

Changes in the HCMC Industrial Sector During the Integration Process

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In the past seven years (2000-2006) the HCMC industrial sector has gained high and stable growth rates. Facing challenges and impacts from the integration process, the HCMC industrial sector has experienced positive changes and its output increased steadily. The industrial output value (in 1994 comparative price) in HCMC in 2006 reached VND132,216,966 million. The average growth rate in the years 2001-06 was 14.85%. Regarding individual industries, the processing industry gained the highest growth rate (15.26%), even higher than the national average while mining and water and supply industries gained very low growth rates (10.01% and 0.19% respectively) as compared with the national average. This means that the change in the structure of industry reveals various shortcomings to deal with in the coming years.

1. Changes in the HCMC industrial sector

a. Output

In the past few years, shares of the private and foreign sectors in the HCMC industrial output (at the market price) increased remarkably at the expense of the public one. The share of the public sector reduced from 42.18% in 2000 to 26.04% in 2006 while the shares of the private and foreign sectors rose from 25.27% and 32.55% respectively to 37.19% and 36.77% in the same period. This means that the changes in the industrial output by sectors are positive reflecting the policy to encourage all sectors to develop their businesses.

Meanwhile, changes in the industrial output by industry were not so remarkable. The share of

manufacturing industry experienced almost no change in the past seven years while the share of the mining, and especially the water and power supply tended to fall. The share of the manufacturing industry increased from 96.08% in 2000 to 97.97% in 2006 while the share of water and power supply fell from 0.17% and 3.75% respectively to 0.06% and 1.98% in the same period. This reflects strong growth rates of other industries in HCMC in the past few years.

Regarding the manufacturing industry alone, the changes look more promising. The share of labor-intensive with low added value reduced gradually while the one of technology-intensive with higher added value increased. For example, shares of food & beverage; textile and garment fell from 20.8%; 6.18% and 6.42% respectively in 2000 to 16.35%; 5.35% and 7.83% in 2006, while shares of the chemicals, metal; and electric equipment rose from 9.3%; 5.14% and 3.02% respectively to 10.3%; 6.3% and 6.11%. These changes produced positive effects on the HCMC structure of industry making it move from labor-intensive industries towards technology- and capital-intensive ones.

b. Concerns

The number of industrial concerns in HCMC in 2006 was 41,917 increasing by 150% over 2000. Regarding this number by sector, we see that the share of the non-public sector was still predominant in spite of some fall (from 97.7% in 2000 to 97.58% in 2006) while the share of the public one was small and reduced considerably, from 0.99% in 2000 to 0.47% in 2006) and the share

of the foreign sector rose steadily from 1.31% in 2000 to 1.95% in 2006. This situation originates from the policy to allow all private persons to establish their own businesses making the non-public concerns rise quickly in the past seven years (by 2,279 concerns a year on average). On the other hand, the number of state-owned industrial concerns fell because many of them were privatized, merged or dissolved.

Regarding this number by industry, we see that the share of manufacturing concerns increased quickly, from 97.59% in 2000 to 99.58% in 2006 (2,397 new concerns were established every year on average). The share of the water and power supply increased slightly from 0.02% to 0.04% in the years 2000-06 while the share of mining concerns fell drastically from 2.39% to 0.76% in the same period.

c. Labor force

The labor force of the industrial sector in HCMC in 2006 comprised 1,117,292 laborers. This force increased by 8.7% a year on average in this period. Regarding this force by sector, the forces employed by the private and foreign sectors rose at rates higher than the average (9.84% and 15.96% respectively) while the force employed by the public sector decreased by 3.55% a year because the number of concerns in this sector fell and part of its labor force moved to others.

Regarding the labor force by industry, the force of the manufacturing industry had a growth rate higher than the average (9.06% a year) while the force of the water and power supply showed a downward tendency

Table 1: HCMC labor force by sector and industry

Indicator	2001	2004	2005	2006
Total	717,279	980,170	1,044,203	1,117,292
By sector				
- Public	147,878	166,092	146,335	147,545
- Collective	2,829	4,557	4,516	5,210
- Private	218,261	333,092	365,423	387,622
- Personal	185,126	181,803	197,638	209,829
- Foreign	163,398	294,626	330,291	367,086
By industry				
- Mining	5,372	3,026	2,636	2,303
- Manufacturing	704,657	966,812	1,030,498	1,103,472
- Water and power supply	7,463	10,332	11,069	11,517

Source: HCMC Statistical Yearbook and author's calculations

falling by 10.11% and 6.58% respectively because the number of concerns in those two fields reduced or didn't rise in recent years and part of their forces left for the service or manufacturing sector.

Technological level

The modernization in the HCMC industrial sector was poor in the past few years. Only the foreign sector carried out this process actively by receiving technology transfer from foreign holding companies. In local companies, on the other hand, this process took place slowly. Only 10% of HCMC-based local companies reached the ASEAN standard for technology in use. This proportion explained why the competitiveness of goods from HCMC was not high.

Looking at this article by industry, statistics show that the proportion of concerns that employ modern technologies varies from 8.8% in the chemical industry to 18.8% in the plastic - rubber industry. The proportion of concerns

using technologies of medium level varies between 78.1% in the plastic - rubber industry and 87.5% in the footwear one. The proportion of concerns employing backward technologies varies from 2.5% in the footwear industry to 10.4% in the food - beverage industry. High proportion of concerns that employ technologies of medium and low levels make HCMC industrial sector less competitive in comparison with rivals from ASEAN countries.

2. Some remarks

Positive changes in recent years allowed the industrial sector to contribute a lot to the HCMC economic growth, and ac-

count for 30% of the national industrial output and some 40% of the output from the Southern Key Economic Zone in 2006. The growth rate of this sector in 2001-06 was 12.64% as compared with 4.66% obtained by the agricultural sector and 10.65% by the service one. Its share in the HCMC gross product varied between 39.64% and 42.33% in the years 2000-06.

The share of technology-intensive industries with high added value (such as chemical, engineering and electric appliance industries) rose remarkably at the expense of the labor-intensive ones (food-beverage, clothing, etc.)

However, the HCMC industrial sector only developed extensively instead of intensively, that is, the role of high technologies is still minor. Many local concerns lived on subcontracts. Supporting industries didn't develop as well as expected. Many industries depended totally, or up to 80%, on imported raw materials. Up to 75% of local concerns are of small size with medium or backward technologies employed and small labor force (27 laborers on average for a concern in 2006), which makes them less competitive when integrating into the re-

gional and international markets.

In addition, there is no master plan to coordinate development programs of HCMC and surrounding provinces, especially ones in the Southern Key Economic Zone, which may lead to less sustainable development for all of them. These problems must be solved as soon as possible. ■

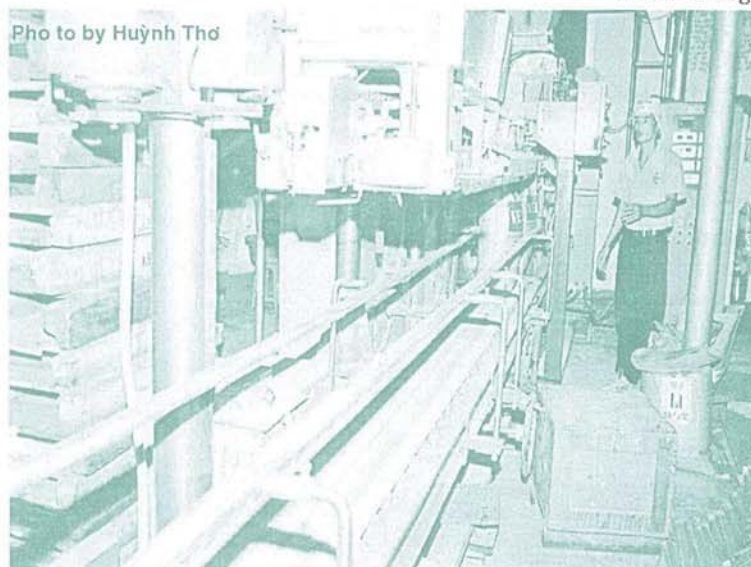


Photo by Huỳnh Thọ