7.12 |

Foreign investment in the past two years concentrated on the manufacturing industry (attracting 60% of projects). Many multinationals have come to Vietnam (Toyota, Chrysler, Ford, Mercedes, Hyundai, Daewoo, IBM, etc). This is an encouraging sign. Many foreign modern technologies brought into Vietnam will help local manufacturing industry keep pace with countries in the region and make qualitative changes.

2. The structural alteration in economic sectors

Table 3: Relative Importance of each economic sectors in the HCMC Manufacturing industry

| | 1991 | | 1992 | | 1993 | | 1994 | |
|--------------------|-------|-------------|-------|-------------|-------|-------------|-------|-------------|
| | % | Growth rate |
| Public sector | 14.06 | 59.73 | 16.10 | 58.40 | 16.41 | 57.50 | 16.41 | |
| Non-public sector | 16.40 | 31.80 | 14.50 | 32.90 | 21.90 | 32.52 | 18.60 | |
| Foreign investment | | 8.40 | | 8.70 | 14.91 | 9.98 | 35.27 | |
| Total | 100 | | 100 | | 100 | | 100 | |

Sources: *The HCMC Statistics Yearbook 1994.*

The Table 3 shows that: the public sector representing around 60% gained the average growth rate of 15.74% in the period 1991-1994 in comparison with the growth rate of 17.85% of the non-public sector which represented only some 30% in the HCMC manufacturing industry. The foreign sector gained a high growth rate, especially in 1994 (35.27%) but the gross output from this sector represented only some 10% in the period.

The following are our remarks:

- All three sectors have gained high growth rate but could not make qualitative changes to the HCMC manufacturing industry.

- The public sector still played the leading role in developing the HCMC manufacturing industry.

- Local businesses played a vital role whereas the foreign sector made an important contribution to the local industrial development.

3. The structural alteration of the labor force

A survey of 61 plastic factories of all kinds in HCM produced the follow-

Table 4

| Kinds of business | Workforce (person) | | Male | | Female | |
|----------------------|--------------------|---------|--------|---------|--------|---------|
| | Total Number | Average | Number | Average | Number | Average |
| State-owned business | 942 | 94.2 | 445 | 47.2 | 447 | 52.76 |
| Limited company | 762 | 47.6 | 408 | 53.54 | 354 | 46.46 |
| Private company | 77 | 25.7 | 51 | 66.2 | 26 | 33.77 |
| Cooperatives | 287 | 37.5 | 135 | 47.04 | 152 | 52.96 |
| Family business | 108 | 9.8 | 66 | 61.11 | 42 | 38.89 |
| Total | 2,176 | 42.7 | 1,105 | 50.78 | 1,071 | 49.22 |

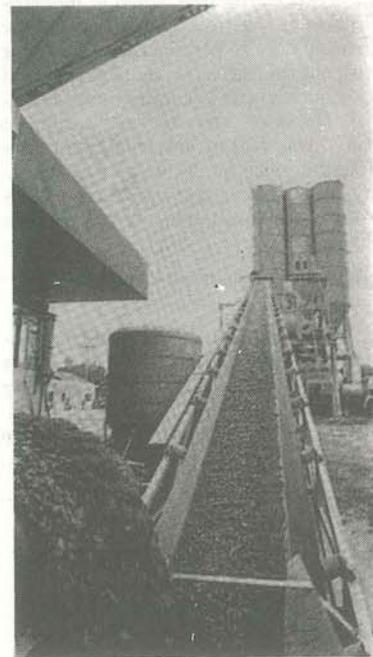
ing results:

We see that:

- The non-public sector employed more laborers than the public sector did: The non-public sector: 56.71% and the public sector 43.29%

- In the public sector, female laborers represented 52.76%. This percentage in the non-public sector was smaller.

However, these results couldn't lead to exact remarks. We need more detailed information produced by more comprehensive surveys so we can learn about relations between sex and labor efficiency, business performance, etc. Based on detailed information, we can take measures to change the structure of labor force in HCMC.



Considering changes in labor force of the manufacturing industry and comparing it with other sector, we had the following table:

Table 5

| | 1990 | | | 1991 | | | 1992 | | | 1993 | | | 1994 | | |
|----------------------|------|------|-------------|------|------|-------------|------|------|-------------|-------|-------|-------------|-------|-------|-------------|
| | % | % | Growth rate | % | % | Growth rate | % | % | Growth rate | % | % | Growth rate | % | % | Growth rate |
| Labor force in HCMC | 100 | 100 | 1.834 | 100 | 100 | 2.3 | 100 | 100 | 1.83 | 100 | 100 | 1.01 | 100 | 100 | 1.01 |
| In industrial sector | 39.7 | 38.8 | 0.1 | 38.3 | 38.3 | 1.12 | 38.1 | 38.1 | 1.11 | 38.2 | 38.2 | 1.007 | 38.2 | 38.2 | 1.007 |
| In service sector | 48.8 | 45.4 | 1.29 | 45.8 | 45.8 | 3.30 | 46.2 | 46.2 | 2.66 | 46.5 | 46.5 | 3.08 | 46.5 | 46.5 | 3.08 |
| In primary sector | 15.7 | 15.8 | 1.244 | 15.9 | 15.9 | 2.76 | 15.8 | 15.8 | 1.08 | 14.19 | 14.19 | 1.7 | 14.19 | 14.19 | 1.7 |

Source: *The HCMC Statistics Yearbook 1994*

In this table we see that:

- There was no remarkable change in the structure of labor force of HCMC.

- The HCMC economic structure was arranged in the following order of importance: Service sector-industrial sector and primary sector.

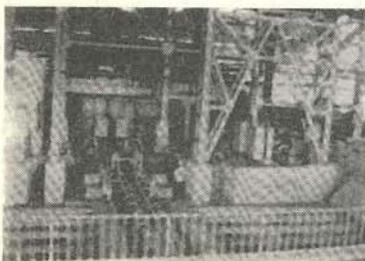
Thus in the first stage of industrialization in HCMC, the service sector attracted a large percentage of the labor force, but this situation didn't mean that the economy was becoming more developed, because the service sector in HCMC was still at low level, many important service activities such as banking, consultancy, transportation, information, stock exchange... have just come into being.

4. The structural alteration in investment

Thus the manufacturing industry attracted a large percentage of the gross investment in HCMC. This, in the long

Table 6: Structure of investment in HCMC

| | 1990 | 1991 | 1992 | 1993 | 1994 |
|--------------------------------------|-------|-------|-------|-------|-------|
| Gross investment | 100 | 100 | 100 | 100 | 100 |
| Investment in manufacturing industry | 44.42 | 29.13 | 41.08 | 36.83 | 34.36 |



run, will enable the economy to be industrialized. The above table shows that the manufacturing industry played a leading role in the economic

development in HCMC.

Our survey of 61 plastic factories in HCMC produced the following result (Unit: VNĐ million):

then there are 840,000 households in HCMC and the upper class includes 179,769 households. The upper class increased by 3.56 times in the period from 1991 to 1994.

The per capital gross output in HCMC is four times higher than the national average. The average personal expenditure in a month in HCMC increased over year. The personal income increased by 138% compared with Hà Nội and 193% compared with Hải Phòng (according to the General Department of Statistics, 1993). From 1990 to 1994, the expenditure on domestic appliances of household increased by 13-15% every year. In 1990, of 100 households, 71 ones had TV set, 33 VCR, 63 motorbike, 24.7 refrigerator or washing machine.

Table 7:

| Kind of business | From 1990 to 1995 | | | |
|----------------------|-------------------|--------|--------------------|--------|
| | Gross investment | | Capital investment | |
| | Total | % | Total | % |
| State-owned business | 13,333 | 39.72 | 14,747 | 14.51 |
| Limited company | 7,617 | 22.69 | 37,126 | 36.54 |
| Private business | 6,720 | 20.09 | 3,400 | 3.35 |
| Cooperative | 5,320 | 15.58 | 43,097 | 42.42 |
| Family business | 574 | 1.71 | 3,230 | 3.18 |
| Total | 33,564 | 100.00 | 101,600 | 100.00 |

This result shows that the investment in non-state sector is very large (around 66% of total gross investment and 86% of capital investment). This

Number of houses and flats increased by 5-7% every year.

In short, the development of the industrial production caused by technological renovation has recently made changes to the economic structure in HCMC. The economic growth has changed the face of this city. Many foreigners returning to HCMC were surprised at this change and admitted that HCMC, and Vietnam as whole, had developed in right direction.

Experience of NICs has enabled many economists and sociologists to affirm that the weak point of latecomers is the knowledge about industrial development basing on technology. To develop an economy, one can't keep on exploiting natural resources or manpower. It's the knowledge that matters. Not acknowledging the role of knowledge and technology, all development strategy we set forth would end in failure.

Lessons from NICs, foreign technology and well-trained labor force will help us develop the industrial sector and the local economy as a whole ■

fact explains the high growth rate of the plastic industry in the said period (from 25 to 30%) and why this industry could compete successfully with imported goods in local markets.

5. The structure of personal income of different classes

The development of industrial sector has affected positively the economy as a whole and the living standard of different classes. From 1991 to 1994, the percentage of residents living below the poverty line reduced by 3.57 times. The middle class and the upper class tended to increase in this period (in 1994, the upper class represented around 20% of local residents. This percentage is twice the national average).

If we assume that there are 6 persons on average in a household,