

The purpose of this research is to examine process of privatization of state-owned enterprises in Japan and its economic effects on the Japanese economy. One can see the Japanese experience of privatizing three Japanese public corporations as a guide for the process of privatization in Vietnam.

1. Experiences from Japan

Looking from a certain angle, Japanese economy is an extraordinary success. After suffering defeat and destruction in the World War II, Japanese economic growth has been unmatched by other advanced economies for over four decades.

Today, Japan is the leading producer of consumer electronics, semiconductors, steel, watches, ships, etc., and it should add automobiles and computers to the list soon. Its products are admired worldwide and its exports reach every corner of the earth.

Japan has built its economic success by following the general principles of private economic sector. For

one thing, the rapid growth of the Japanese economy attained in the postwar period is attributable to the entrepreneurs's strong propensity to invest.

For another, the public sector plays an important role in the socio-economic development in the postwar period, because it helps solve social problems and ensure the achievement of macro-economic goals. For a long time, Japanese government maintained a monopoly on many economic fields such as salt and tobacco through its Japan Monopoly Corporation (JMC); Japan's telephone and telegraph services through the Nippon Telegraph and Telephone Public Corporation (NTT); and railroads, Japan National Railway (JNR). The JNR exercised powerful control, maintaining responsibility for one third of rail transport in Japan.

Apart from that, Japanese government did maintain a hands-off policy on such areas as gas production, electricity generation, and other public service organizations

such as the higher education system, etc.

In the mid- 1980s, facing poor performance of state-run companies and crisis in public finance and the need for fiscal and administrative reform, the Japan's government decided to restructure the public sector and took privatization as an important measure to change the ownership of companies from government control to private enterprises.

On order to facilitate privatization and structural reform, Prime Minister Nakasone Yasuhiro (1982-87) established the Provisional Council for the Promotion of Administrative Reform, headed by Doko Toshino, an able and highly respected senior figure from the business world, and carried out major reforms in the JNR and NTT on the basis of this panel's recommendations.

The process of privatization of the three Japanese public corporations was described as follows:

a. On April 1, 1985, the Japanese government enacted the law that pri-

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vativized the Japan Monopoly Sales Corporation as Japan Tobacco, Inc., and NTT, thereby excluding its from the range of application of the Public Corporation and National Enterprise Labor Relations Law. Instead, the Trade Union Law applies to the employees of Japan Tobacco, Inc., and of NTT, in the same way as it does to general private sector employees.

b. On April 1, 1987, the Japanese government enacted the law that privatized the JNR, thereby excluding it from the range of application of the Public Corporation and National Enterprise Labor Relations Law. Since there are no more public corporations in Japan, the government changed the name of "Public Corporation and National Enterprise Labor Relations Law" to "National Corporation Labor Relations Law" at the time of privatization. As a result, the Trade Union Law applies to employ-

ees of JNR in the same way as it does to general private sector employees after its privatization.

Similarly, Japan's National Telephone and Japan Tobacco were privatized in 1985, and JNR in 1987.

The subsequent economic recovery and then the overheating "bubble" years of the late 1980s caused tax revenues to rise and the budget deficit to fall, making it appear as though the Nakasone reforms had been successful.

The three public corporations privatized in Japan have been surely successful, as displayed in reflection of improvements in labor productivity, their improved profitability, their reduced prices and better quality of services.

For example, one can look to the Japanese experience with telecommunications as a guide. The Japanese government, through the NTT, dominated telecommunications for over a century, creating the second largest telecommunications system in the world. Government exercised monopolistic control over this enterprise, and few suggested that the private sector could do a better job.

However, the government-established Commission for Administrative Reform recommended that the company's operation could be turned over to the private sector so that it could efficiently meet the changing and diverse needs of the public. In April 1985, telecommunications shifted to the private sector with the renaming of the operating group as the new NTT corporation. This corporation, with its 380,000 employees, is the Japan's largest private corporation.

A number of moves were made to increase telecommunications efficiency. The NTT was reorganized along the lines of a modern company, rather than a government bureau. The company through its employees began promoting the sale of telephones and telephone cards, providing greater contact with the customers so as to better ascertain their needs. Research and development efforts, opened to competition, have gone forward with a number of companies seeking new technologies to improve telecommunications.

The implementation of private sector telecommunications demonstrates that the public interest is better served by the new system. Fortunately, the change in telecommunications was made even when the government-run operation was making a profit. The new NTT corporation has produced a larger

profit. In addition, any profits in excess of a 10% dividend will be used for reducing customer charges.

As the telecommunications experience has already shown, the privatization of public organizations is an important program with significant consequences for the Japanese public and the expansion of the private sector in Japan and thus with consumers reaping important gains.

In the long run, the real beneficiary is the cause of freedom. A new avenue for competition, creativity, efficiency, technical innovation, and service is opened up compared to the rigid regulations and productivity disincentives built into government monopolies.

In addition, the privatization of public organizations will likely signal another great economic and political advance for Japan. One of the most powerful economies in the world is demonstrating that individuals operating in an atmosphere of economic freedom can greatly benefit the public in providing essential services.

Thus, in the early 2000s, facing crisis in public finance and the need for structural reform, the Koizumi's government made progress with one of his key reform pledge and wants to privatize as many as 70 of Japan's state corporations.

2. Lessons for Vietnam

Vietnam knows well from its experience in the late 1980s how state-owned enterprise (SOE) inefficiency can stifle growth and create macroeconomic instability.

As part of a sweeping program of structural change and macroeconomic stabilization, Vietnam launched a program of SOE reform in 1989, mainly in the reform of mergers and liquidations of smaller loss-making firms administered by local authorities, which reduced the number of SOEs from about 12,000 to 6,000. Subsequently, the Vietnamese government extended the SOE reform program to include equitization, but by 1998 only 17 enterprises had been equitized.

In light of the deteriorating financial condition of SOEs and the threat that poses to the banking system, the government issued several decrees in 1998 to simplify and accelerate the process of equitizing SOEs. Additionally, the Vietnamese government established equitization targets year by year: 150 enterprises by the end of 1998, 400 by the end of 1999 and 1,200 by the end of the year 2000.

The latest framework for equitization allows all SOEs to be equitized except for enterprises producing explosives, radioactive or toxic chemicals, printing money and operating communications networks. In addition, the State intends to continue to hold a dominant share in "strategic enterprises", which include public utility enterprises, large-scale mineral and petroleum enterprises, and those producing fertilizers, petrochemicals, tobacco, alcohol, pharmaceuticals, aircraft repair, large-scale electricity production, transmission and distribution, post and telecommunication services, rail, sea and air transport, printing and publishing, and investment bank and bank for the poor. Thus, equitization is subject to numerous limitations and restrictions and falls far short of what would normally constitute "privatization".

Experiences from Japan has already shown that government can divert itself from long time monopoly operations, with consumers, and the economy as a whole, reaping important gains. Preferential policies and monopolistic power enjoyed by state enterprises have caused a major impediment to the development of the private sector, which has in turn weakened the competitiveness of the country on the world market. So developing the private sector and restructuring the public sector in Vietnam are emerging as an imperative issue, especially when the country's regional and international integration draws near.■

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