

Vietnam is developing the socialism-oriented market economy under the government management and trying to make use of the market mechanism to carry out the industrialization and modernization program.

After 10 years of the economic reform, Vietnam achieved many encouraging results. To perfect the socialism-oriented market mechanism, however, Vietnam should try its best to solve the following contradictions.

The first is the contradiction between a need for high growth rates and an under-developed and imperfect market economy lacking many necessary components (capital market, labor market, real estate market, etc.).

The second is the contradiction between a need to develop an open market economy and tardiness of deregulation process needed for export promotion. For example, Vietnam still applies 15 customs duty brackets with a maximum rate of

and 8 times in 1997.

The sixth is the contradictions between the poor legal infrastructure and the socialism-oriented market economy under the government control.

### 1. Ways to perfect the economic mechanism at present stage

The Resolution adopted by the VCP 8<sup>th</sup> National Congress decided that "(it's necessary to) keep on reforming the economic management mechanism in order to remove the centrally-planned and subsidized mechanism and developing the socialism-oriented and government-controlled market mechanism with appropriate steps."

To ensure good operating conditions for a government-controlled market mechanism, we need: (1) markets for all factors of production without them the commodity and service market couldn't develop; (2) balance between aggregate demand and aggregate supply of essential goods; (3) fair competition ensured

and society equal and civilized".

+ Perfecting the market mechanism should be linked with developing human resources.

+ Ensuring the government control: the role of the government isn't any less important when the market mechanism is perfected but it's the government who decides on development objectives.

+ Promoting industrialization and modernization: the perfection of market mechanism should be suitable to the export-oriented industrialization strategy.

### 3. Suggested measures to perfect the market mechanism in Vietnam

+ Reforming the planning task and paying full attention to market economic laws (laws of value, supply and demand, competition, etc.): the reform should cover all aspects (functions, techniques, management methods and personnel, etc.)

+ Establishing all components of the socialism-oriented market economy.

# TO PERFECT THE SOCIALISM-ORIENTED MARKET MECHANISM IN VIETNAM

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60% on imports along with non-tariff barriers, that is, it has adopted strong protectionist measures.

The third is the contradiction between the financial system which is badly in need of reform and the development of a socialism-oriented market economy under the government control. More exactly, Vietnam still lacks necessary financial institutions, measures to finance medium- and long-term investments and a well-organized banking system.

The fourth is the contradiction between the need to replace the centrally-planned economy with the market mechanism and the tardiness of reform in the system of state-run companies.

The fifth is the contradiction between the socialist orientation and the increasing gap between the rich and the poor: rural residents benefit almost nothing from the economic development and the average income earned by townfolk was 5 times higher than what earn by rural residents in 1990,

by law and a level playing ground for all sectors; and (4) good legal infrastructure regulating the market mechanism.

Regarding basic contents of the market mechanism, the perfection of the economic mechanism requires: (1) reforming the task of planning as a tool for regulating economic laws; (2) perfecting the price mechanism and attaching the pricing policy to the formation of markets for capital, labor, real estate, etc.; (3) reforming monetary and fiscal policies to make them suitable to the socialism-oriented market economy; and (4) reforming the public sector to make them more competitive.

### 2. Basic objectives for the market mechanism in Vietnam

The task of perfecting the market mechanism should aim at:

+ Ensuring the socialist orientation: perfecting the market mechanism doesn't mean deviation from the socialism but it means to make "the country strong, people rich

- Forming the labor market in order to remove the allocation of human resources by administrative orders.

- Establishing the real estate market under the socialist orientation as a way to ensure people's ownership of land.

- The primary stock market could be set up because the supply of and demand for capital have come into existence.

+ Reforming monetary and fiscal policies by using indirect instruments instead of administrative orders, and regulating interest and exchange rates according to the supply-demand relationship.

+ Keeping on developing the mixed economy, ensuring a level playing ground for all sectors and deregulating both domestic and foreign trading activities with a view to promoting export.

+ Developing an army of well-trained officials who can operate the market mechanism and improve the management ability of the administrative machinery.