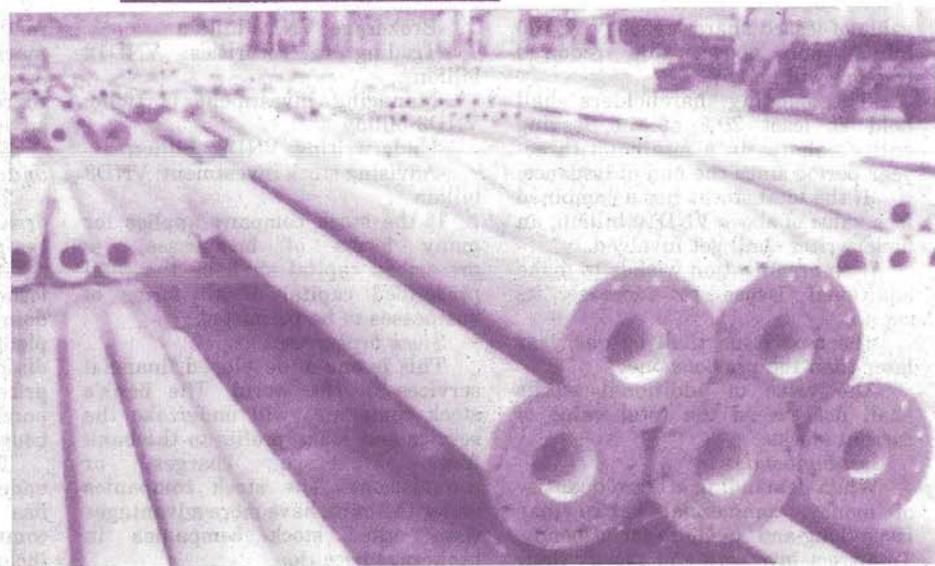


I. PRODUCTION OF BUILDING MATERIALS IN VIETNAM TODAY

In recent years, the market for building materials has enjoyed a boom, the demand for building materials is on the increase and becomes diverse. In the South, especially in HCMC, trade in those materials has developed faster than in any other provinces.

New economic policies adopted by the Government have also encouraged this development. However, the construction industry as a whole needs a new development strat-



MEASURES TO DEVELOP THE BUILDING MATERIALS INDUSTRY IN VIETNAM

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egy if it is to meet requirements posed by the industrialization and modernization process.

1. The production of building materials enjoys many advantages, and also a big market in the South. Those advantages are as follows:

a. Raw materials: Vietnam is rich in raw materials for the construction industry (limestone, granite, marble, coal, oil, kaolin, bauxite, diatomite, bentonite, etc.). Many of these mines are easy to exploit and convenient for transport.

b. Cheap labor: The building materials industry, as a labor-intensive one, could benefit most from this advantage. It can employ laborers of all kinds, from manual to skilled ones.

c. Right economic policies: Economic policies in Vietnam tried to create fair competition between sectors and companies.

These companies, both state-run and private ones, are making more investment in new technology and equipment and reforming management machinery with a view to supplying a wider range of goods, especially when they are facing keen foreign competition now.

d. Big domestic market: In the next ten years, the market for building materials tends to expand because of increasing flows of foreign investment, higher living standard and a series of infrastructure projects. In addition, the development of foreign cooperation, especially with neighboring countries, also facilitates the modernization of the building materials industry.

2. Besides these advantages, the building materials industry is facing many difficulties.

a. Necessary raw materials are abundant and could be found in every

province but the building materials industry couldn't make the best use of them because of obsolete mining techniques. This is a great difficult to Vietnam because the mining industry requires big investment and long payback period.

b. Laborers, especially in the South are industrious and eager for new techniques but their general education is low (12% of the working population in the South is illiterate). The number of technicians is small and most of them are not well trained. The industry is facing the shortage of understudies to researchers of building materials. The number of technical workers is on the decrease while the army of unskilled workers increases. Most workers lack experience of producing building materials and of realizing construction works because the industry has just developed in recent years.

c. The market economy under government management offers business opportunities to all sectors but it requires great effort from the government to ensure fair competition, especially in the struggle against monopoly, tax evasion, smuggling and production of imitated goods. In addition, the open economy also poses new problems for the industry, such as competition from foreign-invested company, lift of tariff barrier, introduction of new technology, etc. The building materials industry, in its development process, should overcome these obstacles.

d. The boom period for the building materials industry in Vietnam and neighboring countries is expected to last for ten years more but this is also a challenge to Vietnam because this industry in Vietnam is far behind its counterparts in other countries. If it fails to mod-

ernize itself quickly, the domestic market will be flooded with imported building materials.

II. MEASURES TO DEVELOP THE BUILDING MATERIALS INDUSTRY

1. Investing in selected lines of product, especially high-quality ones

+ Selecting lines of product to invest: In the market for building materials, there is demand for cement of various kinds, glass, bathroom and toilet fixtures, glazed tile, etc. These lines of product could be modified to suit local and foreign markets.

+ Selecting technologies: As we know, many technologies in developed countries aren't suitable to developing countries where capital is lacking and labor is abundant. So, in developing the building materials industry, large-scale factories using modern technologies will be developed in parallel with labor-intensive ones using technologies of medium level.

2. Industrializing the production of building materials by a two-phase process

Like other developing countries, Vietnam lacks capital and couldn't invest in production of too many building materials. That is why a two-phase development strategy is needed.

Phase 1: Producing substitutes for imports by encouraging local production and limiting import of goods that could be made locally:

At present, Vietnamese building materials industry could produce cement of various kinds, steel and iron, marble, glass, bathroom and toilet fixtures, and glazed tile.

Phase 2: Producing high-quality products for export:

An export-oriented strategy includes the four following stages: exporting

high-quality products - importing intermediate materials - improving labor productivity - producing substitutes for imports. In other words, import substitution should be linked with export orientation with the aim of increasing export of high-quality products.

To carry out this strategy, we should make the best use of existing sources of raw materials and cheap labor, and find out niches in the international market. We could at first produce traditional products using labor-intensive methods, and then develop new products based on technology-intensive ones.

3. Mobilizing all possible sources of capital

a. Local source: This source of capital could be concentrated in the following projects:

- Exploiting local natural resources used as raw materials for the building materials industry: In this project, small and medium factories acting as satellites of bigger ones could be developed to supply raw materials and semi-processed goods. By doing so, the exploitation of natural resources could be carried out on large scale and regions specializing in producing building materials will be formed.

- Upgrading existing building materials factories: By supplying long-term credit, the Government could encourage existing factories to upgrade their production lines with a view to producing high-quality goods (in Hà Tiên 1, Hà Tiên 2 and Thành Danh factories) or invest in new production lines (in Gạch Bông-Đá Ốp Lát 1 and Thành Thành factories). In addition, certain protectionist measures are also needed for the time being.

b. Foreign source: Foreign investment should be oriented towards production of new products based

on technology-intensive methods and local raw materials. In recent years, foreign investment in the production of building materials has been limited because of the following causes:

- Most mineral resources in Vietnam are found in remote areas. This means that the production cost will be very high.

- Investment in production of high-quality goods is so big that only powerful investors can afford it.

- Investment in mining industry should be very big while it involves a high degree of risk and a long payback period.

Another problem from local partners is the lack of competent companies that can cooperate with foreign partners to undertake large-scale projects. To persuade foreign companies into investing in production of high-quality building materials, the Government could take the following measures:

+ Selecting right foreign partners and right forms for foreign investment: For the time being, we can welcome foreign companies of all sizes, but in the long run, full attention must be paid to powerful multinationals whose technology and

managerial skills are what the local building materials industry needs. Moreover, various forms of investment could be offered to foreign partners including the establishment of IPs specializing in production of high-quality building materials.

+ Developing local companies or groups of company: This measure aims at creating local companies competent to cooperate on equal terms with foreign partners and save ourselves from being put at a disadvantage when negotiating with foreign parties. Those companies are to look for appropriate foreign trading partners and footholds in foreign markets in order to help with the industrialization of the building materials industry.

III. CONCLUSION

Vietnamese manufacturing sector as a whole, and the building materials industry to be precise, is facing both opportunities and difficulties. Developing this industry requires some measures to substitute imports and promote exports at the same time, that is, to satisfy the demand of domestic market and enter foreign ones. This task, in its turn, requires more effort from the business circle and more reform in economic policies. ■

