

VIETNAM'S MANUFACTURING INDUSTRY IS CHANGING

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1. Changes in the size and role of the manufacturing industry

In the last five years (1990-1995) the manufacturing industry increased by 13.6% a year on average, twice the speed gained in the years 1985-1990. The high growth rate helped to enhance the importance of the manufacturing industry in Vietnam's GDP: from 22.7% in 1990 to 30.1% in 1995 (in current prices).

The government's investment in the manufacturing industry during this 5-year period increased by 10 times, representing 55% of total investment from the Government every year. The manufacturing industry also attracted more than 50% of foreign investment in Vietnam.

Vietnam's industries, especially power, chemicals and building materials industries, have developed well in the last five years and changed the structure of manufacturing output.

Changes in the manufacturing output structure (in 1989 prices)

Industry	1990	1995
Power-Fuel	18.5%	23.1%
Metallurgy	1.6%	2.1%
Engineering-Electronics	8.5%	7.2%
Chemicals	6.5%	8.6%
Building materials	14.5%	14.8%
Food Textile-Leather	35.9%	31.0%
Clothing	11.1%	10.1%
Others	3.3%	3.1%

Source: General Department of Statistics, 1995.

The table shows that the food processing industry still plays an important role. The power-fuel industry has increased quickly in comparison with the 1980s because of a great increase in oil output: in 1980, this industry represented only 6.3% of the manufacturing output. Certain industries such as engineering, electronics, building materials and chemicals have made remarkable progress while the metallurgy took a less important position (it represented only 2.1% of the manufacturing output).

2. Changes in the manufacturing industry by zones and sectors

The following are main trends of changes in the amount of factories in the past ten years (1985-1995):

- The amount of state factories (managed by central or local governments) decreased from 3,050 in 1985 to around 2,000 in 1995.

In non-state sectors, the amount of collective manufacturing units decreased from 35,000 to some 5,000



whereas the amount of private companies and family handicraft businesses increased to 500,000 units.

The distribution of state factories in the country is as follows (as % of the total amount)

- The North: 55%
- The South: 45%
- + Hồng Delta: 28.7%
- + Eastern South: 27.8% (including HCMC and 10 surrounding provinces)

Provinces and cities with more than 50 state factories are: Hà Nội (249), Hải Phòng (90), Nam Hà (80), Thanh Hóa (59), Nghệ An (71), Đà Nẵng (53), HCMC (373), Đồng Nai (62).

State factories managed by central government bodies represented 25% of the total amount and were distributed as follows:

- The North: 60%
- The South: 40%
- + Hồng Delta: 39.6% (Hà Nội alone: 27.6%)
- + Eastern South: 32.2% (HCMC: 25.0%)

Privately-run factories concentrated in the South, especially in the Mekong Delta:

- The North: 14.5% of the total amount
- The South: 85.5%
- + Hồng Delta: 9.47% (Hà Nội: 4.0%)
- + Mekong Delta: 47.0% (Tiền Giang: 13.2%)



+ Eastern South: 34.1% (HCMC: 15.9%)

On the contrary, the better part of family handicraft businesses (67%) concentrated in the North. Provinces with over 30,000 family businesses are: Hà Tây, Thái Bình and Thanh Hóa. In each southern province, there are about 10,000 family businesses. Particularly, there are some 22,000 handicraft businesses in HCMC and over 20,000 in An Giang. Of the total manufacturing output, over 50% was contributed by centrally-run factories, 20% by locally-run factories and 30% by private factories and family handicraft businesses.

The manufacturing output by zones is as follows:

- The North: 27.3%

- The South: 72.7%

+ Hồng Delta: 16.8% (Hà Nội: 9.7%)

+ Eastern South: 54.8% (HCMC: 30.8%, Bà Rịa-Vũng Tàu: 16.4%)

+ Mekong Delta: 13.8%

These data show that industrial productive forces tended to concentrate in southern provinces, especially in the Eastern South Vietnam. Mountainous provinces in the North and the Western Highlands contributed only 7.4% of the total manufacturing output. Provinces and cities contributing more than 2% of the total manufacturing output are: Hải Phòng, Thanh Hóa, HCMC, Đồng Nai, Bà Rịa-Vũng Tàu and Kiên Giang. Other 11 provinces contributed from 1% to 2% of the total output. Thirty-five remaining provinces had badly-developed industries or almost no industry at all. Each of six provinces of this group hardly represented more than 0.1% of the total manufacturing output. These provinces are Hà Giang, Sơn La, Lai Châu, Cao Bằng, Hòa Bình and Kontum.

3. The first step towards zonal concentration

In the mid-1980s, most industries were located in the Hồng Delta and Eastern South Vietnam and there was only a few industrial estates. There were only five

cities with more than 100 factories. They were HCMC (some 400), Hà Nội (about 300), Hải Phòng (122), Nam Định and Biên Hòa. Most factories stood in small groups or they were situated in isolated districts. There were only two industrial estates which were built in the 1960s (Việt Trì and Biên Hòa).

Up to the mid-1990s, ten years after the introduction of the open policy and economic integration, when the amount of state factories reduced by 30% while the number of private factories made a fourfold increase and the number of family handicraft businesses amounted to 500,000, the Vietnamese manufacturing industry was still of small and medium sizes. Most technology and machinery employed were obsolete. Manual labor still plays an important role. The number of large-scale and well-equipped factories is small.

In order to modernize and industrialize the economy with a view to making Vietnam an industrial country by 2020, the Industrial Development Program set forth by the 8th National Congress of the VCP suggested: developing industrial estates (including export processing zones and high-tech industrial parks) and providing necessary infrastructure for development of new factories. Besides encouragement to foreign investment, the task of zoning land for industrial use, such as building of export processing zones, has helped to concentrate factories in certain estates with favorable conditions.

It's planned that 29 industrial estates would be built in Hà Nội, Hải Phòng, Đà Nẵng, HCMC, Đồng Nai, Bình Dương, Bà Rịa-Vũng Tàu and Cần Thơ by 2000. In the Southern Vital Economic Zone, there have been 18 industrial estates and export processing zones. After 2000, there will be 33 industrial estates all over the country, some of them will have areas from 500 to 1,000 hectares such as Cát Lái (800 hectares), Hiệp Phước (1,000 hectares), An Phước (500 hectares), Nhơn Trạch (700 hectares), Bình Hòa, Phú Mỹ (800 hectares), etc.