

# SOME MEASURES TO SECURE CAPITAL FOR MODERNIZATION OF PLASTICS INDUSTRY

by MEcon. NGUYỄN MINH TUẤN

## I. CURRENT INVESTMENT IN THE PLASTICS INDUSTRY

At present, the plastics industry is badly in need of capital for carrying on production, securing supply of raw materials, replacing old production lines and producing high-quality plastic products demanded by such industries as power supply, electronics, informatics, automobile and motorbike. Investment, from both local and foreign sources, has increased remarkably in recent years but it still fell short of demand by the plastics industry.

According to the Ministry of Planning and Investment, there were some 30 FDI projects worth about US\$330 million in this industry up to late 1998, 12 of them were foreign-owned projects and the rest were joint ventures. The following table presents changes in investment in the plastics industry from 1988 to 1998.

From the table, we could work out the annual growth rate of investment in the Vietnam plastics industry in the said period was 153.27%, and in the HCMC one was 114.6%.

At present and the near future, there are some major investment projects in this industry, including the following ones carried out by the Vietnam Plastics Corporation (VPC):

- PVC Resin Project - a joint venture between VPC and Mitsui Chemical, Mitsui Toatsu and Pochemco: US\$90 million; 80,000 tonnes/year (phase 1), US\$50 million and 50,000 tonnes/year (phase 2).

- PE Project - a joint venture with Petronas: US\$250 million; 300,000 tonnes/year.

- Project to produce molds and other spare parts: US\$2.5 million; 25 mold sets plus spare parts/ year.

- Project to make plastic spare parts for automobiles, motorbikes and washing machines: US\$3 million; 1,000 tonnes/year.

- Project to produce plastic spare parts used by informatics, electronics, electric appliance and communications: US\$2.5 million; 2,000 tonnes/year.

## II. MEASURES TO SECURE CAPITAL FOR THE PLASTICS INDUSTRY

According to the strategy to develop the plastics industry for the years 2000- 2010 approved by the Government, the industry needs a total investment of US\$1.7 billion which would be distributed among the following fields, arranged in order of importance:

The strategy shows that top priority was given to production of raw materials in an effort to reduce dependence on foreign supply and stabilize the domestic market for plastic products. Investment in other fields aims at providing the domestic market with plastic products and supporting the development of other industries, especially hi-tech ones.

By studying estimates of possible sources of capital and fields for investment, we can identify the following matters:

### 1. Targets set for the plastics industry

- Developing the production of both raw materials and plastic products needed for other industries, and at the same time, improving the quality of domestic plastic products.

- Altering the distribution of investment among plastic factories and projects all over the country by reducing investment in the South and increasing investment in the North and Central Vietnam.

- Attracting more foreign investment in this industry with a view to absorbing new technologies and improving the competitiveness.

- Encouraging private investment, allowing private plastics factories to ensure 65% of total plastics

Table 1: Investment in the plastics industry (including rubber processing industry) in 1988- 1997

Year	Investment over the country (US\$.)	Growth rate (%)	Investment in HCMC plastics industry	Growth rate(%)
1988	3,610,000		2,888,000	
1989	29,784,000	725.04	23,827,200	508.03
1990	12,756,790	-57.17	10,205,432	-45.74
1991	25,693,049	101.41	20,554,439	81.128
1992	109,108,358	324.66	87,286,686	259.73
1993	63,202,747	- 42.07	50,562,198	-33.66
1994	217,469,369	244.08	173,975,495	195.26
1995	334,363,128	53.75	267,490,502	43.0
1996	352,139,175	5.32	281,711,340	4.26
1997	437,992,560	24.38	350,394,048	19.5
Total	1,586,119,176		1,268,895,340	

Source: Yearbook of Vietnam-ASEAN Plastics Industry 2000-2001



**Table 2: Estimated demand for investment in the plastics industry in 2000-2010**

Field	Investment (US\$)	%
1. Raw materials (PVC resin, PVC compound, DOP, PS, PE)	502,926,573	29.69
2. Plastic article for export (EVA, PU)	347,085,357	20.49
3. Processed rubber	247,651,924	14.62
4. Domestic plastic appliances	209,877,383	12.39
5. Industrial plastic articles	146,355,173	8.64
6. Plastic building materials	116,880,867	6.9
7. Plastic wrapping	106,717,313	6.3
8. Mold	16,431,079	0.97
Total	1,693,925,069	100

Source: Vietnam Plastics Association

output in 2000, and some 80% by 2005.

- Concentrating public investment in production of hi-tech plastic products.

As for foreign investment, the Government had better orient it towards:

- + Projects to produce raw materials and chemicals used for the industry from local resources.

- + Projects to produce plastic spare parts for automobiles, motorbikes, computers and other industries.

- + Projects to produce plastic products for export or molds and other equipment used for the plastics industries.

## 2. Possible sources of capital for the plastics industry

### a. Domestic source:

- Idle money held by the public and organizations: this source could be attracted through the equitization program and formation of stock market.

- Loans from banks and banking institutions: to make this source available for all customers, the banks should reform lending procedures and increase the supply of medium- and long-term loans.

- Equitization of certain state-owned plastics companies: this program should be carried out as fast

and reasonably as possible, mainly by reforming its procedures and policies on laborers and share buyers, because this program is a good way to attract capital from the private sector.

### b. Support from the State:

The State could supply soft loans, offer certain incentives (in terms of tax and land rent for example) and invest in certain major projects of the plastics industry mentioned above.

### c. Foreign source:

- The State could use part of ODA capital, foreign loans and aid to invest in the plastics industry.

- As for investment from Vietnamese expatriates, the Government should create favorable environment to attract this source. In recent years, many private plastics companies in HCMC have used this source to develop their production and modernize machines and equipment, thereby improving the product quality and competing successfully against imports.

- Commercial loans from foreign banks could be used to invest in production of high-value plastic products with high return on capital.

In short, various measures could be taken to secure all possible sources capital for the plastics industry in order to modernize it quickly in the coming years. Of course, this process depends a lot on help from the State.

# ON THE VIETNAMESE JOURNALISM DAY - JUNE 21 INTELLECT AND REGARD

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Mr. Nguyễn Hữu Thảo, Head of the Office of Political Affairs, on behalf of the bulletin's writers also showed his emotion before the Party Unit and Board of Rectors' appreciation. He said the bulletin would implement Prof. Tuyền's proposals and improve its quality.

In the same day, other individuals and organizations inside and outside the university came to greet the magazine and the bulletin.

The Phát Triển Kinh Tế and Economic Development Review would like to thank the organizations and individuals that sent flowers, gifts and messages, letters and came to greet that day. They included the leadership of the National University - HCMC, the University of Economics, Party Unit, HCMC Youth Federation, UOE Labor Union, Youth Federation, Students' Association; Offices of Administration, Scientific Research and International Cooperation, Training, Equipment and Ma-

terials; Faculties of In-Service Training, Statistics-Mathematics-Informatics, Business Management, Trade and Tourism, Accounting and Auditing, Business Finance and Banking, Public Finance, Development Economics, Defense Training - Gymnastic- Sports, Legislation; Centers of Cesais, Foreign Language, Population, Employment Services, Informatics; Companies of Kinh Tế Printing, Báo Minh, Vietsovpetro, Trà Vinh Import-Export and Food Processing, HCMC Vinatex Trading, Vietsovpetro, An Giang Province Lottery Company, Asia Commercial Bank, Vietcombank Branch No. 8, Bình Hòa Industrial Park and Residential Area, Thanh Le Corporation, Accounting and Finance School; as well as the magazine's contributors.

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