

BUILDING SPEARHEAD INDUSTRIES TO GENERATE DYNAMIC FOR HIGH ECONOMIC GROWTH IN HCMC

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I. WHY HAVE MECHANICAL ENGINEERING, INFORMATION TECHNOLOGY, BIOTECHNOLOGY AND NEW MATERIALS NOT YET BECOME SPEARHEAD INDUSTRIES?

Since 1996, the city has determined to build the above industries into spearhead for its development. The evidence shows no industry acts as a leading one, that is, to generate high growth rate, high economic efficiency, and great contribution to the city economy. This is attributed to the two facts: First our capacity of self-investment is low; second this is a fresh work, so our implementation is not appropriate. Here we should distinguish the nationally decisive scientific and technological sectors - namely high technologies - from others which have high competitiveness, grow fast and bring large incomes. If one industry wants to become a spearhead, it will need huge investment which is hundred

times the funds from the national budget for scientific and technological R&D which now stands at US\$0.8 to 1.2 per person annually in our country. South Korea, Japan, and the U.S. invest US\$300-600/person/year in science and technology development. The HCMC has not yet determined and been able to make proper investments in this area to boost its economic growth. With a total scientific investment capital of US\$2 million/year for its 5.3 million people or VND6,000/person/year, the city can do nothing but maintain a small establishment of scientific research which is rather modern in line with the international standard. However, we may develop an industry into a spearhead if we have appropriate methods.

To do this, we should pay attention to 4 kinds of solution:

- Heading for large markets for large consumption of products;
- Mobilizing huge capital to invest in this sector;

- Linking internal resources to generate the strength for development;

- The organization method is the city five-year target program with annual goals, tasks and solutions and programs coordinating state agencies, enterprises, scientists and training institutions.

The three key industries defined by the city in 1996 besides IT application, have not been developed into target programs. There are also no responsible agencies, own budgets and yearly review.

II. HOW TO BUILD SPEARHEAD INDUSTRIES?

The city report on socio-economic development tasks in the 2001-2005 period at its seventh Party Unit Congress (December 2000) determined

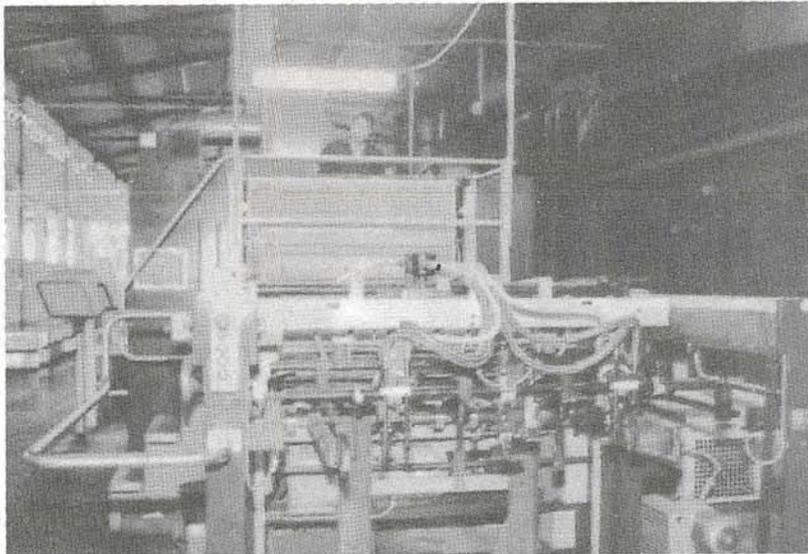
the city's 16 key industries such as: food processing, mechanical engineering, electronics, chemicals, plastic-rubber, textile, garment, shoe and leather, construction, transport, tourism, trade, software technology, post and telecommunications, property trade and consulting, and finance-banking.

These are high-percentage industries in the city economic structure, creating nearly two-thirds of its GDP. They have development prospects with high rate. Many of them reflect the city advantages as an economic-financial-commercial and service hub of the country. Among them, the four industries including mechanical engineering, software industry, post-telecommunications and finance-banking have to attain very fast growth. The mechanical engineering is a ground for industrial development of the city and the whole region. The software industry generates very high value added and economic efficiency (income 10-30 times

that of traditional industries and 50-100 times that of the city agriculture). The sector requires less capital and depends mainly on the Vietnamese intelligence. It also has great demands in the world and domestic markets. Post and telecommunications are technical foundation for the knowledge economy as well as super highway to integrate into the international economy. Financial and banking services are important pre-conditions to attract capital for the city industrialization and modernization. As such, the mechanical engineering, software industry, post-telecommunications and finance-banking are the city's 4 major industries in the next period.

The construction of these industries requires appropriate organization methods as follows:

1. There should be five-year target programs to develop these industries devised by state agencies in coordination with enterprises, research units and training institu-



tions.

These programs have to propose solutions for the Government, enterprises, scientific research agencies and training institutions. Their steering boards will review the performance every quarter.

2. There should be proper programs and methods to mobilize capital for spearhead industries. The money may come from the state budget, company assets, public funds (stocks, bonds), foreign investment, funds of customers and equipment suppliers.

3. Specifying target markets for products of key industries and programs to gain foreign market shares in accordance with each kind of prod-

ucts and each period of international integration.

In this spirit, the city has planned 6 target programs to develop six industries of food processing, marine products, tourism, mechanical engineering, plastic-rubber and software industry since December 2000. The experience will be applied to remaining industries from April 2001.

III. HOW TO CREATE HIGH GROWTH MOTIVES FOR THE CITY?

Solution 1: Fully utilizing the economic, political and cultural forces for development:

- Creating motives based on market rules: encouraging healthy competition and heading for foreign markets.

- Creating motives based on political factors and administration tools: In our society, all interests of enterprises, the State and the people are focused on the national targets of

ture, science and technology, and technical infrastructure.

- Improving investment efficiency: boosting reforms in public administration and state-owned enterprises; renovating the method and implementation of socio-economic plans in the principle of democracy, feasibility and efficiency; terminating the development state based on administration border (district, city and province, central and local system); and attracting local and foreign investment in software industry.

Solution 3: Developing modernization solutions with low cost and competition by combined advantages

- We must modernize the economy in the condition of a poor country. Other countries may develop science and technology with the state investment of US\$300-600/person/year while our maximum investment stands at US\$1.5-2/person/year. Therefore, we have to take appropriate steps. One country studied foreign original samples to produce autos, war tanks, planes...and even spaceships 40 years ago. This is a lesson for our country.

The HCMC has reviewed 12 low-cost measures for modernization. They need dissemination and development in large scale.

- Competition by combined advantages: Our technology remains outdated so we cannot compete with our rivals by technology. From the city facts and other countries' experience, we may determine 10 competition measures by combined advantages, for example:

- Making the best use of Vietnamese advantages in materials, especially in food processing, handicrafts, building materials and the people's creativity and inventions;

- Renovating product designs in accordance with the market requirement;

- Applying modern methods to product quality management;

- Joint marketing, and export;

- Innovating technologies in a selective manner for decisive stages...

The city People's Committee has developed the program to help enterprises' modernization with low cost with a view to creating combined competition advantages and joint export for the 2000-2003 period.

Solution 4: Improving the level, responsibility and capability of state officials and managers; applying IT to management; and making favorable conditions for citizens to contribute their skill and talent to the city pioneering into the knowledge economy in early 21st century. ■

wealthy people, strong nation and equal, democratic and civilized society.

- Creating motives based on cultural factors: Vietnamese has a tradition to love their fatherland, highly appreciate communal interests, and try their best to learn lessons from surrounding countries.

Solution 2: Both increasing gross investment and promoting investment efficiency

- Increasing the city gross investment: improving the investment environment; promoting investment; renovating the monetary system and encouraging investment projects in priority areas as well as private investment in education, health, cul-