

Measures to Enhance Economic Growth of Bến Tre Province

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Bến Tre is one of provinces lying in the Mekong Delta. It has strong economic potentials and a revolutionary tradition but remains poor. As a result, how to boost socio-economic growth is an urgent problem to the province with a view to turning into an industrialized province by the year 2020.

1. Facts of Bến Tre province's economic growth

Bến Tre has a natural area of 2,315.01 km², including 7 districts and 1 township. Its population is currently 1.4 million. In recent years, the province's economy records certain achievements. Its GDP grows steadily over years and makes positive contributions to the country's development.

- In the 1996-2005 period, the province's per capita GDP reached VND4.647 million/year with an average growth of 11.97%/year, including VND2.989 million in 1996; 3.790 million in 1998; 4.150 million in 2000; 4.889 million in 2002; 8.199 million in 2004 and 7.341 million in 2005 (based

on the current price of US\$473), increasing 2.47 times as compared to 1996.

- The number of employed people accounted for 76% of the province's labor force (682.700 workers in 2005). The labor structure has changed positively together with the economic restructuring. From 1996 to 2005, the share of labor in the primary sector reduced to 78.56% from 82.63% (down 4.07%); at the same time labor transferring to the secondary sector rose 1.32% (from 6.16% to 7.48%) and the labor in the tertiary sector up 2.75% (from 11.21% to 13.96%). The percentage of working hours in rural areas increased to 74.88% in 2005 from 74.03% in 2001, thus reducing the unemployment rate in urban areas from 5.48% in 2001 to 4.63% in 2005.

- The labor productivity grows over years, posting VND6.8 million/person/year with a growth rate of 6.46%/year, including VND5.32 million/person/year in agriculture; VND14.98 million/person/year in industry and VND12.19

million/person/year in service.

- The province's technological research and development (R&D) activities have shown progressive changes in terms of capability and application. The level of several industries and occupations goes up: the telecommunications sector is equipped with advanced technologies; the seafood processing industry's technological innovation rose 28.6 times in 2001; 70% of plowing and 80% of irrigation tasks are mechanized; a lot of effective production models are set up and the quality of plant and animal varieties enhanced.

Nevertheless, in addition to the above progressive changes, the province has to encounter a lot of challenges and make great efforts to maintain high growth rate in the long term. They are as follows:

- Bến Tre's economic growth still depends strongly on its agriculture-forestry-fishery and its economic restructuring remains slow in spite of right track. The province focuses its economy on traditional industries as in the primary sector. High-tech industries including electronics, information technology, biotechnology... are under-developed.

The agriculture still takes a lion share of the province's GDP, accounting for 67.11% in the 1996-2000 period; 65.16% in 2001; 59.34% in 2004 and down to 56.50% in 2005; thus down 11.37% within 10 years and reaching 64.19%/year on average in the whole period.

The industry sees the highest growth rate, 11.97%/year on average; however, its contribution to the province's GDP falls to the bottom, 14.25%/year. The service sector ranks second in growth rate and GDP share with respective figures of 10.85%/year and 21.56%/year.

- The province's economic restructuring is very slow and foreign investment remains modest. Its economy is not highly open as compared to neighboring provinces and its

expansion depends mainly on limited local resources. The domestic sector still plays the principal role in GDP growth, in which the non-state sector contributes 72.28%, the rest, 26.62% comes from the state sector and 1.11% from the foreign-invested sector.

- The Bến Tre's economy develops extensively but not intensively, it attaches more importance to capital intensive utilization than labor while the province is badly in need of investment capital for development but its labor is abundant. The contribution of three factors of capital, labor and TFP to the province's GDP growth is respectively 51.51%; 39.37% and 9.12%.

- The province state budget is facing a deficit, that is, its revenues cannot cover expenditures (a deficit of 6% of GDP) because state investment remains low and steadily declines and the size of state-owned enterprises is too small (accounting for 5.21% of total equity capital). The people's investment makes up a large share in the total development capital (68.65% in 2005) but mainly in the form of saving deposits (until December 31, 2005, the saving deposits reached VND1,188 billion) or they hoard gold and US dollars. As a result, direct investment in production has not been strongly boosted. Foreign investment has almost seen no change or increased only in registered capital but not realized one. It was capitalized at VND115 billion by the end of 2005.

- The labor restructuring goes slowly, mainly in agriculture because the shift to the industry and services faces a lot of limitations. Unemployment occurs in all of three sectors. Labor is redundant but skilled labor inadequate. This really does not secure the provincial growth rate in the long term.

- The investment efficiency indicated by ICOR (Incremental Capital Output Ratio) is a summary expression for the existing technical conditions in the economy which

determine the relationship between investment and additional output. The province's ICAO tended to go up in the 1996-2005 period (2.11 in 1996; 3.73 in 1999; 3.54 in 2001; 3.94 in 2001; 4.28 in 2005), showing a decline in investment efficiency.

- The percentage of trained labor is very low (26.7% of the province's working population in 2005). This limits productivity and reduces accumulation for reinvestment and the people's living standard.

- Science and technologies have not really played the role of motivation for economic development. Production technologies remain obsolete while the innovation of equipment and machinery has not become businesses' real concerns.

- The ratio of intermediary costs shows large divergence among sectors. In agriculture - forestry- fishery this ratio is dropping, accounting for 32.17% of the sector's total production value. In the meantime, this figure is very high in the industry, 69.97% of total value and tends to increase by 13.11%/year. Consequently, the province's economic growth still relies largely on agriculture. Main reasons include improper and scattered investments, waste and loss in investment, obsolete technologies and equipment, high costs of loan capital, corruption...

This indicates the Bến Tre's economic growth depends so much on its natural resources or this is a common trend of our economy in the current situation while other countries have been deeply involved in knowledge-based economy.

- The province export value is still small and the local market has not been expanded.

In the 1996-2005 period, Bến Tre used to enjoy trade surplus but the value was very small, accounting for only 5.88% of its GDP. Accordingly, the export value rose by 14.64%/year, and the import value dropped by 4.35%/year. The province's exported

goods are meager in terms of volume and category, mainly including dry coconuts and coconut fiber, rice, frozen shrimp and oyster and handicrafts. They are shipped to Asian countries like Japan, South Korea, China, Taiwan, Hong Kong ...The province imports materials for producing cigarettes and pharmaceutical products. Furthermore, the local purchase power was low, so the total retail value reached VND3,065 billion in the whole period. This is attributed to low per capita income, flat market of goods and services, slow urbanization...

2. Solutions for sustainable growth of Bến Tre economy

Economic growth is an indicator to evaluate economic development as well as a material basis to implement a nation's policies on sustainable development. Economic growth is an inevitable condition for sustainable development. Only rapid and stabilized growth can help countries escape from poverty, hunger, backwardness, social inequality; protect the environment and bring freedom for development to everybody. The problem is how to speed up the Bến Tre's economic growth rate and improve the people's welfare. To reach these goals, the following are suggestions:

- The investment climate should be liberalized to raise and promote the utilization efficiency of local capital sources, at the same time attract investment flows from outside sources, especially from HCMC and foreign investors.

Regarding capital from the state budget, the government should increase investment by saving and avoiding wastes by focusing investments on infrastructure projects which the private sector cannot meet enough conditions. This will help attract investment flows and preventing corruption to the minimum. In addition, the provincial government is required to collect tax effectively to secure stable revenues and prevent losses to the state budget and