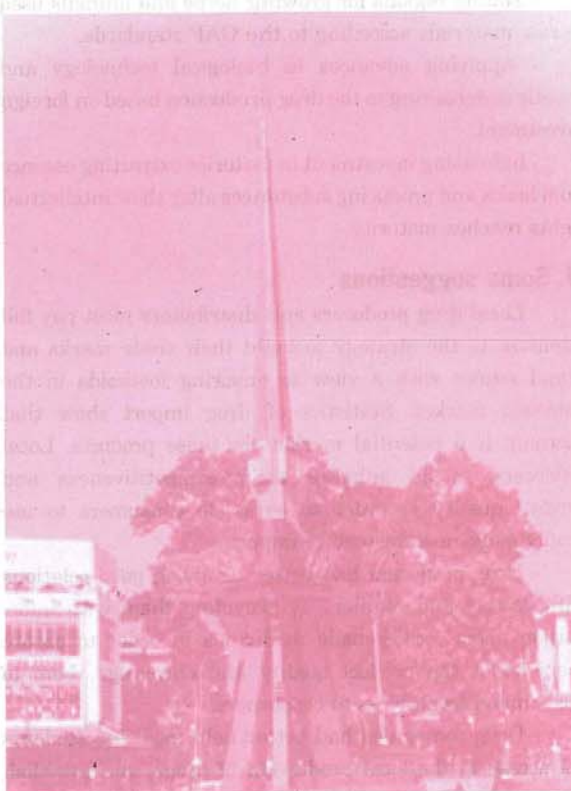


The Role of Private Sector in the Industrial Development in Bình Dương

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Before 1992, Bình Dương was still an agricultural province where the manufacturing sector accounted for only 23% of its gross output. In the past 10 years, especially since it was separated from Sông Bé Province, it has become an industrial center of South Vietnam. Up to 2005, the industrial output value reached VND88,633,986 million and the manufacturing and construction sector accounted for 64.5% of the provincial gross output making an annual increase of 36.4% in the

years 2001-05. At present, its industrial output ranks fifth in the country (after HCMC, Bà Rịa Vũng Tàu, Hà Nội and Đồng Nai). And certainly, the private sector has played an important role in this development. The number of industrial concerns in the province increased quickly, especially after the Companies Law 1999. The private sector experienced the highest growth while the number of state-owned companies decreased from 39 in 2000 to two in September 2006. Up to 2005, the private sector comprised 3,791 industrial concerns (or 74.18%) among 5,110 ones in the province making an increase of 1,132 concerns compared with 1996.

Table 1: Industrial concerns by sector in 1996-2005

Year	State-run	Collective	Private	Personal	Mixed	Foreign-invested
1996	22	2	200	2,459	96	50
2000	22	2	200	2,478	104	63
2005	14	15	345	3,446	64	686

In comparison with 2000, the number of industrial concerns in key industries of the province rose remarkably, namely, 21 concerns in metal industry; 570 in metal product; 261 in furniture; 230 in non-metal product; 59 in textile; 212 in garment; 84 in lather and leatherette; 66 in rubber product and 83 in chemicals.

The labor force in the industrial sector also rose accordingly with 97,730 jobs created annually. In 2000-05, 251,658 new jobs were created, mainly for immigrant workers. In this period, the private sector saw establishment of 1,142 new concerns and 16,875 new jobs increasing the industrial labor force to 369,485 people (equaling 56.06% of the total labor force of the province).

Table 2: Private concerns and their labor force in 1996-2005

Year	CONCERN				LABOR FORCE			
	Total	Private sector			Total	Private sector		
		Number	As % of the total	Increase		Number	As % of the total	Increase
1996	2,831	2,659	93.92		65,380	18,215	27.26	
1997	2,869	2,617	93.34	29	76,294	17,728	23.30	433
1998	2,986	2,743	91.86	65	84,820	16,653	19.63	1,129
1999	3,051	2,745	89.97	2	101,937	18,307	17.95	1,654
2000	3,169	2,781	87.75	36	117,827	19,794	16.80	1,487
2001	3,608	3,036	84.14	225	152,734	25,112	16.44	5,318
2002	3,845	3,114	80.98	78	203,741	30,639	15.00	5,527
2003	4,293	3,375	78.61	261	269,985	33,746	12.49	3,107
2004	4,830	3,708	76.77	333	326,026	34,587	10.60	841
2005	5,110	3,791	74.18	83	369,485	35,090	9.49	503

Source: Bình Dương Statistical Yearbooks 2000 and 2005

Regarding investment, in the first quarter of 2006, industrial estates attracted 34 projects with a total investment of US\$834,000. Up to March 2006, there were 710 companies in industrial estates comprising 524 foreign-invested ones with total investment of US\$2.7 billion and 186 local ones capitalized at VND2,100 billion. The gross investment made an increase of 61.1% in 1997-2000 and 36.4% in 2001-05. The value of fixed assets of the industrial sector in 2005 reached VND30,000 billion equaling 83.3% of the value of fixed assets in the province. Of this value, the private industrial concerns contributed some VND10,000 billion, or some 33%.

The invested capital per industrial laborer also showed an upward tendency, reaching VND197.8 million in 2004 equaling the national average. In the private sector, however, this figure was rather low (some VND10 million per laborer). This highest figure was found in the power supply sector (VND1.4 billion) and the lowest in the clothing industry (7.1 million).

The technological level of the industrial sector has been improved too. Up to June 2005, certifications of quality control standards (such as ISO 9001: 2000, HACCP, GMP, ISO 14000: 1996, TQM, and QS-9000) have been given to 103 concerns in Binh Duong, comprising 20 state-owned ones; 42 foreign-invested ones and 20 private ones.

The above-mentioned improvements made the industrial output value rise steadily over years. It reached VND88,633,963 million in 2005 making an increase of 684% as compared with 2000. Of this value, non-public sectors accounted for 42% in 1996; 36.52% in 2000 and 25.76% in 2005. The following table shows the growth of industrial output value at 1994 price.

Table 3: Output value by sector (VND billion at 1994 price)

Sector	Year			Growth rate (%/year)		
	1996	2000	2005	1997-2000	2001-2005	1997-2005
TOTAL	3,010.7	9,282.1	42,536.2	32.5	36.4	34.4
- Public sector	930.8	1,281.2	1,996.0	8.3	9.3	8.8
+ Centrally-run	589.5	738.1	1,102.8	5.8	9.0	7.4
+ Locally-run	341.3	543.1	787.2	12.3	9.7	11.0
- Non-public sector	1,066.4	3,186.1	8,357.4	31.5	27.3	29.4
+ Collective	0.2	8.1	7.9	143.5	-0.7	55.5
+ Private	265.5	448.3	1,004.9	14.0	22.4	18.1
+ Personal	187.1	200.0	384.3	1.7	17.7	9.4
+ Mixed	613.6	2,529.7	6,960.4	42.5	28.8	35.5
- Foreign sector	1,013.5	4,824.8	2,858.6	47.6	46.0	46.8

Source: Author's calculations based on data published by Binh Duong Statistics Bureau 2000-2005

Up to March 2006, the industrial output value reached VND9,854,200 million increasing by 16.7% compared with the corresponding period in 2005 and completed 17.6% of the target planned for the year. The industrial output from the public sector, however, decreased by 11.4% while that from the foreign sector rose by 18.9% and from non-public sectors by 16.2%. This achievement made Binh Duong gain the highest industrial growth rate in the country and it was higher than the average growth rate of the Southern Vital Economic Zone (118.4% compared with 132.9% gained by Binh Duong).

The following table shows shares of different sectors in the industrial growth

Table 4: Shares in the industrial growth by sector (VND billion at current price)

Indicator	1997	2000	2005
* Absolute increase in value	1,291.4	4,724.5	23,524.9
- Public sector	-343.8	366.3	700.5
- Non-public sectors	527.9	1,466.3	4,624.4
- Foreign sector	1,107.3	2,891.9	18,200.1
* Share (%)	100.0	100.0	100.0
- Public sector	-26.6	7.8	2.9
- Non-public sectors	40.9	31.0	19.7
- Foreign sector	85.7	61.2	77.4

Source: Author's calculations based on data published by Binh Duong Statistics Bureau.

Increases in the industrial output helped promote export of manufactured goods in 2005 to US\$2,117,094,000 equaling 68.28% of the export earnings for Binh Duong. The Binh Duong earnings accounted for 19.5% of the export value made by the Southern Vital Economic Zone and over 10% of national earnings from export of industrial products.

Products that earned high export values were footwear, clothing, wooden products, ceramics, electric wire and bicycle. They accounted for 70% of export value earned by the manufacturing sector and 60% of the total export earnings for the province. The export earnings made contribution from this sector to the provincial budget income in 2001-05 to rise by 31.9%.

The industrial development has affected favorably the change in the structure of industry. In the manufacturing sector, shares of engineering and electronics industries in the industrial output are still low (9.6% and 8.7% respectively) but they have shown an upward tendency over years. Shares of labor-intensive industries, such as textile, garment, footwear, wood processing and farm products processing are still high. They accounted for some 50% of the industrial output.

The most remarkable feature of the industrial

development in Bình Dương in recent years is the establishment of industrial estates and parks. Although Bình Dương developed these parks after HCMC and Đồng Nai, it has accelerated their building: in 1997 only three out of 15 industrial parks came into operation; in 2005 there were 16 industrial parks were developed in Bình Dương and 12 of them have come into operation. The total area of these parks is 3,274 hectares. Seven out of 16 parks are invested by private companies. The occupancy rate of these parks is 86% (the national average is 33.46% only). Such parks as Sóng Thần, Đồng An, and Tân Đông Hiệp A are full now. These industrial parks attracted 1,122 projects (1,098 of them are in industrial sector) capitalized at US\$4,745 billion, supplied 226,860 jobs, gain total sales of US\$3,653.8 million, paid US\$148 million in taxes, and accounted for 50%-60% of the provincial industrial output and 40%-50% of export earnings. In addition, there are 11 industrial estates with a total area of 779 hectares in Bình Dương, and 401 hectares have been covered with factory buildings.

Bình Dương leads the way not only to development of industrial parks and mobilization of both domestic and foreign investment, but also to building of the country's largest urban industrial complex as a more perfect model of industrial park linked with residential areas. At present, the provincial authority keeps on encouraging private concerns to modernize their technologies and enter into high-tech industries by offering various kinds of incentives.

Most private concerns in Bình Dương (some 958 out of 3,791), however, were established in the past five years. They are run like family businesses and lack business experience. Their size is small in comparison with concerns in other sectors because they couldn't get access to formal credits from state-owned banks. In 2005, concerns with capital of less than VND10 billion represented 71.01%; and 31.46% had capital of less than VND500 million. The average labor force was 50.389 laborers for industrial concerns, and 5.1 for personal concerns, and most of laborers are immigrant workers who lack training.

Most industrial parks and estates concentrate in southern districts (Thuận An, Dĩ An, Nam Bến Cát, Nam Tân Uyên, and Thủ Dầu Một Town) while northern ones (such as Phú Giáo, Dầu Tiếng, Bắc Bến Cát, Bắc Tân Uyên) have only very small industrial concerns (only three private businesses out of 345 concerns in the province; and 451 personal businesses out of 3,446). With their limited resources, private businesses are slow to modernize their machines and tend to engage in labor-intensive industries, such as clothing, textile,

footwear, wood processing, furniture, and farm product processing; and their share in the industrial output value tends to decrease.

In addition, many private concerns meet difficulties caused by lack of area for their factory building, market for their output and necessary support from authorities. Although the number of private concerns is large, the provincial government has no policy to encourage them to engage in operations relating to trade promotion, marketing of support for production. Many private concerns have no business strategy or any idea about their market share or staple products. Some others even engage in production of fake goods or denial of laborers' interests but local authorities have no measure to deal with effectively.

To encourage private investment and contribution to the industrial development in the coming years, full attention must be paid to the following problems:

- The legal infrastructure must be perfected and made appropriate to international practices with a view to ensuring interests of the private sector and helping investors understand laws and regulations relating to their businesses.

- Trade promotion, market research and information supply must be beefed up in order to help the private sector develop.

- Various measures could be taken to help private concerns to get access to formal banking services and other forms of financial support offered by the State.

- Small industrial estates could be developed in all districts with a view to offering area for factory buildings of small enterprises at reasonable prices.

- Supplying short-term training courses in management and law to managers of private concerns is also a good measure.

- Authorities should offer equal treatment to all sectors and avoid all kinds of discrimination, and beef up supervision in order to prevent illegal practices.

- The administrative reform must be accelerated in order to reduce waste of time and money for private companies when working with local authorities. In addition, local authorities had better encourage private companies to standardize their business processes and meet international standards of quality control and management.

- The role of trade associations must be beefed up with a view to helping deal with obstacles to their businesses.

- Strong measures must be taken to encourage cooperation between sectors, especially between the private and public ones to improve their production capacity and competitiveness ■