



vestment environment and the managerial capability for the attraction of foreign capital and effective use of foreign direct investment. In the meanwhile, the laborers' legal interests in joint venture enterprises are secured.

Countries experienced the stage of developing capitalism, their bourgeoisie came into being. So the partners for the state cooperation are available. The remaining problem is encouraging policies for national capitalists to pour their money in cooperating with the State due to both their benefits and the eco-

Others have remarkable capital but they did not believe in the Party and State policies yet, so they dare not invest their money in business, they may both do business and watch the State policies at the same time.

In recent years, the domestic private capitalist economy has grown, but focused on the sectors of commerce, service and real estate. The investment in manufacturing is still small. The enterprises are mainly of small and medium scale. Some large-size enterprises employ many workers. Some enterprises

ON THE IMPLEMENTATION OF THE STATE CAPITALIST ECONOMY

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Since the State launched *đổi mới* policy, especially since the Foreign Investment Law was promulgated, our country has carried out many economic activities within the State capitalism, although we rarely used the terms "state capitalism".

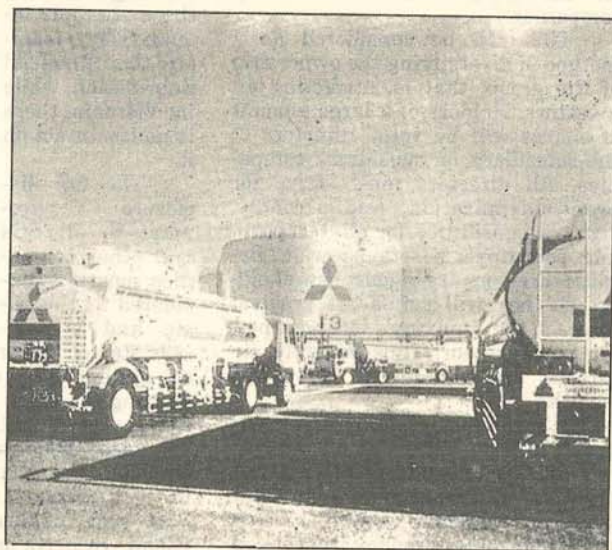
From 1988 to May 1996, not to mention projects whose investment licences were revoked, the whole country had 1474 foreign investment projects capitalized at US\$21,563 million. As for investment form, joint venture enterprises represent 64.6% of total projects and 65.3% of total investment capital, 100% foreign-invested companies 27.1% of total projects and 17.8% of total capital, business cooperation contracts 8.3% of total projects and 16.9% total capital. By the end of 1995, over 700 companies coming from 50 nations and territories had investment projects in Vietnam, including many potential corporations having great capital and advanced technologies. These investment

forms are different ones in the state capitalist economy.

The eighth Vietnamese Communist Party's congress pointed out "the state capitalist economy includes forms of cooperation and joint venture between the State economy and domestic and foreign private capitalist economy". Concerning its role, the eighth congress said this economic sector plays an important role in the mobilization of capitalists' potential capital, technologies and managerial capability for their interests and the country's construction and development.

Therefore, the state capitalist economy is not only affirmed in theory, but also performed in practice.

The problem is at present to continue to apply numerous forms of capital contribution in joint ventures between the State economy and domestic private entrepreneurs with a view to stimulating Vietnam businesses to develop, raising their competitiveness against foreign companies, improving the in-



domic development.

Our country has not experienced the stage of developing capitalism, most of national capitalists reside overseas due to previous mistakes in the State policies. The rest staying in the country is small. Some businessmen have become rich quickly due to loose management of the State.

are really possessed by foreigners under the name of Vietnamese.

The present problem is to evaluate exactly the capability of the private capitalist economy in the country's development with the aim to encourage them to invest, exploit more their capital source, issue and execute policies

to make them feel assured in their business, protect their ownership and legal interests, create favorable conditions for them to produce profits, especially in the manufacturing sector. At the same time, we should give them guidelines so that they do business legally and make benefits for the national economy and for their sake.

If the private capitalist economy does not have intensive development, then the State cannot carry out the State capitalist economy. To make conditions for the private capitalist economy to develop, the State should improve and facilitate the legal environment, study and amend tax policy. Both State-run and private enterprises see some tax rates are rather high. This scares private entrepreneurs out of doing business or they will make tax evasion. However, when the tax rates are reasonable, there are still complaints from private business circle and some of them still find how to avoid tax due to their desire for profits.

But the State cannot help studying and overcoming obvious shortcomings in its tax policy. It is necessary to make tax rates reasonable because high rates may cause losses in tax collection.

The State should also research to avoid multiple tax imposed on some products. Tax policies need careful preparation prior to promulgation. We should avoid ever-changing tax policies. These changes make businesses become afraid that the State policies are not consistent.

There should be uniform between laws and legal documents guiding the implementation, between relevant branches in executing the State policies, between central and local agencies. Some documents issued later by certain agencies invalidate another agency's one issued earlier. That situation caused many difficulties to

the people and reduce their trust in the State regulations.

Is there contradiction in stimulating the growth of private capitalist economy on the one hand and performing the State capitalist economy on the other? If we look over this problem, we can say no because this is a rule of economic development.

We decide on encouragement of the private capitalist economy with a view to liberating all productive forces, streamlining all potentials, exploiting all technical powers, all managerial knowledge...for the current development of the country's industrialization and modernization. It's a historical essential that the private capitalists enter the way of the State capitalist economy. The problem is only the time. That's a wholly voluntary activity. The Party and State do not lay down compulsory policies and do not carry out industrial and commercial transformation as before since this implementation proved wrong and failure.

The history of economic development showed private capitalists possessed many medium- and small-size enterprises at the early stage. But later they joined together to form trusts in some products with the aim to reduce competition between them and raise their competitiveness against other trusts. Medium- and small-size businesses could not face with big companies, they thus take part in big trusts.

Vietnamese economy is integrating into the world's economy, more and more multinationals will be present in our country. Their competitiveness is tremendous.

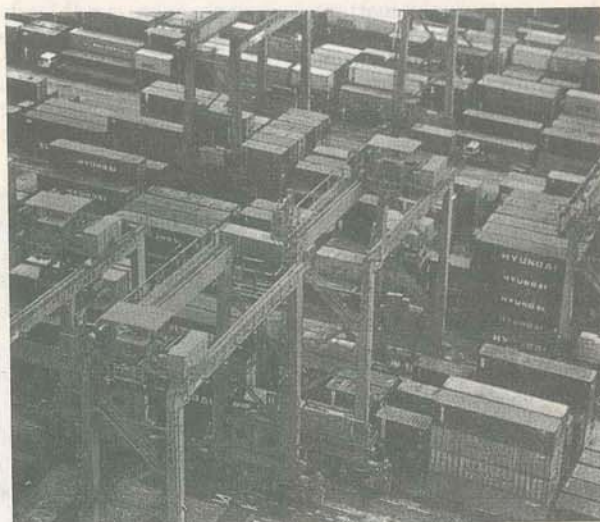
Their countries' leaders often say they are willing to help Vietnam restore and develop its economy, transfer their advanced technologies, train managers, share their experiences...These intentions

are frank. But their investors' target is profits all the time. They never give up any methods, even tricks to attain their goal.

Currently, small- and medium-size enterprises are highly appreciated. Those concerns depend upon big corporations. They are satellites of big corporations. In Vietnam, small- and medium-size enterprises operate independently, they can make

the private sector. The State should issue the law on the State capitalist economy so that it can bring interests to both Vietnamese capitalists and the State economy. The participation in the State capitalist economy is totally voluntary. The principle of treatment in personam, not in rem is applied to the working style and the vote for decision.

In addition, the equi-



good performance in a certain period but they cannot endure fierce competition with big foreign investors in the long run.

Vietnamese private enterprises will cooperate with together or with State-run enterprises to form joint ventures for their survival and development.

At present, the State economy, on the whole, is still weak, but according to rules of socio-economic development, the State economy will become powerful. Then Vietnamese private entrepreneurs will enter joint venture with State companies, establishing the State capitalist economy. The problem is at that time the State economy is strong enough to realize the State capitalist economy in cooperation with

zation of State enterprises has relations with the establishment of the State capitalist economy. State enterprises sold their shares to private businesses or vice versa. Regardless of the ratio of their stocks, this also forms the State capitalist economy. By this way, there are numerous economic sectors taking part in the establishment of the State capitalist economy such as: the State, Vietnamese and foreign investors.

Everyone is welcome when they use their capital (cash or gold) to buy the equitized State enterprises' shares. That is a way to attract private capital in economic development.

Many foreign companies or corporations currently wish to form joint

venture with Vietnamese private businesses. That joint venture is not good for the Vietnamese party because they will depend upon overseas groups and it is unacceptable.

In reality the joint venture with foreign capitalists is also the State capitalist economy. Even 100% foreign-invested enterprises are within the State capitalist economy. It is similar to the form of rent and sale put forward by Lenin. There are following noteworthy matters in the implementation of the State capitalist economy with foreign partners:

- In joint ventures, the Vietnamese stock is lower than that of the foreign party, representing only from 20-30%, not to mention specific cases. Since foreign capital takes up a bigger ratio, their post is director and the Vietnamese vice director. As a director, they decide on the buying price of materials overseas, the selling price of products on the world market. As a result, the joint venture may not be able to control these prices.

- In some cases, the foreign capital is overestimated. They contribute capital by refurbished equipment and price them as brand-new ones. This leads to high price of product and reduction of the joint venture's competitiveness.

- In management, they pay high salary to Vietnamese managers or technical experts, but very low wage to workers.

- They in general make their own regulations causing workers' high labor intensity.

- Some foreigners give slighting manner and rude treatment to Vietnamese workers. In some cases, they break our Labour Code clearly.

- In addition to benefits of their company, they also have their own interests. So they can find how to increase their incomes but make losses to the Vietnamese party.

The above-mentioned situation is having bad effects on the national economy. There are many problems to solve step by step. There are also problems which can be settled immediately including violations of current laws.

In the State capitalist economy with the participation of foreign factors, the Management's vote for some important issues should apply the principle of treatment in personam, not in rem. The foreigners must not oppress ruthlessly workers. There should be legal regulations on the 100% consensus of the Management concerning important decisions, the

many big ones with attractive and abundant natural resources such as China, Russia, CIS nations, Eastern European nations, India, Pakistan, nations of Middle East, Latin America, Africa...

The great difference between supply and demand in investment capital leads to competition between host countries. That situation requires our country to study those nations' policies on foreign investment attraction and watch their changes. Those related matters include land rent and its duration, taxes, procedures of exit and entry, regulations on granting investment li-

they may violate the law. If the fine is smaller than the profit produced by violation, they are willing to break the law and pay the fine. The problem for Vietnam is to know how both parties can enjoy profits legally and how to compete against other nations.

Another noteworthy problem is the State economy is strong in terms of quantity and quality even though its partners are foreigners or Vietnamese nationals. If the State economy is poor, foreign or domestic investors will reject their cooperation or make advantage of State enterprises' weakness for their own benefits.

To make the State economy strong, the following measures should be taken:

- The State capital should be plenty by mobilizing capital sources from national budget, the people's idle money, foreign aid, issuing bonds, selling shares of equitized State enterprises and excessive State properties...

- The army of laborers should be highly qualified including managers and skilled workers. The State should assign tasks to skilled staff, train and retrain necessary workers and give good treatment and incentives to them.

- Economic establishments which still use backward technology should be granted capital to innovate their technology. These units can renew technologies in a specific stage, or each separate equipment. If they have enough conditions, they should make a plan on renovating their whole equipment and strive for the implementation of that plan.

The State should disband only enterprises which cannot survive by any support. Only powerful State enterprises can carry out the State capitalist economy and have conditions for directing the national economy in proper orientation ■



dismissal of chief accountants or vice director for example. The foreign director must not by himself/herself decide on the buying price of materials, the selling price of product...Is this practice can become true? Can these rights be reduced?

For the time being, although the number of projects and their capital are great but the realized capital represents only one-third of total registered capital. That figure is low as compared with the investors' potentials and our country's demand for capital.

We can see the number of investing countries is bigger than that of ones needing investment. The host countries include

cense and other relevant policies. Our cumbersome procedures will bore foreign investors.

The host country has too many agencies and requires investors to do many things. But investors have right to invest their money or not.

If they see in Vietnam the profit ratio of investment is not higher than in other countries then they will transfer that capital to other nations. In our country, there is also competition between localities. That situation give the problem more troubles and losses to Vietnam.

In any case, we cannot forget their goal is profit. Low returns lead to no investment and vice versa. And due to very high profit