

# SOME BASIC SOLUTIONS TO THE PRESENT MONETARY AND FINANCIAL PROBLEMS IN VIETNAM

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**O**ur economy is in a period of transition to the market mechanism under the Government's management. The Government and the Party resolved that financial and monetary management was the most important task in changing the economic structure: it should create favorable conditions and direct the economy, on the other hand, it should act as the leading factor in renovating our mechanism.

In this task, the targets are to stabilize the monetary system, to protect external and internal value of domestic currency with a view to achieving two main aims: economic stability and growth, or in other words, a stable growth rate.

In order to achieve these targets, the following measures should be taken in order to form the national monetary and financial policy:

- To form multi-sector finance which includes: public, business, company and private finance.

- To replace the mechanism for financial management on the principle of "handing in and handing out" with a new way of management basing on the principle of "autonomy and responsibility for businesses".

- To employ capital with a view to keeping harmonious relations between saving and spending, accumulation and concentration in a basis of economization and effectiveness.

The Government should control

the process of distributing and using sources of public revenue by using financial policies and tools (especially taxation).

The policy on distribution and usage of capital should aim at encouraging investors and businesspeople to put money into business, and encouraging economy and struggling against waste and corruption.

The public expenditures should be kept under control. The relation between saving and spending should be improved. In saving, attention should be paid to building infrastructure and key industries and creating favorable conditions for domestic investment. In spending, subsidies should be limited. Many social and welfare problems could be solved basing on money from the public fund and other sources.

- Financial management should be based on laws. Function and responsibility of each member in the finance system should be stated clearly. Harmonious relations between the national budget, banking system, business and private finance should be improved step by step.

The authority division between central and local authorities should be based on the principle of "autonomy for localities and no place for localism". This principle ensures the government a total control over provincial authorities and ensures the local authorities capability to solve local problems according to laws.

Financial inspection should be

carried out regularly in every field of economic activities. Financial relations in the market mechanism will be respected but they can't go against the law.

As for the monetary system, with an allowed increase in the supply of money, the State Bank will use a better part of it to provide bank credit in accordance with the growth rate and well-controlled inflation rate.

This increased supply of money won't be handed out to credit organizations regardless of realities of the money market and performance of credit organizations as it was done before, but it is distributed by the way of rediscounting. The State Bank will act as lender of last resort who controls the banking system and the supply of money.

The State Bank advocates diversifying system of payment by encouraging the people to open accounts and do payment through banks, thereby popularizing usage of cheque and other kinds of dear money. Diversifying ways of paying can help with reducing amount of money in circulation, reducing demand for cash and bringing more money to the hands of banks.

Commercial banks are encouraged to expand their sources of capital by offering positive rate of interest. By rediscounting, they can secure money from the central bank if need be.

Emphatically, bank credit and interest can't be used at any price to serve economic concerns (especially



the state owned ones) as allotted funds in place of capital supplied by the national budget. In the market economy, customers have right to choose bank, so do banks, they have right to choose what companies they want to invest in and what customers (without discrimination against any economic sector) they want to give loan. In other words, banks have right to make decision on their business.

- As for exchange control, the State Bank had better take measures conforming to the following directions:

- To make exchange control regulations with a view to preventing speculation in foreign currency, controlling demand for foreign exchange and buying up all sources of foreign currency.

- To supervise the balance of payments and fund of reserve currency.

- To improve operation of foreign exchange centers and to create conditions favorable for operation of foreign exchange market.

- The State Bank forms and controls the foreign exchange reserve fund in order to stabilize the exchange rate and gold price, and trade in foreign currency in international markets.

- To fix the exchange rate in order to keep domestic market price along with inflation rate under control. Official rate should be fixed exactly and publicized in order to promote foreign trade.

- To look for sources of foreign exchange: loans from IMF, WB, ADB or NGOs; foreign direct investment; immigrant remittance, etc.

- To control foreign debt effectively.

- To issue Treasury bill, government bond, negotiable certificate of deposit: This measure can form a money market at an early stage under the management of the State Bank. This market can help with distributing capital among banks on the basis of exchange of those negotiable instruments. This market is also a precondition for formation of the stock exchange in Vietnam in the near future (according to latest information, a Securities and Exchange Commission will be formed in the second quarter of 1995 and will act as a regulatory body to control the stock market).

Briefly, the monetary financial policy is an inseparable part of overall economic policy, which can be used by the Government to regulate the economy. A monetary-financial policy which is reasonable and appropriate to the present situation of the economy could help with fighting against backwardness and developing the economy quickly and stably ♣



## **DẦU TIẾNG RUBBER COMPANY TO MAKE GOOD PROGRESS IN 1995**

by PHẠM HỒNG VÂN

**D**ầu Tiếng Rubber Company is one of giants of rubber industry. It has 29,800 hectares of rubber, 21,400 of which are exploitable, produced 18,500 tonnes of latex in 1994. It planned to produce over 20,000 tonnes in 1995. These data expressed good progress made by Dầu Tiếng Rubber Company in 1994.

Phạm Sơn Tông, director of Vietnam Rubber Corporation, in his annual review delivered in a meeting of rubber companies, held in HCMC on Jan 15, 1995, said that Dầu Tiếng Rubber Company finished in second place last year in surpassing the planned target.

With 11 farms and 10,067 workers, Dầu Tiếng Rubber Company produced VNĐ230,891 million worth of rubber last year, equivalent to 118.8 per cent of its planned target. This output increased by 81.5 per cent compared with 1993. In 1994, Dầu Tiếng Rubber Company exported 16,000 tonnes of high-quality latex worth US\$17 million. Its products were sold to over 20 countries such as France, Germany, Belgium, Japan, England, Netherlands, South Korea, Malaysia, Singapore, etc. In domestic market, although there was wide fluctuation of price, between 15 and 20 per cent of its output was sold to domestic customers such as Cần Thơ Shoe Factory, FIN Shoe Company in Sông Bé (a joint venture with South Korean partner), Ngọc Cù Tyre Factory, Tân Vinh Phát Factory, etc.

A customers' meeting is held annually by Dầu Tiếng Company in order to make plans for the next year and exchange contracts with customers. In the customers' meeting on Dec 15, 1994, Đoàn Văn Dân, director, said that: "Dầu Tiếng Company wants to serve both local and foreign customers better and better over the years. We will try our best to complete our contracts and fulfil your requirements on product quality and ways of payment. However, we had many mistakes in doing business last year, such as going short of supply, making defects in packaging, not keeping customers well informed, etc. We promise that these mistakes will be corrected properly next year".

Lê Văn Khoa, sales department manager, reveals that Dầu Tiếng products are greatly appreciated by Korean and Japanese customers and many agreements have been signed during his visit to those two countries. In 1995, the company plans to produce 22,000 tonnes of latex. This output will be raised to 30,000 tonnes annually from 1997 onwards. In order to achieve these targets, the company has started to set up a new production line with capacity of box 15,000 tonnes per year in Bến Súc.

Every worker receives a monthly wage of VNĐ600,000 on average and a bonus of VNĐ2 million on the occasion of Tết holidays. This is what the company has done for its workers before it makes new progress in 1995 ♣