

CAPITAL FOR INDUSTRIALIZATION, MODERNIZATION IN HCMC



Chairman
Trương Tấn Sang
(right) with EDR reporter

The 7th Conference of VCP Central Committee (7th term) has arrived at the decision on developing industry and technology from now till 2000 in the direction of industrializing, modernizing the country and building working class in the new era.

How to realize this decision in HCMC is what Trương Tấn Sang, member of VCP Central Committee, Chairman of HCMC People's Committee, said to EDR's reporter.

How will the decision on industrialization, modernization be realized in HCMC?

Firstly, along with the whole country, in HCMC, a long-term plan from now till 2010 to industrialize, modernize the economy is being made. At the same time, HCMC People's Committee is giving instructions to its subordinate organizations to make medium-term plans (from now till 2000) for their activities with appropriate targets and steps.

As for orientation of long-term plan towards industrialization, modernization, there are many problems, but some of the most important ones under consideration are as follows:

ORIENTATION OF DEVELOPMENT AND STRUCTURAL ALTERATION

1. General orientation

Up to now, the economic structure in HCMC is characterized by large industrial and service sectors (the service sector occupied a large percentage in gross product, while the industrial sector is growing well) and small primary sector.

Realizing the decision of VCP Central Committee on economic structural alteration in the direction of industrialization, modernization, from now till 2000, the industrial sector in HCMC will be given priority in order to help it occupy a percentage in gross product as large as that of the service sector. However, the primary and service sectors will still be developed, but

in a slower speed. The most important thing is we have to make qualitative improvement to the key industries and services.

2. Orientation of each sector

a. Orientation of industrial sector:

HCMC production of consumer goods has developed and hold a leading position in the whole country. However, its development in immediate future isn't sure, because its technology and equipment are too obsolescent. Investment in these fields in recent years was small and much lower than that in other fields.

Thus, HCMC industry couldn't develop well in the coming years or help neighboring provinces develop. Therefore, its future course of development should comprise the followings:

- Giving priority to investing in agro-industry, light industry and export-oriented industries and paying attention to labor intensive industries in order to reduce unemployment rate.

The concrete tasks are:

- + Improving technology and techniques in order to raise product quality of manufacturing industry in HCMC.

- + Increasing production of consumer goods in order to meet domestic and foreign markets' need, especially the demand of rural areas in the South.

- + Developing export-oriented industries which are labor-intensive; developing assembling factories, farm machinery and transportation fac-

tories in order to serve agricultural production in HCMC suburb and help surrounding provinces develop manufacturing industry of their own.

- Taking the first step to develop power, electronics, informatics and biological technology in order to modernize HCMC industrial sector.

Direction of structural alteration of industrial sector :

- Increasing the production of agro-industries, textile, chemical (including plastic and rubber), garment, electronic industries.

- Giving priority to equipping following industries with new technology: power, electronics, informatics, biological technology, farm machinery, agro-industries and export-oriented industries.

- Increasing capital accumulation for re-investment according as each industry is able; making technical innovation step by step with a view to catching up with modern level of international industry.

b. Orientation of service sector

Nowadays, this sector occupied a large percentage in HCMC gross product, but its development is ungovernable and lacks of orientation and has only a little effect on industrial sector of both HCMC and other provinces.

The HCMC service sector should be orientated towards playing a role as a commercial center of the South, therefore we should pay attention to the development of the following fields:

- Expanding circulation of goods and services among provinces in the South in order to form a good relation between industry and agriculture, towns and rural areas, and expand both domestic and foreign markets.

- Developing trading estates for commercial and foreign trading activities; along with developing banking system, capital market and other financial services.

- Developing post, telecommunication and transportation services.

- Developing HCMC into a center of educational, technical and cultural activities in order to satisfy the requirements of industrializing, modernizing HCMC and Southern provinces.

Direction of structural alteration of service sector:

- Increasing the value brought into existence by foreign trading, financial and banking services.

- Increasing investment in human resource development, such as technological researches, training and education.

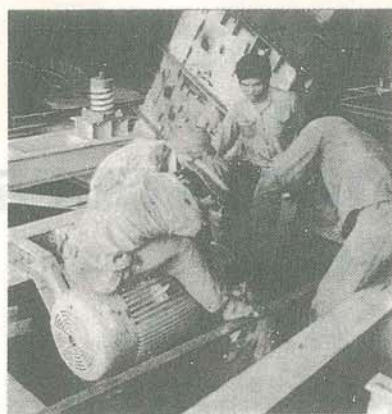
- In the near future, we should try for modernization of service sector, especially we have to make financial

and banking services in HCMC reach national standard or equal to other financial centers in surrounding countries.

c. Orientation and structural alteration of primary sector

The primary sector in HCMC includes farming, forestry and fishery and it needs to be changed. Just because of fast urbanization, the farming land in HCMC suburb is on the decrease. Moreover, the cultivating efficiency in HCMC suburb is lower than that of other Southern provinces, therefore, we should orientate this sector towards animal husbandry business of modern methods.

We should also build a green belt around HCMC to produce farm products for export; and develop non-agricultural occupation (small industries, handicraft, services) in order to supply jobs to local laborers.



From said analysis, we saw that in this decade, the growth rate on average of all three sectors in HCMC will be higher compared with the period between 1990 and 1993, and the growth rate of the industrial sector will be higher than that of the service sector. The HCMC economic structure in 2000 is estimated as follows:

- + The primary sector: 2%
- + The industrial sector: 48%
- + The service sector: 50%

Industrializing, modernizing HCMC economy requires a big capital, how can we get it?

The needed capital for industrialization, modernization is very big. The statistics showed that in 1993, HCMC gross product was VNĐ 22,821.3 billion. And as we know, we have to invest 3% of gross product if we want to make it increase by 1%. Thus, in 1994, we need around VNĐ 10.000 billion of investment capital in order to reach a growth rate of 14%. The need for capital will increase year after year.

We can look for needed capital from various sources:

- The national budget (including foreign aids and loans allocated by the government to HCMC).

- Self-financing capital of businesses.

- Idle money from the public.

- Foreign capital invested in HCMC according to Foreign Investment Law.

- Other sources (land leasing, public property, equitization of state enterprises...)

In order to mobilize needed capital, HCMC authorities have been taking appropriate measures into consideration such as: applying preferential taxation and interest rate, issuing municipal bond, allowing healthy businesses to issue corporate bond, increasing amortization of fixed assets, reducing income tax in order to help factories innovate their technology...

Which fields will be given priority when we get needed capital? Which fields could non-state economic sectors be allowed to operate in?

With mobilized capital, the following activities will have priority:

(1) Building infrastructure and modernizing welfare state.

(2) Modernizing facilities for technological research, basic research in various institutes and enterprises. For the time being, we should help factories innovate their technology in order to make technical revolution in HCMC industry, and make policy on encouraging leading scientists from home and abroad to study and apply modern scientific achievements to our economy.

(3) Modernizing the mechanism of government management in three aspects: facilities for civil service, methods of civil service implementation and management methods.

(4) Investing in technological innovation of the above-mentioned key industries.

In other fields; various measures will be taken such as: realizing open financial policy, organizing capital market as soon as possible, raising efficiency of taxation, financing businesses selectively, creating legal environment favorable for activity of every economic sector, attracting foreign investment... All of these measures will be taken with a view to developing HCMC economy and raising living standard of the people.

Thank you for giving us this interview. We wish HCMC People's Committee great success in realizing these targets ♣

conducted by
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