

Some Measures to Develop Business in Kontum after Vietnam's Accession to the WTO

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Kontum in the Central Highlands was established in October 1991 with an area of 961,450 hectares and a population of 374,560 people; 53.7% of which was minority groups and 48.6% was of working age.

Up to the end of 2004, there were 336 companies capitalized at VND620.274 billion in the province. Of this number, 151 were state-owned ones capitalized at VND283 billion; 275 private ones (301.26 billion); nine joint stock companies (some 30 billion) and one limited company (6 billion).

Many companies are on the brink of bankruptcy or turned into one-member limited companies because of poor competitiveness. They prove to be incapable of integrating into the world market, especially when Vietnam joins the WTO.

To overcome their shortcomings, companies in Kontum must take strong measures to restructure their businesses and improve their competitiveness.

1. Effects of the international integration on Kontum business circle

- Business strategies: Kontum companies must change from dependence on existing resources, such as land, labor and forest to making the best use of comparative advantages to produce goods of high intellectual content based on new technology, knowledge and information.

- Competitive strategies: Kontum companies must reduce the production cost, differentiate their products, and focus on target markets in order to survive and develop.

- Restructuring: Both public and

private sectors need to be restructured in preparation for the international integration.



Sesan Hydroelectric Plant Project

2. Doing business in Kontum

a. In recent years, Kontum economy has gained many achievements:

- Developing tourism, trading and industrial production in Bờ Y (Ngọc Hồi District) Economic Zone in order to enter ASEAN markets.

- Making the best use of comparative advantages in producing coffee, rubber, paper pulp and herbs.

- Establishing cooperative relations with Central Highland and coastal provinces.

- Carrying out government-financed Programs 135 and 168, and Programs to build Hồ Chí Minh Highway, develop the Mekong Sub-regions, develop the Bờ Y Economic Zone and build new hydropower plants.

Besides achievements, the local economy reveals some shortcomings:

- + Failure to introduce their goods

to various markets

- + Failure to engage in regional division of labor and develop comparative advantages in producing small hydropower plants, coffee, paper pulp, etc.

- + Failure to make the best use of opportunities offered by the AFTA export goods to ASEAN countries.

- + Failure to diversify markets for local companies.

b. In developing the market, some achievements have been gained

along with some shortcomings:

- The spending power in the local market has increased.

- All sectors are present in the market and their goods could reach remote villages.

- Many marketplaces have been built to help distribute more goods and services.

- Goods from Kontum are sold to 34 countries and territories.

- + There are no close relations between companies of various sectors, and between production and distribution.

- + The distribution of goods is unruly and unstable. Policies and measures to develop distribution network are much needed.

- + Producers could sell their goods at reasonable prices because they lack information about the market demand.

c. As for technological level and

competitiveness of companies, they show the following progress and shortcomings:

- Companies in Kontum have invested in new production lines and started to produce famous goods of local brands that are saleable in both foreign and local markets, such as coffee, wooden furniture and hand-made clothing.

- Many state-owned companies have modernized their factories with some financial support from the provincial authorities.

- New investments have been directed toward businesses with comparative advantages and their competitiveness has been improved.

- Business performance of processing companies has been improved remarkably when they tried to meet the market demand.

- Farm product processing companies have played a key role in the local economy.

- + The industrial sector failed to support the agriculture by processing all farm products with a view to generating more added value.

- + Quality of the labor force is poor: 83.596% of them is untrained; 6.614% from technical high schools and only 9.79% finished the tertiary education.

- + The processed farm products are not diversified. Local companies still sell wood and other forest products without processing.

- + Most companies pay no attention to environmental issues and waste treatment processes.

- + Most companies lack capital needed for modernization, expansion of their production, and R&D activities.

- d. As for the structure of businesses, the local government failed to orient local companies towards foreign market with the result that they feel content with their shares in the local market and existing facilities.

- e. In recent years, local authorities have helped local companies build their brand names and some websites have been opened but this effort hasn't produced intended results.

3. Strategies and measures to develop Kontum economy when Vietnam joins the WTO

- a. Our recent research shows that in the SWOT analysis, Kontum has eight opportunities and eight threats; 16 strengths and 11 weaknesses. This analysis serves as a basis for us to suggest the following strategies.

- Modernizing the farm product processing industry in order to improve the product quality and promote export.

- Making more investment in industries with advantages of stable markets, such as small and medium hydropower plants, building materials and mining.

- Building commercial infrastructure in rural areas and commercializing all staple products from Kontum.

- Developing engineering, fertilizer, chemical industries and traditional occupations that could affect improvements in productivity and product quality.

- b. Measures to develop companies

- Measures to improve the competitiveness:

- + Creating a level playing field for all companies as required by the international integration.

- + Cutting the production cost of products that have enjoyed high legal protection.

- + Modernizing equipment and machines, applying quality control processes, and improving managerial skills in order to enhancing the product quality.

- + Building and commercializing brand names of Kontum products, such as coffee, rubber, processed wooden products and hand-made clothing.

- c. Measure to develop the market:

- To ensure sources of raw materials for local companies by develop specialized farming areas. As for the market for the output, the provincial government had better cooperate with scientific institutes to carry out market researches and work out product strategies.

- d. Measures to restructure companies:

- State-owned companies should

revise their business performance. Some of them could be privatized and listed in the stock market; or dissolved or sold if need be.

- Formal sources of finance should be accessible to all private companies. An association of companies is a good measure to support their development.

- Local authorities should help companies apply new technical advances.

- e. Measures to generate sources of capital:

- Applying BY and BOT methods to attract private investment in major projects.

- Forming a business support fund for all companies.

4. Some suggestions to the provincial government

- Short- and long-term plans to reform all sectors must be worked out.

- Offering equal treatment to all companies and sectors, and support to exports producing companies.

- Helping companies directors to visit leading companies at home and abroad to gather experience and information.

- Making plans to improving managerial skills and introducing technical and technological advances.

- Working out a "system of target programs" to restructure companies.

- Supplying information about the WTO regulations to all civil servants and the private sector as well.

- Reviewing existing regulations and rules set by the provincial authorities.

- Working out a 3-year track for applying WTO regulations.

- Supplying financial and technical support to companies in remote areas.

- Supplying information and advisory services to companies and developing vocational training centers.

- Holding annual conferences with companies to deal with their difficulties and complaints.

- Giving training courses in the WTO regulations and international integration to all civil servants and company directors ■