

Today plastic products are widely used for production and consumption all over the world. They are available everywhere, from home appliances such as bowls, slippers and sandals, furniture to high quality components of planes, automobiles, motorcycles, television sets, refrigerators, washing machines...which accounting for 10% to 30% of the material value used for those products. In the building sector, plastics are also common from water pipes, ceiling and floor cover to doors and windows. In the packaging sector, they are dominant from bags to bottles, cartons, tanks, pallets...

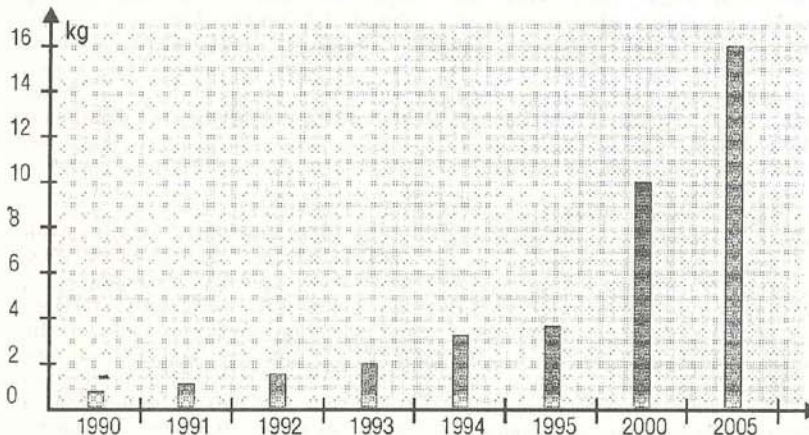
Plastic products are increasingly prevalent because they are durable, nice, and easily processed, in addition they are cheaper than others and their output is higher.

As a result, experience from developing countries shows if the GDP growth rate is 1% then the plastics industry's growth rate will be between 2% and 3%. In Vietnam, the industry's annual growth was recorded at 25%-30%, this is a very high rate, however due to its low starting point, the country's per capita plastics output is still too low. (see the following table)

SOME COUNTRIES' PLASTICS OUTPUT IN 1991

	Output (kg/person/year)
Vietnam	1.5
Indonesia	8
Thailand	16
Malaysia	22
Australia	55
Singapore	70
Japan	80
The U.S.	85

VIETNAM'S PER CAPITA PLASTICS OUTPUT



Before opportunities and challenges, the plastic industry should devise proper strategies and measures to boost its competitiveness and expand its domestic and foreign market share. We like to suggest some measures.

1. Capital

To reach the above target, the industry needs US\$1,132.2 million at least for production of which US\$800,000 is offset for producing 1,000 tonnes of products per year and US\$221 million for producing materials, equipment and moulds. The total capital needed is

MEASURES TO DEVELOP THE PLASTICS INDUSTRY IN THE CURRENT CIRCUMSTANCE

by Mecon. Nguyễn Thanh Long

US\$1,352.2 million.

The Government plans to offer loans worth US\$400 million to state enterprises during this development stage and they will earn US\$100 million by themselves. The capital will amount to US\$500 million. The remaining will come from other sources:

Vietnam government's loans to private firms	US\$150,000,000
Foreign banks' loans (est.)	US\$200,000,000
Private investment (including overseas Vietnamese investment)	US\$200,000,000
Total	US\$550,000,000

The remaining US\$303.2 million will come from joint ventures and wholly foreign-invested capital. As for joint ventures, the Government shall make favorable conditions for granting land and loans to Vietnamese enterprises for capital contribution in joint ventures.

Due to very slow development in the past, the Vietnam's plastic industry is still too small against its developmental requirements. So new investments are necessary and focussed on:

- Renewing basically the current structure of plastic products serving the industry, construction, agriculture, increasing high-tech products; adjusting the structure of economic area and ownership with a view to creating favorable conditions for development.

- Attracting foreign investment for technological innovation and workers' skill improvement.

- Diversifying products and materials, mainly high quality ones for industry and construction and new materials.

- The Government should have policies encouraging home and foreign investors to produce import substitutes of spare parts and give them tax incentives for first years of production (for long-term projects)

- Attracting investment capital to produce plastic materials and such products as: water pipes, building

materials, package, children toys, especially items for industries of electricity, electronics, automobile, motorcycle, the Government should have macro-level management measures to avoid the uncontrolled and uneven development in the past, for example, large investment in producing home plastic utensils while other items were not paid full attention to.

- Improving activities of the Vietnam Plastics Manufacturer Association, making conditions for the association to play its role in consultancy of investment and competition.

- Issuing soon the product quality criteria suitable for domestic production capability but guaranteeing these criteria accepted by the world and ASEAN, this will lead to healthy competition and boost helpful investment.

- Making only joint venture projects worth from US\$300,000 to US\$500,000 at least to make favorable conditions for domestic enterprises to invest and develop their production.

- Regarding large projects, they must export between 20% and 30% of their products so as to make access to foreign markets and earn foreign currency for the country. (especially indirect export)

2. Technology (equipment and moulds)

Vietnam's mould manufacturers are currently unremarkable, their dies lack precision. The plastics industry still has to import precise moulds and beautiful designs, while in plastic production, designs are very important and decisive to the performance of a business.

The experience shows modern equipment plus good materials and skilled workers will turn out high quality products.

- The industry should soon build mould making plants with modern technology to meet the requirements of high tech industries such as electronics, automobile and interior decoration. On the other hand, the industry should invest in designing moulds because this is a decisive factor in competition.

3. Economic information

- Setting up the regional and global information net, it is a must for the plastic industry to develop through

Vietnam's embassies and consulates over the world, especially Internet with a view to collecting information fast on market demand.

- Establishing consulting centers for product and technique investment, these centers must be capable of analyzing well and forecasting exactly in order to help producers with their concerned problems.

4. Price

- The industry should find every way to reduce product prices to win in the competition with imported products from regional countries, such as Thailand and China. The prices of home plastic utensils must be suited to consumers' income and purchasing power.

When there is imbalance between supply and demand, the companies should not increase prices and pursue profits blindly. In some specific cases, they can accept temporary losses to gain profits in the future.

5. Product distribution

- Currently, customers have various incomes of large difference. Otherwise, the demand depends upon gender, ages, etc. The industry should thus know the market segment for their products. And they should organize a nationwide network of distribution and apply incentives to distributors and retail sellers.

In addition, these companies should launch an after-sale appropriate and dynamic campaign to create customers' trust in their products and services.

The biggest problem the plastics industry copes with in the present situation is the shortage of capital. According to Mr. Pham Gia Đuộc, Director General of the Vietnam Plastics Corporation, the only way that helps the Vietnam plastics industry compete against foreign counterparts is to eradicate obsolete technology and absorb modern technology to produce competitive items and reduce production costs. As a result, the Government should give financial assistance to efficient companies by exempting taxes. Moreover, the Government should allow companies to make fast depreciation and capital turnover, and install more equipment for production. By doing so can the industry meet the country's development.

