

For the Better Integration and Development for Western Highlands Economy

by TRỌNG BẢO



Western Highlands consists of five provinces: Lâm Đồng, Dak Lak, Đắk Nông, Gia Lai and Kon Tum with a total area of 56,120 sq.km, including 3 million hectares of forest; 1.26 million hectares of farming land and 666,000 hectares of perennials. This zone has great potentials for forestry, hydro-power, mining, tourism and agro-industry.

1. Achievements and shortcomings

In the past 10 years, its gross product rose by 15.2% annually on average, twice as high as the national average. Its agricultural output rose by 7% (compared with the national average of 4.5%); and export of farm products rose from US\$30 million in 1999 to 300 million in 2003.

Its gross product (VND11,600 billion in 2003), however, is still smaller in comparison with other six zones because of its backward structure of industry. The output per hectare of farming land is only VND13 million (equaling 72% of the national average; and the per capita income is VND3 million a year (equaling 52% of the national average.)

In recent years, many provinces have started specializing in producing farm products for export, such as coffee (accounting for 85.6% of the export volume), cotton (69.8%), tea (31.7%), etc.

The Western Highlands production still contains the following shortcomings.

- Although 25.6% of the national forest area is in this zone, the Western Highlands account for only

5% of the forestry output. The forestry industry only concentrates on processing and exporting wood. Most programs in this sector aim at public benefits instead of economic efficiency. Deforestation (some thousands of hectares every year) becomes widespread while planting forest on devastated areas is all the army of rangers and forestry services could do. Besides poor management and planning, Western Highlands are facing unruly flows of migrants and social unrest among ethnic minorities. These problems produce long lasting and direct effects on local economic development.

- The service sector in this zone is poorly developed. Wide fluctuations in prices of farm products, and the lack of markets for the output and information for peasants have led to

crises caused by the imbalance between supply and demand and made efforts to introduce development plans end in failure.

- Most companies in this zone are of small scale and poor competitiveness. They concentrate in certain industries (construction, trading, etc.) and fail to cooperate together. As for local governments, they have no plan to provide them with technical assistance, training service, financial support and business information.

These shortcomings make the structure of industry slow to change, and prevent reasonable allocation of resources. To achieve targets set for this zone by the development plan for 2000-2005 period, many problems must be solved by concerted efforts by both local governments and productive forces. After studying realities in this zone, I suggest the following measures.

2. Measure to develop the Western Highlands economy

a. Ensuring public order and political stability

In recent years, Western Highlands witnessed social unrest while local governments had no preparation. They should take action to ensure political stability, prevent smuggling, speculation and commercial frauds. A plan to recruit the talent from other provinces and train local laborers in subjects needed for the foreign trade is also very necessary. The central government had better allow local government more autonomy in granting land and forest to local residents, especially ethnic minorities with a view to making them feel assured in their new settlement.

b. Improving business climate

Each province must try to improve the business climate with a view to integrating into the world market and making local

conditions more attractive to foreign investors. Various policies must be adopted to encourage foreign investment by tapping local potentials. Full attention could be paid to staple products for export and efforts to expand export markets and establish trading and cultural relations with other provinces and surrounding countries as well.

In 2004, local government must accelerate the administrative reform, especially in economic managing agencies, with a view to creating favorable conditions for companies of all sectors.

c. Improving the competitiveness

Improvements in the

(65% in 2003 compared with the national average of 24.3%), companies had better establish direct relation with producers instead of relying on middlepersons. Companies, based on their financial strength, could supply credit and support to peasants (cash, technical assistance, farm materials, etc.) with a view to ensuring reliable sources of raw materials after harvest. Local governments could help companies develop into corporations or strong groups.

d. Changing the structure of industry

The development plan of each province must aim at developing the manufacturing sector, especially

ters of well-processed wood and 900 tons of bamboo chopstick. However, most of them are facing shortage, or unreliable sources, of raw materials. Without strong measures, the manufacturing sector will keep playing a minor role the local economies.

For the time being, incentives could be given to transition from growing grains to annuals and perennials of higher values (cotton, tobacco, fruits, etc.). In this effort, local governments should ensure irrigation, technical assistance and supply of new strains. Changing the structure of industry doesn't take place automatically after introducing some policies, it requires

no strategy to build their brand names and make their quality more stable. That is why some 90% of export from these provinces is raw materials or semi-finished goods.

To build brand name for their products, producers must standardize the product quality, design and production process. A standardized product can easily be accepted by foreign market although its quality is not very high. The shortest way is to apply internationally-adopted standard systems, such as ISO 9000, ISO 9001, ISO 9002, etc. It's regrettable that many producers have spent a lot of money buying new production lines in order to improve the qual-



competitiveness of both companies and local business climate are preconditions for successful integration into the world market. The Companies Law promulgated four years before have helped change the face of Western Highlands. The realization of this law, however, meets with many difficulties caused by unreasonable policies on land, banking service, etc.

Western Highlands are a zone where the agriculture accounts for the better part of their gross output

the agro-industry, and the service sector based on changes in the market forces. As for the forestry, local governments must shut forests in order to increase the coverage to 65% as required by the central government. The exploitation of forest must be carried out according to approved plans.

At present, there are some 500 concerns specializing in processing wood with a total capacity of 73,000 cubic meters of plank, 700 cubic meters of plywood, 3,500 cubic me-

efforts from the public, especially from the business circle. They could take part in all projects of all sizes, so the government could concentrate on major programs only and spend more time and energy preventing corruption and embezzlement.

e. Building brand name of leading products

Although many farm products from this zone are of high quality in comparison with foreign counterparts, they couldn't find footholds in foreign market because there has been

ity of processed products (while the quality of farm products are determined mainly by peasants) and fail to pay full attention to the brand name of the product - the factor that ensures its image in the mind of the public.

In addition, companies had better adopt reasonable policy on purchasing raw materials in which requirements for product quality is made clear and encouragement to development of reliable supply of raw materials is given. ■