

SOME OPINIONS ABOUT RENOVATION OF THE MANAGEMENT MECHANISM AND POLICY ON NON-PUBLIC SECTORS

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In order to accelerate the process of changing the economic structure to the direction of industrialization and modernization, to mobilize all potentials of the people to overcome the danger of falling behind, the multi-sector economy with socialist orientation should be developed. This is the strategic policy of our country on the socio-economic development.

I. NON-PUBLIC SECTORS AND ITS CHARACTERISTICS

1. Non-public sectors

Considering the realities of Vietnam and Lenin's viewpoint which assumed that the multi-sector economy was one of the characteristics of the transition period, the VCP leadership has concluded to develop the mixed economy including the following sectors: public sector (the part owned by government authorities), collective sector (private small businesses co-operating together), private sector (including private businesses, family businesses, small entrepreneurs, etc), state capitalist sector (including many forms). We would like to present here some opinions about the renovation of the mechanism for controlling non-public sectors in general, and the private sector to be precise.

After the Liberation Day, private businesses have come into being, developed and supplied a lot of consumer goods to domestic and foreign markets. There were around 2 million laborers working in small businesses in handicraft, construction and communication businesses. This labor force produced around 60% of local industrial output, and 25% of exports.

In HCMC, the number of non-public businesses increased from 21,897 in 1990 to 23,112 in 1994. As for private companies ruled by the Company Law, up to March 1995, 4,361 companies with total capital of VNĐ2,832 billion were licenced.

Kinds of company	Number of businesses		Registered capital	
	Total	%	Total (VNĐ billion)	%
Private enterprises	1,797	41.2	377	13.3
Limited companies	2,496	57.2	1,937	68.4
Joint-stock companies	68	1.6	518	18.3
Total	4,361	100.0	2,832	100.0

(Source: HCMC Statistics Service)

The amount of businesses operating in manufacturing industry was 846 (around 20%), most of the others operated in service industry.

Considering important potentials of the people (capital, labor, technical skill, etc.), the Party advocated mobi-

lizing all resources of every economic sector, developing the public sector in order to develop productive forces and build an appropriate economic structure.

2. Characteristics of the non-public sectors

a. Unstable growth rate: the development of non-public sectors depended on economic policies of the Government (tax policy, foreign trade policy, interest rate, etc). After the VI National Congress of VCP, the growth rate of these sectors became stabler.

b. Unruly development: because of natures of the small-scale production in an underdeveloped economy, non-public sectors have developed in an unruly manner and preferred the service industry to the others.

c. Great potentialities untapped: the Government should build an appropriate mechanism for exploiting these sources of labor, capital, managerial skill, etc.

d. Being in need of market: because of low personal income and competition of contraband goods, so there's not much of a domestic market for goods produced by non-public sectors. In the world markets, it's hard for them to find a foothold. The better part of Vietnam exports are raw materials, therefore, their value is low.

e. Obsolescent equipment and technology: Just because of this, the labor efficiency is low, product quality and competitiveness are poor. Private businesses are short of investment needed for technical and technological innovations.

f. Lacking information about the world markets: private businesses are in need of information about the world market demand, market prices, new technologies, etc., so they need helps from the Government.

g. Lacking the well-trained management: quite a lot of managers haven't mastered a foreign language. They have no degree in business administration and haven't got accustomed to activities in high-competitive markets, therefore, they find it difficult to work in partnership with foreign investors.

The above-mentioned characteristics show that the Government should take appropriate measures to help non-public sectors develop their businesses, encourage them to invest in well-oriented industries, protect their interests and property. Moreover, the Government should encourage the formation of trade union and VCP cells in private businesses.

II. BASIC VIEWPOINTS OF THE GOVERNMENT AND THE PARTY ON NON-PUBLIC SECTORS

The Government and the Party should create a trustful atmosphere and conditions favorable for private investment. Legal activities of non-public sectors should be encouraged and protected. They should have the same rights and opportunities as the public sector. The following are basic views of the Party on non-public sectors:

1. The existence of non-public sectors is recognized not only in the transition period but also during the whole time the socialism is built. It's considered as a law of development from the small production to the socialist mass production. The Government recognizes the lawful ownership of means of production and capital of private persons; right of inheritance and transfer of property. The Government doesn't advocate forcing the private sector to convert or nationalizing private businesses. Private businesspersons can do or stop doing business of their own free will.

2. The Government realizes the principle of social and political equality among laborers. They will be judged in their own merits, not on the sector they belong to. The talent will be favored. All discrimination, prejudice, and other unreasonable restrictions should be eliminated.

3. The autonomy of non-public businesses is ensured. Their plans and operation are carried out by themselves under the governmental management through the market. They are free to co-operate (and refuse to co-operate) with other businesses (including state-owned ones) as they please.

4. The Government realizes the principle that private persons have the right to do any business that they are good at, except for businesses which private persons are forbidden to do by law.

5. Everybody is encouraged to make money with his/her own capital, labor or professional skills. The difference in personal income, no matter how big it is, is acceptable.

The basic viewpoint of the Government and the Party is to advocate liberating the human being, developing the ability and creativeness of the people, and encouraging the people to develop productive forces.

II. DIRECTIONS FOR RENOVATING THE MANAGEMENT MECHANISM AND POLICY ON NON-PUBLIC SECTORS

The affirmation of the strategy on developing the multi-sector economy and of the role of non-public sectors in the economy should be materialized in clear and open-minded policies and mechanisms.

1. Basic requirements in the renovation of management mechanism and policy on non-public sectors

- Encouraging businesspersons to invest their money, labor, equipment, skills in developing their businesses, and thereby, developing the multi-sector economy.

- Respecting and realizing the principle of "equality, voluntariness, mutual profit"; ensuring non-public businesses the autonomy in production, management and distribution; and connecting producers interests with those of the society.

- Intensifying the task of inspecting and controlling of the Government in accordance with laws and regulations. Various kinds of professional associations will be organized.

2. Directions for renovating the management mechanism and policy on non-public sectors

- *On planning*: we should perfect plans to develop all industries and zones, improve investing conditions and simplify administrative procedures.

The task of planning should be made appropriate to the market mechanism. Private businesses have the right to make plans for their activities (producing, distributing, etc.) basing on their potentials. The co-operation between businesses will be based on contract. The Government can only intervene in the market with a view to preventing unfavorable fluctuations from taking place.

- *On equipment and raw materials*: The Government had better supply a part of needed equipment and mate-

rials to private businesses; take measures to form zones specialized in supplying raw materials to these sectors.

Private businesses have the right to purchase or exploit raw materials, to buy equipment from state-owned businesses, and have contracts with the Government to supply goods and services.

- *On distributing goods*: Private businesses have the right to carry out their sale contract, establish outlets of their own. Businesses producing goods for export can obtain foreign exchange in order to import needed materials. They have the right to trade and co-operate with foreign companies.

- *On technology*: The Government encourages all businesses to buy new technologies. They will enjoy preferential loans and tax reduction for a certain period. The industrial property is protected by law. It's necessary to give preferential treatment to good craftsmen.

- *On wage*: Private businesses have the right to hire laborers but the employer should ensure laborers the minimum wage as regulated by law.

On the one hand, the Government encourages investors to develop their businesses, but on the other hand, it should protect legal interests of laborers.

- *On accounting and finance businesses*: Private businesses should execute all regulations on accounting, auditing, registering... They are free to mobilize capital and open accounts at banks.

3. Perfecting the Government's task of managing non-public sectors

Up to now, the managing function of the Government limits itself to keeping register of companies and granting licences. Detailed information about companies (their accounts, directors, assets, mortgages, business performance, sales, profits, etc.) hasn't been recorded fully.

Violations of business contracts, laws and regulations are punished and settled slowly and leniently. We lack a system of effective penal sanctions.

The mechanism for managing non-public sectors should be intensified in order to make it capable to manipulate instruments for regulating the economy at macro-level. There must be a specialized body helping the people committee at all levels perform the following functions:

- Supervising activities of businesses (their sales, profits, ways of mobilizing capital, etc.)

- Carrying out legal process to settle debts of bankrupt companies.

- Inspecting the realization of rules and regulations and suggesting amendments if need be.

The system of regulations on keeping business accounts, auditing, making statistics should be renovated, perfected and enforced.

The Government had better carry out a census in order to classify and estimate potential resources of non-public sectors, and then, give preferential treatment to healthy businesses and put an end to loss-making ones.

The funds for national development could be established in order to finance development projects, help small businesses develop and thereby, supplying more jobs to laborers.

When we concluded to develop the multi-sector economy operating according to the market mechanism and under the management of the Government, we should accept all economic laws and categories relating to the production of commodities. So we can build an appropriate management mechanism.

This management mechanism should have ability to exploit all potentials of our country, regulate income distribution, spending and capital accumulation; and improve the standard of living of the people ■