

Comparing with the sugar price on the world market, the Vietnam's sugar price is usually US\$200 higher per tonne. In 1997, the sugar price offered in Paris increased from US\$307 a tonne at the beginning of the year to US\$328.2 in October. In Vietnam a kilo of RE sugar is sold at VNĐ6,000, or US\$500 a tonne if the exchange rate is VNĐ12,000 to the dollar. That is why some Hà Nội-based companies have recently asked the Ministry of Trade (MOT) for license to import sugar. When

mies become industrialized, these barriers will be removed to facilitate international specialization and each country will produce goods in which it is most efficient.

List's theory could be applied to the Vietnam's sugar industry. But first of all, we had better study the development of this industry in recent years.

#### 1. Period 1990-95

In the 1980s, although state-owned sugar refineries were more modern than privately-owned ones, they were forced to sell their prod-

In this decade, sugar cane was grown widely in such provinces as Cần Thơ, An Giang, Bạc Liêu, Sóc Trăng, and Bến Tre where there was no state-run sugar refinery. Contrarily, in provinces with modern refineries, such as Long An, Biên Hoà, Khánh Hoà, and Quảng Ngãi, the sugar cane growing area got reduced, these state-owned sugar refineries were permanently short of raw materials, and as a result, they had to suffer losses.

The introduction of the market economy in the early 1990s has

## TO IMPROVE COMPETITIVENESS OF VIETNAM SUGAR



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saved these state sugar refineries from the brink of ruin. Free trade was encouraged. State factories were allowed to decide on prices paid for much-needed raw materials and selling prices of their products. State sugar refineries with better equipment could compete successfully with privately-run sugar mills. The sugar cane growing area started to rise in many provinces with or without modern sugar refineries. The market demand for sugar and sugar-related products increased because of improved living standard. So this was a boom period for the sugar industries, for both modern state sugar refineries and privately-run sugar mills.

#### 2. Period 1996-97

In the years 1990-95, although the price of sugar on the world market was low, the Vietnam's sugar industry kept on developing because the source of foreign exchange was too limited to import sugar. But up to 1995, the source became more abundant and 210,000 tonnes of sugar were imported. In the 1996 Tết Festival, the sugar price, instead of rising as usual, went down because many traders had to sell out all imported sugar for cash. The Khánh Hội Sugar Refinery imported a lot of brown sugar to make castor sugar because the price of brown sugar was lower on the world market than on the domestic one. This

the MOT said no, many traders tried to import, either legally or illegally, sugar and sugar-related products with the result that the MOT had to tax heavily imported sugar products.

Frédéric List, a German economist, said that the free trade was of benefit to developed countries only, because they are strong enough to compete with developing ones. He advised protecting infant industries of developing countries by raising trade barriers against foreign competitors. When developing econo-

ucts to state trading companies at low prices fixed by the Government who in its turn forced farmers to sell sugar cane to state sugar refineries at bottom prices. Farmers in provinces with state-owned sugar refineries usually sold sugar cane stealthily to privately-run sugar refineries that could pay better prices because they could sell brown sugar they made to the black market. When local governments prevented farmers from doing so, farmers started to grow other plants instead of sugar cane.



situation made the price of sugar in Vietnam fell sharply. All state-run sugar refineries were ordered to buy sugar cane from farmers to the best of their ability. So these sugar refineries worked at full capacity and they kept on buying sugar up to May when the rainy season started (in rainy season, sugar content in sugar cane tends to reduce). However, their efforts failed to keep the sugar price from falling.

Experience shows that economic policies, after coming into being, tend to exist for long even though the situation that gives birth to them changed, and adjustments are only made when they cause great damage to the economy. The fall of sugar price in 1996 shows that the market economy can only ensure sustainable development for farmers only on condition that it is regulated by right macroeconomic policies. That is why in 1996 many measures to deal with the crisis in the sugar industry were taken:

- + The MOT banned the import of sugar, and then, sugar-related products.

- + The Ministry of Agriculture imported high-yield strains of sugar cane and some 13 sugar refineries were built in provinces with large areas planted with sugar cane, especially in the Mekong Delta.

Although certain sugar refineries were built of used equipment imported from China, instead of locally made one, and some of them couldn't come into operation after two years, the measures had strong effects on the sugar industry: the price of sugar cane climbed up steadily from some VNĐ80 per kilo in 1996 to 300 in 1997 in many southern provinces. Generally, we hope that Vietnam can produce enough sugar to meet the domestic market demand in the coming years. The problem is how to reduce production cost and turn Vietnam into an exporter of sugar.

### 3. Plan for the period 1998-2000

When the sugar industry and the sugar market develop, sugar producers are forced to apply new technologies and techniques to production, certain badly-equipped



sugar mills and sugar-planters using obsolete farming methods will face the danger of bankruptcy. In the near future, we have many reasons to believe that the sugar price in Vietnam will fall.

Firstly, new strains of sugar cane planted on well-irrigated areas can yield 100 tonnes per hectare. A well-kept sugar field can produce three, or even five, crops. However, sugar planting areas in many provinces aren't well-irrigated. For example, in Long An where there are two sugar refineries (Hiệp Hòa and India-invested Nagarjuna), sugar planting areas are usually flooded in rainy seasons. In 1996, some 9,000 hectares of sugar cane were destroyed and many other areas suffered great damage. In An Giang and Cần Thơ, sugar planting areas are under threat of annual flood. Generally, these provinces aren't suitable for sugar planting.

Sugar cane can be grown widely in Central Vietnam or South Eastern Vietnam where there are many streams and springs, and rain water can drain easily from farming land. The problem with these provinces is how to supply water to sugar plantations in the dry season. Sugar cane is also planted in coastal provinces of the Mekong Delta (such as Bến Tre, Sóc Trăng, Minh Hải and Kiên Giang) where both the drainage system and the supply of water in dry season are good. The sugar cane growing has been especially developed in Khánh Hoà where the dry season usually lasts for eight months. The situation in these provinces can be improved remarkably by developing the irrigation system or building dikes to prevent flooding.

From 1998 to 2000, if the drainage and irrigation problem is solved,

sugar cane growing areas in these provinces can yield 100 tonnes a hectare. With a price of VNĐ300 a kilo, a hectare of high-yield sugar cane can bring in some 30 million in comparison with 8 million when planted with sugar cane of old strains.

Secondly, sugar leaves from a hectare of sugar cane can be used as additional feed for 4-10 cows. Peeling off sugar leaves regularly also helps to improve the yield of sugar and cow dung can be used as manure for sugar fields.

So there must be measures to encourage farmers to couple sugar cane growing and cow farming.

Thirdly, in provinces with large sugar growing areas, there must be plans to build roads and canals connecting sugar fields with sugar refineries in order to reduce transport cost and waste of time before sugar cane is processed. In Vietnam, most sugar fields are some 100km far from sugar refineries. After being cut down, the sugar content can be reduced by 4% a day if it isn't processed while most farmers are using manual labor to cut down and transport sugar cane to the refinery. This situation makes it difficult to keep the production cost low.

Fourthly, press residue of sugar cane is usually used as fuel which produces a lot of pollutants. So we had better build paper mills or small power plants beside sugar refineries.

### 4. Conclusion

In 1996, new bases for the development of the sugar industry were built (new strains of sugar cane, new sugar refineries and protectionist policies). The main task for the period from now to 2000, in our opinion, is to reduce the production cost from US\$500 to under 300 a tonne in order to export Vietnam's sugar products. The above-mentioned measures can help us achieve this aim. By-products of sugar (paper, animal feed, etc.) can help increase export earnings needed for the industrialization program. With favorable climatic conditions and abundant and cheap labor force, we think that Vietnam's emergence as a sugar exporter is within the bounds of possibility.