

# Roles of Economic Sectors in Vietnam Today

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**I**dentifying the role of different economic sectors plays is important to the direction of economic development in Vietnam in next decades. Mistakes in this process could lead to defects in the development strategy and economic recession. In the past decades, the leading roles was always given to the public and collective sectors. This approach was appropriate to the socialist orientation but in reality, these sectors, especially the collective one, failed to play such a role.

Meanwhile, non-public sectors account for an increasing share in the GDP, newly created jobs, new investment and foreign trade, but their roles and contributions haven't been appreciated. The policy-makers should take a more exact and realistic view on this matter in order to avoid mistakes when doing their jobs.

## a. Public sector

In 2005, this sector accounted for 38.4% of the GDP. In the years 2001-05, it gained a fairly high growth rate and big shares in the GDP. This share was usually over 38% and 8% of with comes from public services and the rest from state-owned

companies. Its growth rate in the period was 7.46% and it still was an encouraging result although it was lower than the national average of 7.51%.

Besides its contributions, this sector has

**Table 1: Share of the public sector in the GDP (%)**

Year	Share
2001	34.40
2001	38.38
2003	39.08
2004	39.10
2005	38.42
2006 (est.)	37.33

suffered huge losses and waste in its use of public capital and other properties in recent years, which damaged its strength to a certain extent.

## b. Collective sector

Up to 2005, there were 1,868 cooperatives specializing in farming; 6,253 ones in irrigation services; 4,510 ones in crop protection; 4,768 ones in supplying young plants and animals; and thousands of cooperatives supplying a wide range of services and products in both urban and rural areas. This sector accounted for 6.83% of the GDP in 2005 and 6.61% in 2006.

However, there are not many new-style cooperatives that obtained good performance. The growth rate

of this sector is always lower than ones gained by other sectors and the national average as well. Its growth rate in the years 2001-05 was only 3.88%.

## c. Private sector

The most remark-

able achievement in 20 years of economic reform is the policy to develop the private economy. Amended

Constitution, investment and business laws, especially the 1999 Companies Law, 2005 Investment Law and decision by the 10<sup>th</sup> VCP Congress in 2006 to allow party members to engage in the private economy, have established the legal infrastructure for the freedom to do business and get rich for the people. Up to now, over 220,000 private companies, over two million family businesses and some 15 million peasant families are doing their business and creating jobs. In 2005, this sector accounted for 38.86% of the GDP (of this proportion, private companies

**Table 2: Downward tendency in the share of the collective sector in recent years**

Year	Share
2000	8.58
2001	8.06
2002	7.99
2003	7.49
2004	7.11
2005	6.83
2006 (est.)	6.61

Source: - Ban Văn hóa tư tưởng Trung ương, *Tiếp tục hoàn thiện thể chế kinh tế thị trường định hướng xã hội chủ nghĩa, đẩy mạnh công nghiệp hóa, hiện đại hóa gắn với phát triển kinh tế tri thức* ("How to perfect the socialism-oriented market economy, and accelerate industrialization and modernization linked with development of knowledge-based economy"), Chính trị Quốc gia Publishers, Hà Nội, 2006.

- *Thời Báo Kinh Tế Việt Nam* (2006), *Kinh Tế 2005-2006 Việt Nam & Thế Giới* ("Vietnam and the world economy 2005-2006")



accounted for 8.91%; private businesses 29.95%). Its growth rate is much higher than ones gained by other sectors and the national average. Its growth rate in the years 2001-05 was 12.57%. In 2005, the non-public sector accounted for 32.2% of the gross investment and supplied jobs to some 37,906,000 laborers.

#### d. Foreign sector

In December 1987, the Foreign Investment Law came into effect,

Statistics of the shares of economic sectors in the GDP show that the public sector still plays the leading role but it has to contract its size and number of state-owned companies in order to improve its business performance, thereby developing large-size groups in key industries. In recent years, the equitization has been carried out actively and many state-owned companies have been sold, which

of state-owned companies, such as one-man company, holding and subsidiary companies, joint ventures, etc., because this approach requires ministries to work out system of regulations or a legal infrastructure to control these kinds of companies, which may lead to waste of energy and time, and complicated and unsolvable problems.

The private sector has become a strong and essential dynamic de-

prove remarkably the living standard for the poor.

The collective sector proves to be less capable to play an important role. Both central and local governments had better consider whether new investments might be put in this sector or not.

The foreign sector is worth supporting and encouraging in the current effort to integrate more fully into the world economy.

In short, full atten-

**Table 3: Roles of different sectors in 2001-2005**

Sector	Share in the 2005 GDP	Growth rate in 2001-05	Vietnam's average growth rate in 2001-05	Share in gross investment in 2005
Public	38.42%	7.46%	7.51%	53.1%
Collective	6.83%	3.88%	7.51%	32.4%
Private	38.86%	12.57%	7.51%	
Foreign	15.89%	9.92%	7.51%	14.5%

which shows that the foreign investment is appreciated as a source of capital, technology transfer, managerial skills and job creation. In 2005, the foreign sector accounted for 15.89% of the GDP (and 17.01% in 2006); 16.3% of the gross investment and jobs for some 700,000 laborers. In the years 2001-05, this sector enjoyed high growth rates, 9.92% a year on average, second only to the private sector in Vietnam. The sector acts as an important bridge between Vietnam and the world, helping Vietnam get access to modern technologies and engage more fully in the world trade.

helped reducing loss-making ones in this sector. In my opinion, it's not necessary to diversify kinds and forms

serving of praise, encouragement and more investment. Moreover, it is also a source of new jobs, which help im-

tion and possible resources must be concentrated in three essential sectors: public, private and foreign ones. The private ownership must be recognized and protected by law, besides the state and collective ownership. The State can assign the leading role to the public sector and make it, along with the state ownership, material facility and instruments for ensuring the socialist orientation. The private sector could be considered as a basis and dynamic of the socioeconomic development while the foreign one as an indispensable part of the international integration strategy. ■

Pho to by Huỳnh Tho

