

PETITION OF NORTHERN MEMBERS OF VIETNAM CHAMBER OF COMMERCE AND INDUSTRY TO THE PRIME MINISTER AND GOVERNMENTAL BODIES

SIX PROBLEMS TO BE RENOVATED IN MACRO-ECONOMIC POLICY AND MANAGEMENT

1. Capital

According to a poll among businesspersons, nearly 40 per cent of enterprises, especially small and medium ones, met a shortage of capital. These enterprises, representing only 10 per cent of total registered capital, have the capability of supplying jobs and making big profits but secure capital with some difficulty.

The interest rate of bank loan is too high, procedures for getting loans from state banks are too complicated. The current lending rate, especially one charging on the private sector, didn't enable these enterprises to make reasonable profits, so many enterprises have to do their businesses with their own capital and aren't use loan capital.

We petition the Government soon to form export promotion fund and investment promotion fund according to the Law on Encouragement to Domestic Investment.

2. Tax

Our common opinion is that there are many irrational features in current tax policy. High taxation forced many enterprises to avoid or evade taxes in order to carry on their businesses.

The economic sectors are unequal in paying taxes. The list of tax rates is too long, the amplitude of each tax rate is big. This paves the way for bribe taking and in reality, it's hard for the Government to charge the high level of one tax rate.

2 EDR

We petition the Government to reduce sales tax imposed on handicraft products, income tax on sea products processing business; to exempt sea products for export from tax, to re-examine taxation on imported goods used as raw materials for export processing industries.

Editor's note: In the meeting between the PM with Southern members of the Vietnam Chamber of Commerce and Industry held in HCMC on Feb 8, 1995, Đoàn Duy Thành, representative of VCCI standing committee presented to the PM with petition of Northern members of VCCI for solutions to six problems in macro-economic policy and management relating to enterprises' activities. Those six problems are presented here. The title is Editorial Board's.

Taxes imposed on imported farming machinery should be adjusted: tax on engines used in farming machines is higher than that on engines used for motor boats; import duty on small tractor which is liked by peasants and can't be produced locally is higher than that on the big one (tax rate of 25 per cent compared with 5 per cent).

Import duty on electronic parts used for assembling changed irregularly last year and caused a lot of trouble to this business. This duty climbed to 15 per cent in November from 7 per cent in June and 10 per cent in July. Thus, it has increased by 8 per cent

within six months. The electronic assembling factories couldn't cope with such a fluctuation, because they couldn't raise selling price at will and they would suffer losses if they carry on production, and workers would become jobless if these factories put up the shutters.

So these factories petition the Government to stabilize rates of import duties. When a change is needed, a notice should be issued beforehand in order to help these businesses adjust their plans.

On the other hand, the Government had better make regulations on taxation fully understood in order to keep them from being misinterpreted by local authorities, regulations on SKD-CKD classes of imported electronic or motorbike spare parts for example. These regulations should be made according to international practices.

Tax base is also a problem. These bases for some goods are higher than the price the Vietnamese importers could pay for these goods. When these importers negotiate with foreign traders about cutting down the price, these negotiations usually end in failure because foreign traders have known the government-set tax base.

3. Current mechanism for controlling foreign trade

Entrepreneurs suggest removing formation of authorized import-export companies and realizing registration for licences. This can help enterprises make contact with foreign markets

directly, encourage fair competition between enterprises and connect foreign trade with local production.

Many entrepreneurs said that the mechanism for controlling foreign trade through authorized import-export companies has helped these companies make easy money from labor of other enterprises. In the market economy, selling on consignment is always optional, not compulsory. The Government had better re-examine the mechanism for controlling over importation and exportation of goods and loosen some strict regulations.

4. Co-operation with foreign partners

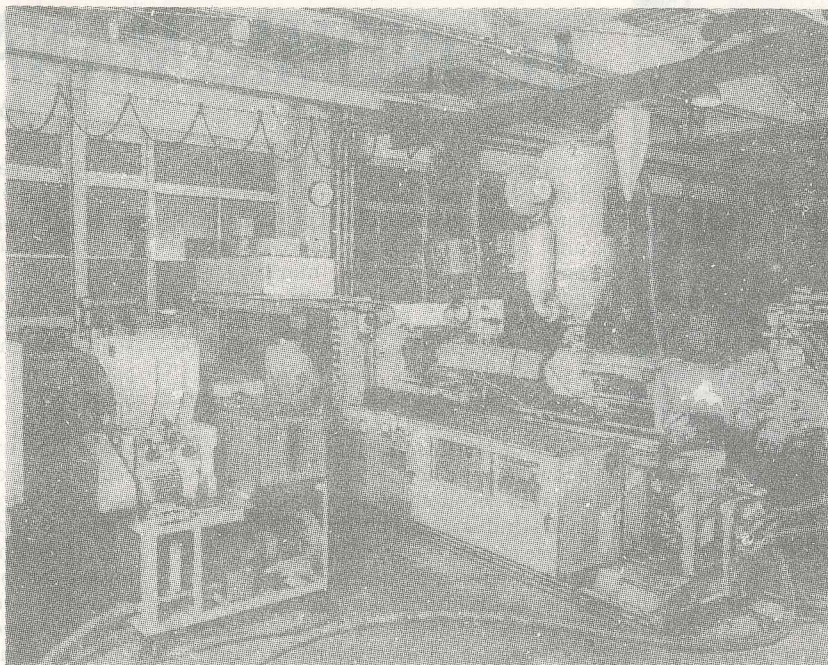
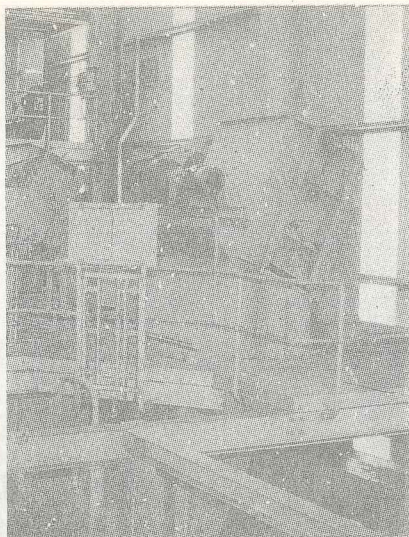
Entrepreneurs hope that the Government, basing on long-range forecast, will complete strategies and plans to guide enterprises in co-operating with foreign partners and selecting imported technology. The Government had better take measures to help enterprises secure needed capital to bring in co-operation projects with foreign companies (supplying low interest loans for example).

5. Administrative reformation

Although a lot of efforts were made by the Government and various governmental bodies, but generally, the administrative procedures are still complicated and consume a lot of time and money of enterprises. Many entrepreneurs said that Vietnam's laws and many policies were open-minded and attractive, but the complex procedures have annihilated both attractiveness and open-mindedness of these policies and investment environment.

In order to meet requirements of the new situation, when Vietnam is about to join many international and regional organizations (WTO, APEC, ASEAN, etc.), the Government had better take stronger measures to reform the administrative procedures.

As for the machinery for controlling enterprises, entrepreneurs hope that the ministerial control over state enterprises will be soon removed in order to free state enterprises from being intervened by superior officials, and on the other hand, to provide enterprises of every economic sector



with equal opportunities to do business.

By experience, some entrepreneurs said that the Government and ministries showed a spirit of goodwill in economic development but some subordinate civil servants were conservative, extortionate and bossy. Entrepreneurs hope that the Government form an assisting body from technocrats who have radical way of thinking, managerial skills and professional conscience, and change from old way of management (giving orders, favors, permits, etc.) to a new one (giving guidelines, helps, regulations,

etc.).

Along with administrative reform, the Government had better develop business promotion organizations, such as Chamber of Commerce and Industry in order to help enterprises develop their businesses.

Development of these organizations could be seen as a preparation for development of home industries.

6. Co-operation between the Government and businessperson

Experience from foreign countries and Vietnam situation in recent years as well showed that this co-operation was one of decisive factors in the economic development. Entrepreneurs hope that the Government, in preparing policies, strategies or economic plans, could consult and co-operate with businesspeople acting as doers of these plans and strategies. According to guidelines of the Prime

Minister, many governmental bodies have recently done business in this way. This co-operation has produced good result: many policies became more realistic and feasible.

Regarding relation between governmental bodies, the public opinion with business circle, entrepreneurs have the aspiration to be protected and treated fairly. In doing business at present time, when rules and regulations haven't been perfected yet, making mistake is a common deed. The government and the public opinion had better discriminate between accidental and intentional mistakes, because an eager and creative businessperson could make a mistake trying to find a new way to develop the business (Naturally, intentional mistakes should be punished properly). This could help business circle feel sure about their trying for country's development and keep foreign businesspersons away from doubt about Vietnam renovation policy ♣