

HOW TO CREATE NEW DYNAMIC FOR VIETNAM'S MODERNIZATION AND ECONOMIC DEVELOPMENT

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(continued from last issue)

IV. FOUR MAIN SOLUTIONS TO INDUSTRIALIZATION AND MODERNIZATION

Three principles mentioned last issue will be developed into the following four main solutions.

1.Solution 1: Making necessary policies and conditions for developing the competitive market mechanism as a mechanism for socio-economic development

This solution could be materialized by the following measures:

a.Perfecting the system of laws, especially anti-trust laws.

b.Making policies to answer the question of who will take care of public assets in state-run companies and joint ventures with foreign partners.

c.Taking action to stop and punish smuggling.

d.Combining the Ministry of Industry and the Ministry of Trade.

e.Making plan for agricultural development and establishing information services to help farmers develop their businesses.

f.Establishing new bodies specialized in investment advisory service, technology transfer, product quality and environment.

g.Working out a detailed program for HCMC to join the AFTA.

•In HCMC, the Service of Science, Technology and Environment will be responsible for cooperating with other services and the National University to take part in realizing measures (b), (c), (e), (f), and (g).

2.Solution 2: Creating conditions favorable for social cooperation in which the government is the nucleus

This solution could be realized by:

A. Studying foreign and local experience in order to find ways to form a quadruple alliance consisting of the government, universities, companies and finance institutions.

a. Studying and publicizing experience

from companies and organizations succeeding in industrialization in the years 1991-97: The HCMC Service of Science, Technology and Environment, in cooperation with other services, certain companies and universities will hold annual conferences in order to publicize experience of industrialization, newly developed or transferred technologies, needs for innovations in industries; introduce new ideas and programs for cooperation between universities, research centers and companies in mastering new technologies, developing new products and commercializing local technological achievements

b. Municipal authorities, the National University and centrally-run research centers cooperate in developing R&D programs for key industries such as engineering, electronics, automation, informatics, new materials, biological technology, clothing and textile, and food processing in order to help with developing other industries and turn HCMC into a export-oriented economic center.

c. Identifying five staple plants and five staple animals of HCMC agriculture and making plans to produce them, from offspring and seedlings to finished products.

d. Suggesting a new mechanism for helping companies and universities modernize existing technologies according to a principle that both the government and these organizations take part in this work with a view to encouraging investment in science and technology.

B. Studying foreign and local experience in order to work out a new mechanism for cooperation between the state and people in making development plans for each locality and protecting consumers:

a.All programs must be carried out according to the following principles: the people's rights to know and discuss are ensured; the government and people work together, the NA and people carry out inspections.

b.Legitimizing the role of trade

unions in determining wage scale and working conditions.

c.Forming a mechanism in which the government and consumers protect consumers' rights.

•The HCMC Service of Science, Technology and Environment is responsible for carrying out tasks (a), (b) and (d) of section A, and suggesting solutions to task (c) of section B.

3.Solution 3: Concentrating investment in well-selected projects in order to obtain quick impact and long-lasting effects

Besides establishing and making use of the dual development mechanism, the tasks of selecting investment projects, attracting foreign investment and making blueprints for investment in each organization are of great importance to speed and efficiency of development.

A.Six fields of top priority

At macroeconomic level, it's necessary to consider different factors and requirements in order to find out investment projects deserving top priority because they can produce quick impact and long-lasting effects. The following requirements could be studied to find out top-priority investment projects:

-Export promotion:

+ There must be a techno-scientific and economic information network to help companies choose right products, markets, size of their business; and couple production with exportation.

+ We must export products containing national potentials and these exports must be technology-intensive manufactured goods.

+ The gap in key technologies (information, automation, biology and new materials) between Vietnam and the world must be bridged.

-Job creation:

Local ability to produce and supply factor inputs must be enhanced and the proportion of local finished-products to exports must be increased.

-Seeking for foreign potentials and opportunities

+ We must be ready to supply information needed for foreign investment and cooperation, supply well-trained workforce and make the administrative machinery healthy and effective enough to serve the public, companies and foreign investors.

+ Consistent policies and political stability are also important factors.

+ Infrastructure must be well developed and prices of public utility services must be competitive.

+ Communities of Vietnamese expatriates must be considered as a

great potentiality.

Comparing measures to meet these requirements, we could pinpoint key measures that could help us obtain sustainable development if we try our best to carry them out. In this direction, we can define six fields of top priority to invest in:

(1) To form a modern information system consisting of information centers connecting with organization, companies and individuals all over the country.

(2) To concentrate and combine local and foreign resources to produce technology-intensive exports of high competitiveness.

(3) To change the structure of industry in order to increase the proportion of locally-made parts in factor inputs and exports, thereby solving the contradiction between modernization and unemployment.

(4) To modernize and socialize higher and vocational education with a view to making it suitable to the economic development, and to coordinate investments from local and central government, universities, research centers, companies and foreign resources to make plans for developing new products and technologies; especially products of information and biological technologies, automation and new materials.

(5) To reform and rationalize the administrative machinery quickly and determinedly in order to force it to be of better service to the public and companies, to become a mechanism that encourages, not discourage, new ideas given by individuals and companies.

(6) To develop the infrastructure overall and suitably in order to supply services of competitive prices.

B. Model of self-developed and self-modernized companies

Modernization must be a self-developing process from a lower to a higher level with three stages of amplifying development. By analyzing experience from 30 modernized HCMC-based organizations operating in industry, agriculture and health care businesses, we could introduce the following model of self-developed and self-modernized companies (see EDR, No 39, November 1997):

Each company is characterized by seven factor inputs: equipment, capital, raw materials, management, technical labor, information and intellectual property with which it can carry out three activities: production and R&D, distribution and cooperation (see Graph 1).

The company's output could be divided into three groups:

+ output for market (goods and

services supplied to consumers).

+ output for internal use (technical innovations, processed information, improved managerial and technical skills).

+ output for cooperating partners (development plans and patterns carried out in cooperation with other companies and universities).

Each group of output could facilitate, directly or indirectly, the modernization and improve certain factor inputs, thereby producing three stages of amplifying development in the company (see Graph 1).

To improve necessary inputs, the company may consider three possibilities: producing better output for internal use, or better output for market, or better output for cooperating partners. The company will make its decision depending on its current conditions and goals for the future. The company can choose between two attitudes: (1) company for itself, or (2) company for itself and for the country. In addition, there is a third attitude: the country for each company (Graph 1).

The success of 30 surveyed organizations in HCMC in modernization in the years 1991-97 shows that Vietnamese companies can be modernized in spite of their low starting points. Six lessons drawn from this success are methodological approaches to modernization (see Appendix 1). Realities also show that at a given time, the company should decide what amplifying development stage it is in to improve certain factor inputs with a view to obtaining the best results. And in the long run, to complete all three amplifying development stages and to observe all three development principles is the best way to modernize the production at high speed.

If the country looks after each company and each company dedicates to itself and the country, there will be enough strength for Vietnamese companies to succeed in the international competition and cooperation.

• Tasks for the HCMC Service of Science, Technology and Environment: studying and cooperating with other services, universities, research centers and companies in HCMC and foreign resources to produce a blueprint for the dual development mechanism for the years 1998-2000, carry out tasks (1), (2), (3) and (4), and realize the task (5) in the machinery of the Service.

C. Capital for industrialization and modernization

The much-needed capital could be found in:

(1) local sources (retained profit

of companies and dead money in the public).

(2) loans from foreign suppliers of capital goods or foreign leasing companies.

(3) direct investment from foreign individuals and organizations.

(4) loans from foreign governments and international institutions.

4. Solution 4: Working out an appropriate integrating process to avoid global competition

Two groups of measures to carry out this solution are:

A. To study and predict bad effects of the economic integrating process and work out suitable protective measures (export and import quotas, smuggling prevention, exchange control, etc) and programs to improve competitiveness of local companies.

B. To beef up the legal infrastructure and system of law enforcement agencies in order to prevent foreign rival defeat local companies by unfair means, causing damage to national traditions and security.

• Tasks for the HCMC Service of Science, Technology and Environment: Encouraging and helping individuals and organizations to study and find ways to realize those two groups of measures.

V. MODERNIZATION AND EXPORT PROMOTION PROGRAMS FOR DIFFERENT INDUSTRIES

By realizing three development principles and carrying out four above-mentioned solutions, many modernization and export promotion programs for certain industries with high competitiveness could be drawn up. These programs will be products of the cooperation between companies, universities, research centers and HCMC Services. The structure of products of each industry must be adjusted with the aim of increasing locally-made factor inputs and the proportion of finished products to exports in order to obtain both modernization and full employment.

For the time being, the following programs are necessary:

- Program to develop information technology and industry.

- Infrastructure development.

- Modernization of companies exporting engineering, electrical and electronic products.

- Modernization of textile, clothing, leather and food processing industries.

- Program to train 100,000 skilled workers and 1,000 managers in HCMC for the years 1998-2003.

- Program to develop new materi-

als.

-Program to exploit and protect sea resources.

-Administrative reform.

-Tracks for Vietnam and HCMC to join the AFTA.

In short, the modernization and industrialization strategy for HCMC we have worked out could be presented in the Graph 2. Of course, it's only the first step of a complicated process and we appreciate all advice and discussion.

APPENDIX 1: SIX LESSONS DRAWN FROM THE SUCCESS OF 30 HCMC-BASED ORGANIZATIONS IN MODERNIZATION IN THE YEARS 1991- 97 (see EDR No 39, November 1997)

APPENDIX 2: PROGRAMS TO DEVELOP PRODUCTS AND TECHNOLOGY

By studying success of American centers for technological development and commercialization and of 30 HCMC-based organizations in the years 1991-97, we could suggest programs to develop products and technology for plastic, rubber, food processing, engineering, textile and clothing industries. Regarding technical and technological aspect, each program will depend on one leading specialized research center or two in HCMC. To deal with management matters, the program will depend on a business management faculty of a university and some of the most successful managers in HCMC. To link

universities with companies, the program will rely on representatives from HCMC Services of Science, Technology and Environment, of Industry, and of Agriculture and Rural Development, and a member of the related trade association to form the program directorate. As for the outlay, the program will be partly financed by the municipal budget (a part from expenditure on scientific and technological research) and partly by companies benefiting from the program (see Graph 3). The programs also depend on research facilities of universities, companies and research centers.

With such organization, both universities and companies will get better knowledge and information, better business performance and better income.

In 1998, it's possible to carry out two programs to develop products and technology for plastic and food processing industries. One year later, lessons and experience drawn from these programs will be applied to other programs. To draw up and bring these programs into operation, the following preparations must be made:

1.The HCMC Service of Science, Technology and Environment will make drafts of programs for developing products and technology for the plastic and food processing industries and compare notes with Services of Industry, of Agriculture and Rural Development, HCMC University of Technology, HCMC University of Agriculture and Forestry, and certain companies (to be finished in January 1998).

2.The HCMC Service of Science, Technology and Environment will cooperate with said partners to examine and select a research center and a university faculty of business management for each program (to be finished in February 1998)

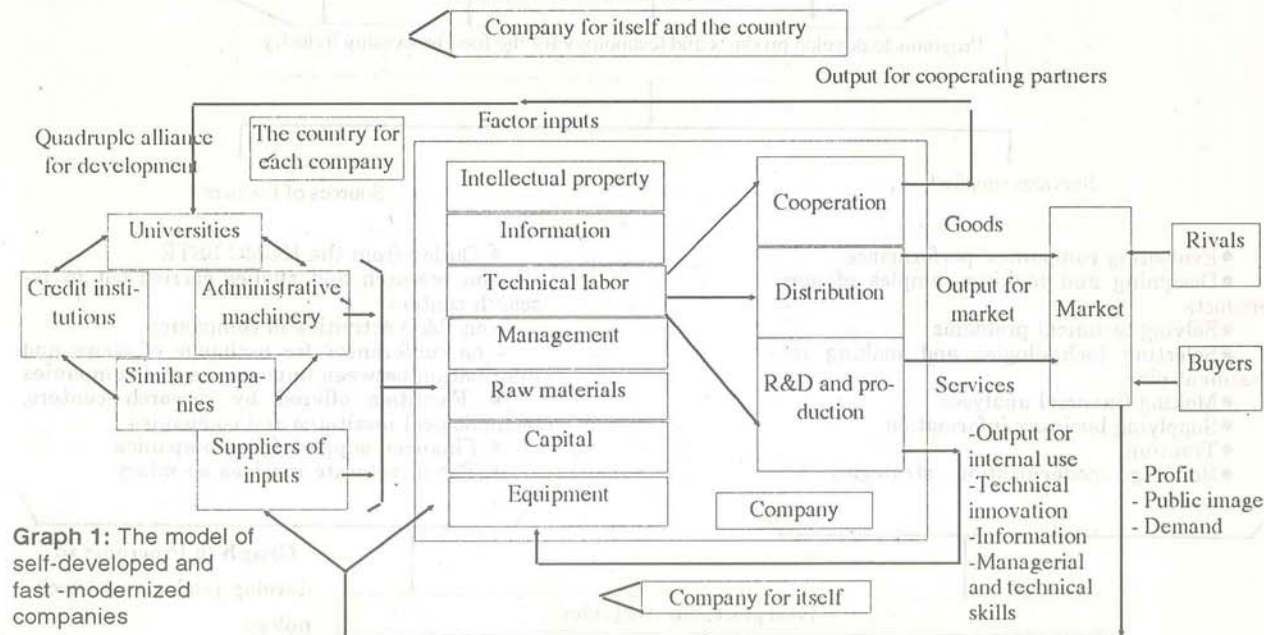
3.The program directorate will make field trips to at least three companies in each industries and all research centers specializing in plastic and food processing businesses (March 1998).

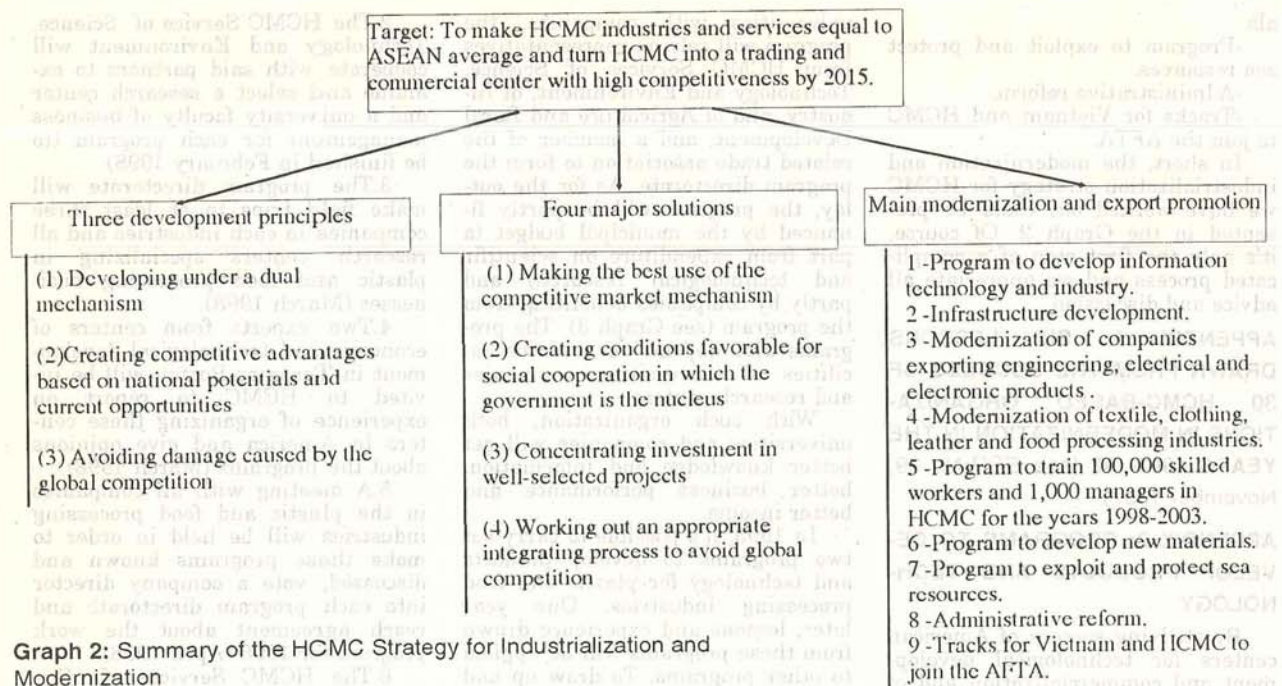
4.Two experts from centers of economic and technological development in Texas or Boston will be invited to HCMC to report on experience of organizing these centers in America and give opinions about the programs (March 1998).

5.A meeting with all companies in the plastic and food processing industries will be held in order to make these programs known and discussed, vote a company director into each program directorate and reach agreement about the work program for 1998 (April 1998).

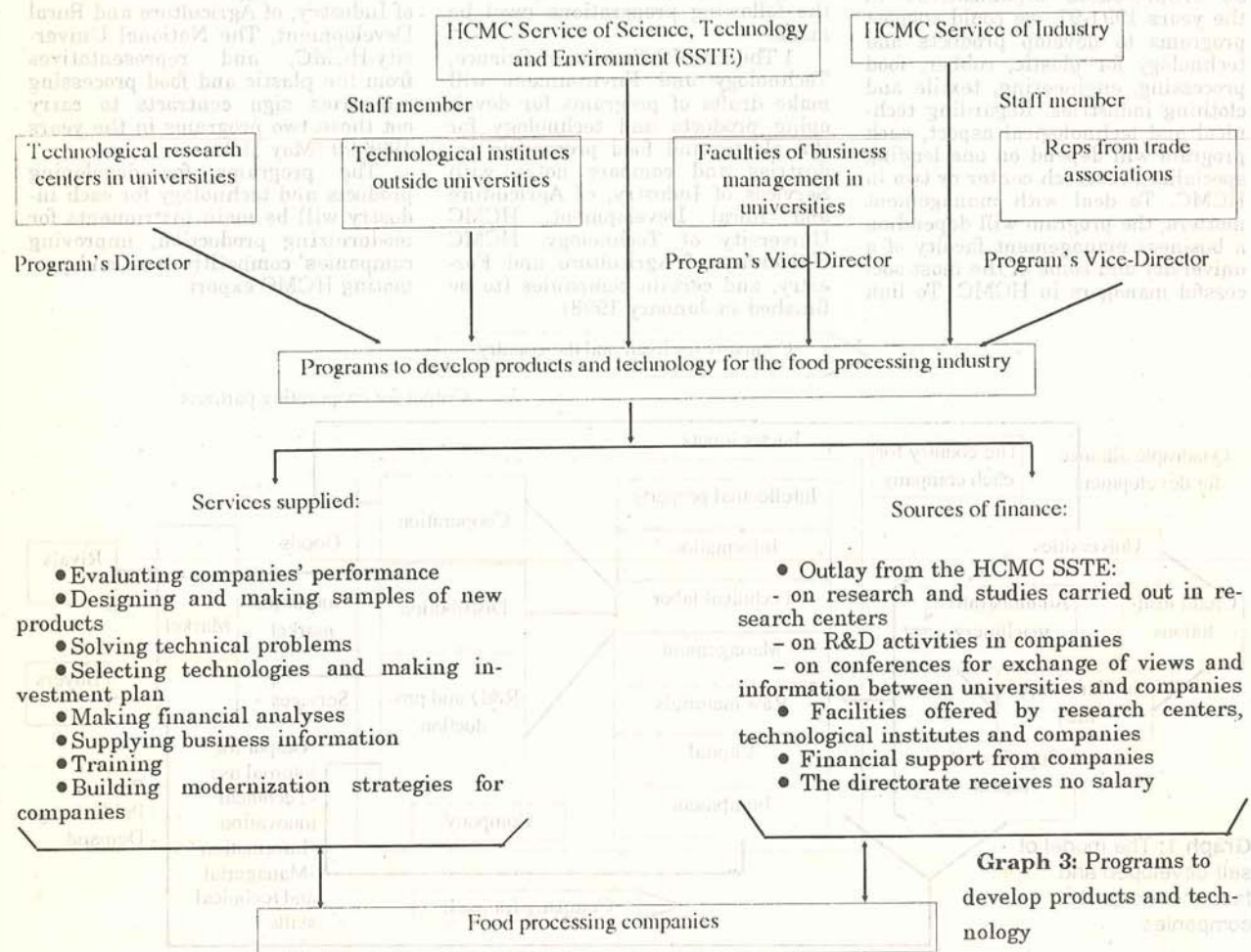
6.The HCMC Services of Science, Technology and Environment, of Industry, of Agriculture and Rural Development, The National University-HCMC, and representatives from the plastic and food processing industries sign contracts to carry out those two programs in the years 1998-99 (May 1998).

The programs for developing products and technology for each industry will be main instruments for modernizing production, improving companies' competitiveness and promoting HCMC export.





Graph 2: Summary of the HCMC Strategy for Industrialization and Modernization



Graph 3: Programs to develop products and technology