

# ROLE AND POSITION OF VIETNAMESE PRIVATE SECTOR

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Policies on the private sector have become a controversial problem recently. Although there is a great division of opinion about this problem, nobody can deny that this sector is a decisive factor in the development of productive forces, especially when the public sector couldn't create enough new jobs for an increasing working population. The Chinese Communist Party, since the late 1970s, has adopted a series of active policies to restore and de-

velop the private sector with the result that the Chinese economy has developed in leaps and bounds in the late 20<sup>th</sup> century.

the socialism-oriented market economy in Vietnam, the VCP Resolution of Central Committee of the 9<sup>th</sup> term states: "Developing the private sector is a long-term and strategic problem that makes important contribution to the economic development, industrialization, modernization and enhancement of inner strength in the international integration process."

Both the VCP and Vietnamese Government affirm the presence of

shortcomings: corruption, bureaucracy and lack of profit motive, etc.

To deal with these shortcomings, various laws have been made to force the public sector to concentrate in fields where it proves most effective, and even to privatize many state-owned concerns. However, not all countries succeeded in privatizing the public sector because some concerns aren't saleable, too obsolete or too important to the national defense to sell.



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In building the socialism-oriented mixed economy in Vietnam, the problem of role, position and relations of the private sector with other sectors has become more urgent in recent years when all possible resources must be tapped for the economic development.

## 1. Role and position of the private sector

Discussing the role, position and development of the private sector in

the private sector in the transition to the socialism and ensure that it meets no limit on its size, locality and field of operation.

In the history of the world economy, the public and private sectors have developed side by side. After the World War II, the public sector became more important representing some 30% of the capital goods in many capitalist countries. This sector controlled many key industries important to the national defense and security and engaged in fields that beyond the reach of the private sector. However, realities show that the public sector includes serious

Thus, although the public sector plays an important role in the market economy, the private sector keeps developing in all economies, including the socialist ones. In many countries, the private sector represents the better part of the economy. That is why Vietnam couldn't brush it aside or deny its existence when developing the socialism-oriented market economy. Moreover, to develop the private sector is a must for the government because of its role and position.

In this sector, there are one-man businesses, joint stock companies and foreign-invested companies. An-

other group in the sector includes family businesses. In a whole, the private sector represents the best part of the GDP: 59.88% in 1994 (equaling VND106,911 billion); 60% in 1998 (216,610 billion) and 61.02% in 2000 (271,021 billion).

Investment in industrial production by the private sector also increased over years: from VND118 billion in 1990 to 1,508 billion in 1995; 2,661 billion in 1998 and 3,380 billion in 1999. Regarding the structure of gross investment (at current price) in the 1990s, we see that the private investment increased at the same rate as the public investment. For example, the private investment

production - are of small size. According to the General Department of Statistics, there were some 14,500 private businesses up to the end of 1999, employing 109,273 laborers and their average sales were VND5.4 billion 1 year. Over 71% of these businesses were very small: their average workforce was 4.3 laborer. In agricultural production, the average area was 3.7 hectares for a private farm growing annuals; 7.1 hectares for a farm growing perennials; 18.2 hectares for a wood farm and 7.2 hectare for a fishery farm. In animal husbandry business, an average farm has 45.6 head of cattle; or 60 pigs; or 705 head of poultry. It's the small

ing living standard and personal income, and increasing the budget income.

- The law system must ensure the right to do business for all citizens. This right includes the freedom to establish companies, transfer capital from this industry to others, reach agreements about prices, hire assets and laborers, set wage scales, employ and fire laborers, do business with foreign partners, etc. To achieve this aim, the government must take measures to beef up registration of companies and granting of licenses with a view to encouraging citizens to do business according to laws.

- The law enforcement must be



in 1990 was VND3,544 billion (46.7% of the gross investment) as compared with VND3,047 billion of the public investment (40.2%). These figures were 20,000 and 26,047 billion respectively in 1995; and 23,500 and 74,700 billion in 2000.

When the private sector developed, the labor force was employed more effectively. According to the General Department of Statistics, the working hour of regular laborers in rural areas increased by 72.11% in 1996; 73.14% in 1997 and 73.86% in 2000 (this figure even reached 76.74% in the Eastern South and Central Highlands).

The development of the private sector allowed rises in wages for laborers: from 1994 to 1999, the lowest income bracket enjoyed an 150% rise and the highest income one enjoyed a 200% rise.

However, most private businesses in Vietnam today -engaging in either in industrial or agricultural

size that causes difficulties for private businesses in modernizing the technologies, achieving economies of scale and enhancing their competitiveness in the international integration process.

## 2. Solutions to the development of the private sector

To help the private sector to reach its full potentials, enjoy equal opportunities and produce more favorable effects on the national economy, the following problems should be solved:

- The law system must ensure rights to own, use, transfer and exchange assets, and gain income generated by these assets for all citizens. This is a condition for the people to put their assets in business and also one of principles introduced by the 7<sup>th</sup> VCP National Congress. The principle will serve as a basis for tapping all idle money and other resources, creating more jobs, improv-

ing enough to ensure safety and equality for business. Resolution of the 5<sup>th</sup> Conference of the VCP Central Executive Committee states: "Regarding the private sector, functions of the government are: perfecting the legal framework, working out policies on business concerns, making development plans and helping with the training of managers, ensuring the effective law enforcement and keeping a close watch on economic activities."

- The government could encourage private businesspersons to cooperate with state-owned companies and foreign partners; and allow foreign-invested companies to change into joint stock companies with a view to helping workers become co-owners of concerns where they work. This policy aims at helping local companies and workers enter new industries and fields of activities.■