

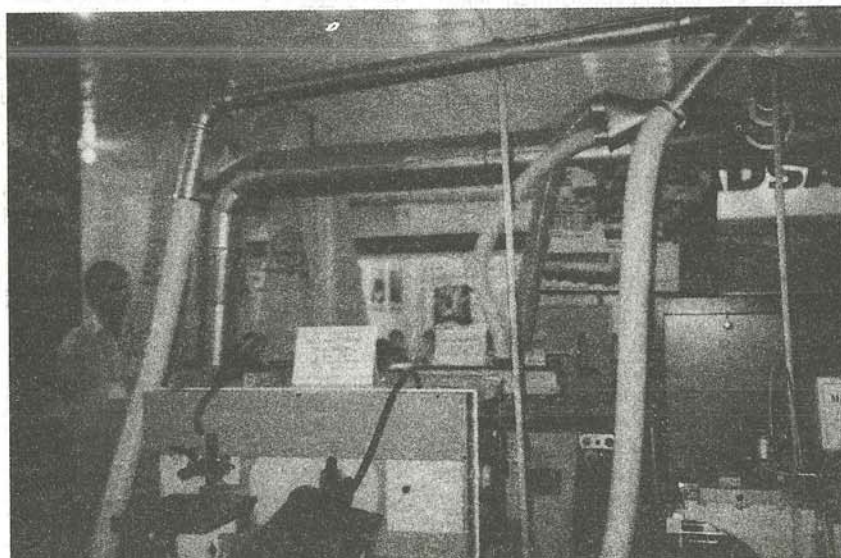
Bình Dương an Example of Changes in the Structure of Industry

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1. A high growth rate and industrialization

The year 2003 witnessed the highest growth rate and most positive changes in the structure of industry in Bình Dương economy since the day this province was re-established. Its growth rate reached 15.3%; the industrialization made positive changes in the structure of industry (manufacturing sector 62%, service 26% and agriculture 12%); industrial output rose by 36.1%, agricultural output by 6.5% and service by 15%; the export value increased by 36.8% and the budget income by 33.7%; the FDI rose by US\$417.5 million. And certainly, these achievements are due to concerted efforts by both the provincial government and residents in recent years.

Before Bình Dương was re-established (1997), its economy was based on the agricultural production, the shares of manufacturing and service sectors were small. From 1997 on, the provincial government determined to promote those two sectors with the result that the manufacturing and construction sector has made good progress in the past seven years and helped develop other sectors



of 35% at most, the national average of 16.1% and growth rates obtained by other provinces in the Eastern South (15.3% in HCMC; 18.9% in Đồng Nai; and 10.7% in Bà Rịa-Vũng Tàu).

This increase mainly originated from developments in the private and foreign sectors. In those years, the share of the public sector in the

2001; 36.5% in 2002 and 36.1% in 2003.

The presence of the foreign sector also helped diversify the industrial production. Besides traditional industries, such as processing rubber, wood, food and drinks, many new ones made their appearance, such as electronics, textile, leather, chemicals, motorbike assembling. In 2003, 14 out of 22 industries obtained growth rate higher than 30%. The highest growth rates were found in clothing (50.5%), textile (48.5%), and leather processing (76.6%).

Up to 2003, Bình Dương has 2,798 private concerns of small scale; 396 foreign-invested companies; 284 private companies; 15 state-owned and 306 mixed ones. These concerns employed some 200,000 laborers, and half of them worked for foreign-invested companies.

b. Service sector:

Participation of all social classes in business, especially services, has helped stabilize and expand both local and export markets. In the total retail sales realized in the province, the share of non-public sectors rose from 63% in 1996 to 79% in 2002 and over 82% in 2003. The export value increased from US\$1,037.1 million in 2002 to 1,418.6 million in 2003. The structure of exports was also diversified with the most important role played by the foreign sector. In 1996,

Table 1: Bình Dương's structure of industry in 1996-2003 (%)

	1996	1997	1998	1999	2000	2001	2002	2003
Primary sector	26.5	22.8	21.1	19.8	16.7	15.1	13.5	12.0
Manufacturing and construction sector	45.8	50.4	53.2	55.1	58.1	59.4	60.6	62.0
Service sector	27.7	26.8	26.6	26.0	25.2	25.2	25.9	26.0

The rate of change in the Bình Dương structure of industry was higher than the national average or that of Eastern South region. Changes in the national structure of industry between 1996 and 2003 were as follows: the primary sector changed from 27.76% to 21.80%; the manufacturing sector from 29.83% to 39.97%; and the service sector from 44.06% to 38.23%.

Now, let's take a look at individual sector.

a. Manufacturing sector:

The Bình Dương industrial output in 2003 rose by 36.1% compared with 2002, surpassing the planned target

gross output fell from 31.76% in 1996 to 6.4% in 2003 although it gained a growth rate of 10.5% in 2003. Meanwhile, the share of the foreign sector rose from 30.9% to 64.5% with a growth rate of 47.3% in 2003. The private sector accounted for some 29.1% of the gross output in this period although its output rose by 23%.

Apparently, the foreign sector controlled the best part of the gross output and led the way in industrial production in Bình Dương. Its development helped the manufacturing sector grow at high and stable rates in recent years: 48% in 1997; 30.1% in 1999; 42.5% in 2000; 31.9% in

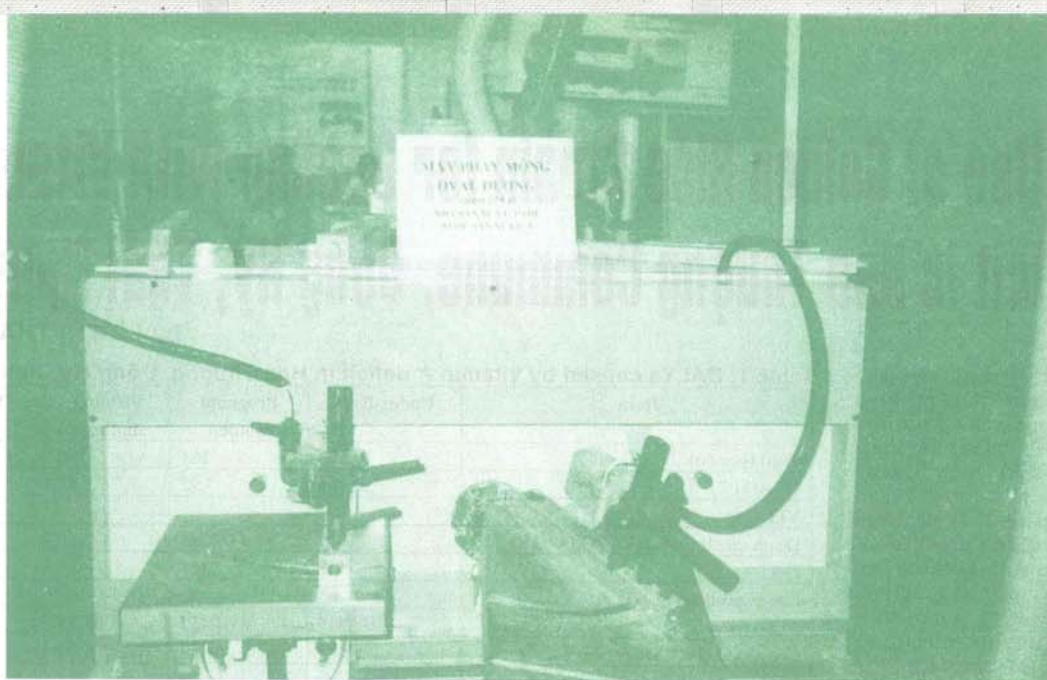


Photo by Hoàng Tuấn

this sector exported US\$42.9 million worth of goods accounting for 20.7% of the export value. These figure rose to US\$581.1 million and 56% in 2002; and 1,026 million and 59.5% in 2003.

Import was also on the increase. Its value rose from US\$1,086 million in 2002 to 1,346 million in 2003. It included mostly machinery and raw materials used for the foreign sector that spent US\$802 million in 2002 and 1,026.5 million in 2003 on imports accounting for over 75% of the provincial import value. Due to excess of export over import values, Binh Dương became one of a few provinces that avoided the trade gap. Its export surplus in 2003 was US\$72 million.

c. Agriculture:

Although new strains and techniques have been introduced, the primary sector grew slower than other sectors (an average of 5.6% in the past seven years) and its share in the gross output kept decreasing. As for the structure of farm products, the animal husbandry accounted for an increasing percentage in the agricultural output: from 15.8% in 1996 to 22% in 2000 and 23.6% in 2003 while the share of crop planting fell from 82.3% to 73.6% in the years 1996-2003. In the crop farming business, many perennials are replacing rice. In the years 1996-2003, the area of rubber increased by 34%, coffee by 440%, and black pepper by 500% while the rice area fell by 8%. Many large-scale farms have made their appearance to produce more commercial farm products. Up to 2003, there are some 3,000 farms in Binh Dương. Most of them specialized in planting perennials.

When the economy develops well, the population made no remarkable increase with the result that the per capita gross output rose quickly: from VND3,677,000 in 1995 to 7,262,000 in 1999; 8,128,000 in 2000; 9,980,000 in 2002 and over 10 million in 2003.

The high economic growth allowed increases in the budget and personal income. In the past few years, Binh Dương has been one of provinces that gave more and took less from the central government. Its budget income rose from VND693 billion in 1996 to 1,985.9 billion in 2002 and 3,078 billion in 2003. The personal income in the same period rose from VND398,000 a month in 1996 to 676,000 in 2000 and over 800,000 in 2003.

With these achievements Binh Dương led the way in the changes in the structure of industry and development of the foreign sector.

2. Development of the foreign sector

Due to open policies adopted by the provincial government, Binh Dương has become increasingly attractive in the eyes of foreign investors and local experts. Up to 2003, 805 investment projects capitalized at US\$3.6 billion have been licensed. With 13 industrial parks, second only to HCMC, Binh Dương could integrate into the regional market and compete against such industrial centers as HCMC, Bà Rịa- Vũng Tàu and Đồng Nai for both domestic and foreign investment. Of these industrial parks, five have been crowded with foreign and domestic companies.

Up to 2003, some 200 foreign companies with total capital of US\$2 billion and 135 domestic companies

capitalized at VND7,000 billion are doing their business in Binh Dương. Many companies have considered moving their factories from HCMC and Đồng Nai to Binh Dương although procedures for doing it are time-consuming and costly. The unemployment in Binh Dương today has stopped being a problem for local governments. Moreover, many laborers from other provinces started to flow into industrial parks in Binh Dương.

3. A bright future for Binh Dương economy in 2004

Besides achievements in recent years, Binh Dương still faces many difficulties and shortcomings:

- Infrastructure and facilities in both cities and rural areas aren't perfect and fail to meet requirements of a high and sustainable growth rate;
- There is a shortage of well-trained laborers while the technical training system is slow to develop;
- The service sector develops slower than the manufacturing sector;
- The economic growth depends too much on the foreign sector.
- Capital, labor, finance and other markets didn't develop in accordance with the development of industrial production.

These shortcomings made the economic growth less stable and sustainable. In my opinion, however, they could be solved by adopting more consistent and open policies and securing support from the central government and experience from neighboring provinces because these shortcomings are common in all developing countries. ■