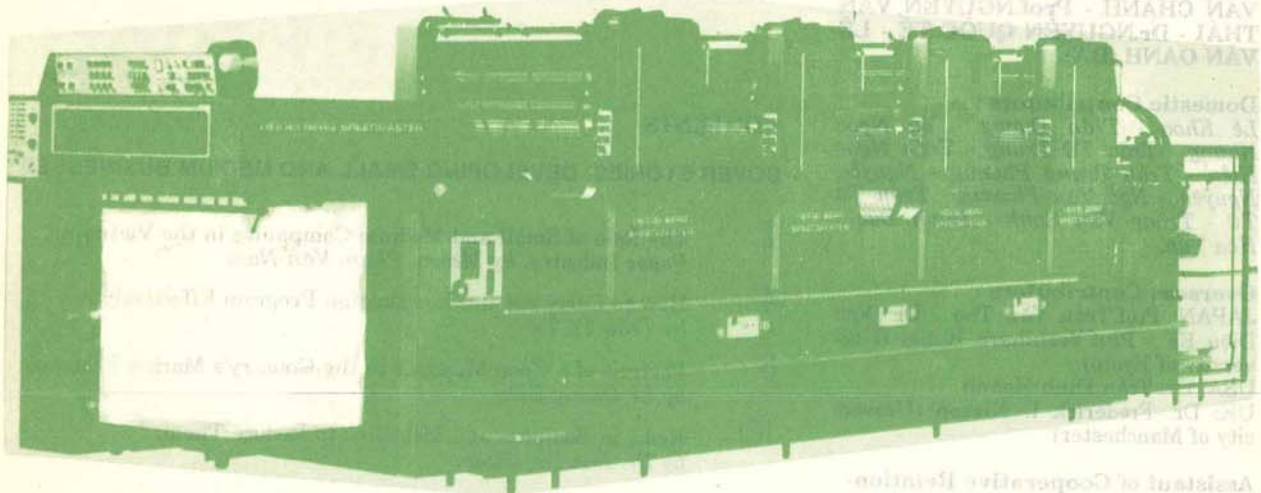


THE ROLE OF SMALL AND MEDIUM COMPANIES IN THE VIETNAM PAPER INDUSTRY

by MEcon PHẠM VĂN NAM



At present, the Vietnam paper industry is backward and of small scale. Statistics show that the per capita paper consumption in Vietnam was only 3 kilos a year, of the lowest level in the world. The total installed capacity of the industry is 240,000 tonnes a year but only 70% of it is in use. The Vietnam paper products are of medium quality as compared with what produced by surrounding countries. There are about 95 paper mills of all sizes in Vietnam today. The industry includes:

- Vietnam Paper Corporation: this is a state company which is the biggest in the industry and consists of 18 members, and 9 of them are producing paper.

- Local state companies: there are 24 state companies producing paper controlled by municipal or provincial authorities. Most of them were built in the 1970s and 1980s using backward technology and had small size.

- Private and limited companies: there are over 60 paper-making con-

cerns which are under private ownership or in the form of limited companies.

There are concerns producing or processing paper products in most cities and provinces but they aren't evenly distributed. Important paper mills concentrated in industrial estates in Biên Hoà, Vĩnh Phú and HCMC or in certain provinces such as Thanh Hoá, Sông Bé, Hà Nội, Hà Bắc, Hải Phòng and Quảng Nam-Đà Nẵng. These localities accounted for 91.3% of total capacity for producing pulp and 85.3% of total capacity for producing paper.

Most of Vietnam paper-making factories are small in comparison with their counterparts in the region and the world as well. The classification of paper-making factories has only a relative meaning in present conditions of the Vietnam economy and paper industry as well.

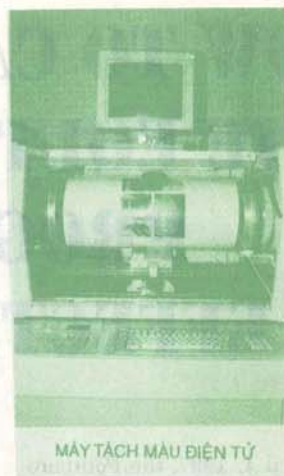
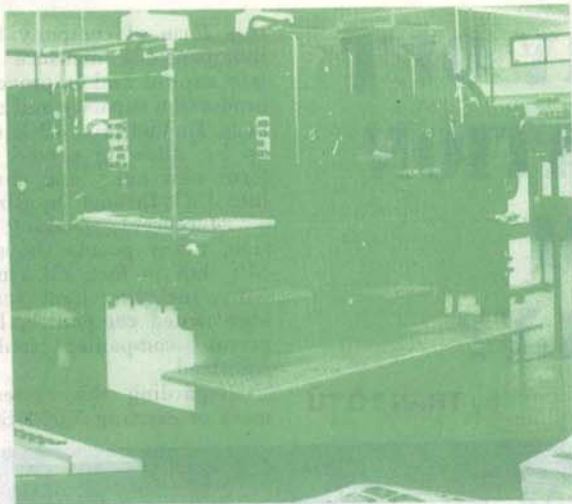
- Large-size paper mills: there are only three large-size paper mills with installed capacity of over 20,000 tonnes a year in Vietnam. They are all state companies under

the Vietnam Paper Corporation: Bãi Bằng Paper Factory (55,000 tonnes/year), Tân Mai Paper Company (48,000 tonnes/year) and Đồng Nai Paper Company (20,000 tonnes/year). These mills have total capacity for producing 110,000 tonnes of pulp a year (or 64.12% of pulp output of the country) and 123,000 tonnes of paper a year (51.2% of paper output).

- Medium-size paper mills: this category includes paper mills with capacity of 1,000-10,000 tonnes a year. There are 33 paper mills of this size in the country. They can produce 59,500 tonnes of pulp (34.4% of national output) and 102,000 tonnes of paper (42.5% of national output).

- Small-size paper mills: they are factories with capacity of under 1,000 tonnes a year. Statistics in 1995 showed that there were about 60 factories of this kind in Vietnam. Their output was 2,600 tonnes of pulp (1.6%) and 14,250 tonnes of paper (6%) a year.

Thus, small and medium paper



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mills supply 48.7% of national paper output and 36% of pulp output. This reveals the importance of small and medium businesses in the paper industry, and their role must be taken into consideration when the strategy to develop the paper industry is made.

Generally, the paper industry is badly developed as compared with surrounding countries. Only Bãi Bằng and Tân Mai Factories are considered as relative modern, their production lines are equal to those of paper mills in regional countries. Most local state paper mills employ old technology imported mainly from China and Taiwan, and most small-size paper-making concerns use obsolete technology and the better part of their machinery is home-made or produced by local engineering industry.

Paper-making machinery in Vietnam has different origins and models but most machines employed are obsolete, the better part of production lines is defective and unsuited to one another, and they need replacement. In small- and medium-size concerns, because of old machinery, obsolete technology and lack of investment, only low-quality paper products were made. Of high-quality products, only a handful of products from Bãi Bằng, Tân Mai and Đồng Nai paper mills reached required standard for export.

Like other products of other industries, paper products met with difficulties of a poorly-developed domestic market and low spending power. The domestic paper market is small but very sensitive. In recent years, this market has experienced many booms and doldrums. Local paper companies have to compete with imported products in unfavor-

able conditions caused by inconsistent protectionist policies, poor product quality and high production cost. With over 50% of total paper output made by small and medium factories, disadvantages of Vietnam paper companies became more serious. That is why there must be plans for the development of small and medium companies in the strategy to develop the paper industry in the period between 1996 and 2010.

In order to produce 400,000 tonnes of paper by 2000 and 1,200,000 tonnes by 2010, the development strategy for the paper industry must include the following measures:

- Building large-size paper factories: this measure requires big investments and a long time, therefore it can only produce intended results after 2000.

- Improving large-size factories and doubling their production capacity: this measure also requires time and a lot of money.

- Enhancing and developing small and medium factories (including private and local state companies): this measure is feasible in present conditions and could help to achieve the aim of producing 400,000 tonnes of paper by 2000.

In developing the small and medium paper mills, the following problems must be solved:

- + To mobilize capital from local business circle and residents as well to modernize machinery and technology in order to improve product quality and reduce production cost with a view to satisfying the increasing market demand, expanding the paper market and competing successfully against foreign products.

- + The domestic market will be

considered as the main target market, so local paper factories have to reduce the production cost with a view to ensuring a predominant market share.

- + By modernizing the machinery, Vietnam paper industry will produce high-quality products and reduce the production of low-quality paper products with ecocidal technology.

- + Cheap labor cost and flexibility of small and medium companies could be seen as preconditions for them to exploit market niches by producing specialties.

- + Small and medium companies had better reduce the production of pulp because of high production cost and bad effects on the environment while the installed capacity of large-size factories hasn't been fully used.

- + Companies with favorable conditions for development must be encouraged to expand business.

- + The Government must take measures to support all paper companies: giving tax incentives, making major investments, controlling importation of paper products, etc.

- + As for foreign-invested projects, encouragement could be given only to projects building large paper mills, or developing local source of raw materials for paper industry in order to protect local industry.

In developing small and medium paper mills, we mustn't forget that the main measure to achieve planned targets by 2010 is to develop large-size factories with modern technology. The development of small and medium factories is only a measure taken at the first stage of the strategy with a view to facilitating the development of large paper factories.