

SOME OBJECTIVES AND STRATEGIC MEASURES TO DEVELOP THE HCMC PAPER INDUSTRY

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The making of a strategy for developing the HCMC paper industry is based on a survey of development of the paper industry in the world and the region and of recent developments of Vietnam and HCMC paper industry. HCMC is the biggest economic- technical- cultural center of the nation, the biggest market for paper, and at the same time, one of main suppliers of paper (some 30% of total paper output of the industry), so the strategy for developing the HCMC paper industry is affected by the master strategy for the industry as a whole. On the other hand, the development of the HCMC paper business will influence greatly the development of the Vietnam paper industry.

The paper industry of the world has recovered and developed a lot after crises in 1990-1994 period. Its average growth rate was 3% per year. This rate mounted to 6% in developed countries and reached the highest peak in the Pacific Rim, especially in Southeast Asian nations. According to estimation, the growth rate of this industry in 1990-2005 will be at 2.7% annually, that is, an amount of 7.7 million tonnes of paper will be added to the world paper output every year. This growth rate, for the period between 1995 and 2005, in Asian countries will be 7% or 8% a year with the result that the paper consumption will increase by 4% or 5% a year in this period. This shows that a considerable market for paper is coming into being in Asian, especially Southeast Asian, countries.

Being in an active economic zone and adopting the policy to integrate into the world economy, especially

into the ASEAN, the Vietnam economy has enjoyed many advantages and developed rather well recently. According to estimation, in the coming years, the Vietnam's growth rate would reach 9% or 10% per year, certain key industries would increase by 15% per year. With existing advantages and opportunities, the future of the Vietnam paper industry is very bright provided that all resources are exploited properly (raw materials, labor force, foreign investment, management mechanism, etc.)

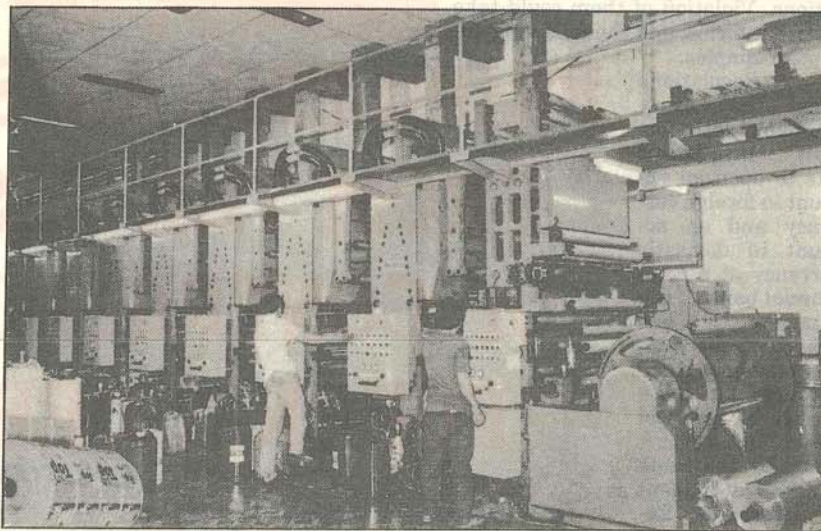
The forecast shows that the per capita paper consumption in Vietnam will increase from 3 kg in 1995 to 5.5 kg in 2000 and 12.5 kg in 2010. Realities show that the paper consumption in HCMC is always three times higher than the national average, the demand for paper in HCMC in the coming years will be as follows:

Table 1: Demand for paper in HCMC

Year	Per capita consumption (kg)
1995	9
2000	16.5
2005	27
2010	37.5

According to the forecast, the per capita paper consumption in HCMC will be around the regional average by 2000 and the world average by 2010. To satisfy this demand, the development of the HCMC paper industry must be planned to take the following steps:

- From 1995 to 2000, the struc-



ture of paper products must be changed and conditions for new investments prepared. In the next five years, at least 60% of equipment and machines used by HCMC paper industry must be replaced (and the rest will be replaced after 2000) and new investments must be made in order to achieve planned targets.

- The period between 2001 and 2010 will be a period of new investment and strong development.

The following are strategic targets of the paper industry in HCMC:

1. Total output: by 2000, 35,000 tonnes of paper products will be made (an increase of 30% compared with 1995) and the paper output will reach 60,000 tonnes by 2010 (increasing by 70% in comparison with 2000).

2. Structure of paper products: by 2000, the HCMC paper industry must produce new types of products, especially ones of high quality and

value, instead of making such low-quality products as cardboard or votive paper.

In order to achieve these strategic targets, the following measures must be taken:

(1) Securing sources of raw materials

To secure reliable supplies of raw materials to the paper industry, we have to afforest now and 10 years after we will get supplies of pulp, that is, if we start afforesting in 1996 we will get reliable pulp supply by 2005. This will be suitable for the development period from 2001 to 2010.

In Lâm Đồng and the Eastern South, there's plenty of trees (bamboo and the like) which could be made into some 90,000 tonnes of pulp per year. In the last few years, the paper industry has never purchased more than 40,000 tonnes of bamboo per year from planters (or 10% of potential resources). However, depending on natural forests for pulp will be an impasse for the paper industry.

(2) Reducing pulp output

The HCMC paper industry could produce about 10,000 tonnes of pulp a year with machines developed in the 1940s. There is no modern equipment needed for changing raw pulp into white pulp and treating effluent; that is why this industry has damaged seriously the environment. Raw materials for producing pulp sold in HCMC are usually 30% dearer than prices offered in other provinces, therefore the pulp output in HCMC must be decreased and the production of pulp will be gradually undertaken by large-scale factories such as Đồng Nai and Tân Mai which have been able to work at 50% of their capacity so far.

(3) Producing high-quality paper

Producing high-quality paper products could be considered as one of strong points of HCMC paper industry because of the following reasons:

- Great market demand in HCMC.
- Skilled and active labor force.
- Investment in new machines and technology is small in comparison with investment in production of pulp

(equivalent to about 60%).

- Production of high-quality paper causes no great damage to the environment, that is, the cost of environment protection is low and the economic efficiency is high.

(4) Modernizing step by step all technology and equipment used for producing paper in HCMC

First of all, we have to set forth direction of development for the industry and for each factory as well, identify products and markets for the future, and apply new technology which meets the following requirements:

- Reasonable and consistent.
- As advanced as what are used in Southeast Asian countries;
- Eco-friendly.

(5) Finding out new markets

The main market will be domestic consumers, especially those who are in HCMC where the education standard is high, the per capita income is on the increase and the industrialization is taking place. The range of products could be changed easily in order to meet the market demand and reduce the importation of high-quality paper products. If our paper products are as fine as what are made by surrounding countries, we can certainly export them.

Market strategy plays an important role in the realization of planned targets. We can carry out the marketing strategy in three stages:

- The first stage (1996-2000): to increase the market share controlled by HCMC-based paper factories from some 35% to 50% in local market by increasing output and reducing production cost.
- The second stage (2001-2005): to secure the market share acquired by enhancing quality of products and garnering niches (that is, producing specialties for use by a limited number of customers).

If the HCMC paper industry can produce such high-quality products as coated paper, toilet tissue, cigarette paper, etc., its market share in HCMC and surrounding provinces will certainly increase to 70%.

- The third stage (2005-2010): to expand the market share in foreign countries will become a possibility because the economic efficiency, product quality and production capacity in this stage will be high enough to compete with foreign paper.

We can forecast that the market demand will exceed the existing supply, so the main target is to satisfy the demand for high-quality paper products in HCMC, or the domestic market as a whole.

The Vietnam paper industry, including the HCMC paper business, had better concentrate on satisfying domestic consumers demand and reducing importation because it's a way to save foreign exchange and protect local industry.

(6) Securing investment

To increase the value of the HCMC paper output to some VNĐ210 billion (or US\$20 million), big investments in innovation are needed. The total investment is estimated at US\$20 million. It could be obtained by:

- attracting foreign investment projects appropriate to the development strategy of the industry.
- securing bank loans.
- mobilizing capital from local companies.

(7) Supplying training courses

The Technical School under the HCMC Service of Industry could provide expertise in paper production, equipment, environment protection and labor safety. Engineers from various companies could be invited to give training courses to workers. In addition, workers could be encouraged to sit examinations in labor skills. These are ways to build an army of young, skilled and disciplined workers.

The development of human resources plays an important role in the realization of the development strategy. Municipal authorities had better make plans to train young people as skilled workers by establishing a training center for paper industry under the Technical School of HCMC Service of Industry. This measure is feasible because it requires small investments and makes the best use of existing teaching staff and facilities.

