

Some Opinions About Development Strategy of Vietnamese Oil Industry

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The oil industry came into being more than 100 years ago and just at the beginning, it was one of top concerns of many countries in the world. There are a lot of socio-economic and political changes resulting from oil and human life saw great improvements also from oil. It is estimated that oil accounts for two-thirds of total demands in modern societies. Therefore, no minerals are widely used in different forms like oil.

As an important industry in the national economy, with its characteristics different from most of other industries, to organize, manage and exploit its advantages effectively are extremely crucial.

Although it remains in the embryonic stage, the Vietnam's oil industry is given full attention by the Party and the Government. As a result, it has recorded a lot of promising achievements, in which to build the sector's strategy for development in each stage is of great significance.

The following are some characteristics of the oil industry in comparison with others:

1. The oil industry includes many activities which are independent, separate but closely combined in the master plan

The most outstanding feature of the oil industry is that its scope of activities are very large and diversified, from research, exploration, exploitation, and processing to storage, circulation and consump-

tion; from direct activities like exploration, exploitation and processing to services including transport, insurance and banking. Each of these activities is independent and separate but they have a common feature, it is the product of this stage is sometimes an input of other stage. For example, the result of exploration is used for exploitation and the product of exploitation is crude oil, when cracked and processed oil will turn into petroleum for engine, fuel for thermo power plants and input materials for the industries of chemicals, construction and transport...Therefore, in some cases, the results of one stage do not bring direct profits, even facing high risks, but they have great effects on activities of other stages, even determining the existence of the next stage (for example, the role of petrochemistry in production of gasoline, chemicals, plastics, fertilizer...)

As such, to build the sector's development strategy requires consideration of independent and separate activities which meet requirements of the entire economy, as well as appropriate calculation methods (for example, value chain calculation). Based on these features, the policy-makers have to analyze advantages and difficulties, strong and weak points of each stage in the sector's total activities with a view to taking proper measures for each stage in the sector's development.

For example: Oil refining is an expensive stage but less effective if men-

tioned only in the business view because costs of investment, transport and maintenance are extremely high. However, there is no petrochemistry industry without oil refinery and products of this industry will become input materials for the industries of transport, chemicals, construction, pharmaceutical products, fertilizer, and cosmetic...Therefore, the benefits from oil refining and processing are just values of products manufactured by other sectors.

2. Scarce and irreproducible resources must be used reasonably and effectively

Another feature of the oil industry is crude oil as well as natural gas is a kind of irreproducible minerals. In theory, oil is a product of the disintegration of animal corpses millions of years ago and they were distributed unevenly in accordance with geographic features and geological structure. This explains why one nation has oil while others does not, one has much while another has less, oil is sometimes discovered in deserts and sometimes in offshore areas. The current technologies of oil exploration still have to burn a part of pumped oil uselessly and associated gas in the process of pumping oil.

The problem is how to use this resource in the most reasonable and effective manner in order to both meet the present demands and preserve it for the future generation because the resource cannot

be reproduced and its reserve is not infinite.

3. Environmental protection in the oil sector's activities

The sector's benefits to the national economy are extremely large, but the reverse of the medal is terrible effects on the environment. Wastes from used oil and its by-products are hazardous to the natural environment and human life. Oil spill and fire of oil refineries or depots may cause serious pollution to the whole land or water areas even in hundreds of years.

As such, the oil exploration and use of oil-derived products must secure environmental sanitation, minimize pollution and protect the public health.

4. Defense security and national sovereignty

Another problem when building the oil sector's development strategy is to uphold the national defense security and sovereignty. The sector's operations are implemented in vast areas (land, offshore waters, and islands) with high-tech equipment and huge investment capital, oil products are thus "strategic weapons" of the national economy. Therefore, they must be in combination with protection of defense security and national sovereignty. The sector's benefits are gigantic but its losses and damages are not small if it is not well managed.

I hope the above analysis will help avoid errors in the process of building the development strategy of Vietnam's oil industry. ■