

VIETNAMESE CAPITALISTS OF CHINESE ORIGIN IN THE INDUSTRIALIZATION PROCESS

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Chinese community in Vietnam has a long history of development and they have contributed a lot to the economic growth with their skills, capital and entrepreneurship. Besides economic aspects, their contributions are also found in other aspects of the social and cultural life. After the economic reform was launched, they assumed an important role in the socioeconomic activities.

After the Liberation Day, Vietnam became a socialist country, most Chinese capitalists went abroad.

partners in foreign countries were severed.

In 1978, the Government re-corrected the private sector, that is, put an end to the best part of this sector. The economic strength and advantages of the Chinese community ceased to exist. Due to their potentials, experience and skills, the Chinese people in Vietnam were able to contract the size of their businesses and divide their capital and production facilities among numerous cooperatives, processing groups or very small family businesses to

tive forces, they knew that relations of productions would be improved. The 6th National Congress launched the economic reform and in the years 1986-90, Chinese businesses recovered quickly and helped develop the market economy in HCMC. The mixed economy under the State control came into being and the living standard started to improve. After the 6th Congress, the Chinese community felt sure about the future. They started to put their money in businesses and used funds sent from abroad by their relatives to construct



Everything they left were turned public property in the form of state-run companies. Some owners of small businesses who refused to go abroad tried to keep on doing business but their sales were very small. The State nationalized all banks owned by Chinese or Vietnamese alike. The monopoly in rural markets enjoyed by Chinese traders disappeared. Networks of state-run trading companies and cooperatives expanded to all villages and communes. Foreign trade was controlled by big state-run companies. Relations between Chinese traders and their

cope with policies under the centrally-planned mechanism. Their efforts, on the one hand, helped recover the cottage industry in HCMC, maintain the supply of certain consumer goods and services to HCMC and surrounding provinces, but on the other hand, produced some negative effects.

The Chinese community is long-sighted and able to predict and cope with changes in the market, and raise funds quickly. Moreover, they are very cautious. After the VCP 6th National Congress, progressive policies were adopted to liberate produc-

new factory buildings or import new production lines, and as a result, they could make goods whose quality was high enough to compete against imports. Many products from their factories were saleable in foreign markets.

Organization of their businesses also developed. Besides small-size private businesses, they established many joint stock or limited companies and entered joint ventures and partnership with foreign partners. Up to the end of 1996, there were 7,260 privately-run concerns and 1,380 of which were owned by Chi-

nese people. A survey then showed that 40 concerns of which were capitalized at VND6 - 10 billion and three others had more than VND10 billion in investment. The following are some leading companies run by Chinese people:

- Kinh Đô Food and Construction Company Ltd., (District 10): In its first three years, it invested VND13 billion in factory buildings with a total area of 13,000 square meters. In 1997-98, it invested some US\$43 million in 15,000 square meters of factory buildings, recruited some 1,000 more laborers and raised its sales to some VND70 billion.

- Bình Tiên Company Ltd. in District 6 has planned to build a VND300-billion factory to produce sneakers and increase its workforce from 800 to 6,000 laborers.

Of 40 surveyed concerns, 13 borrowed money from state-run banks, 27 others depended only on their own capital. The Chinese community established four banks: Việt Hoa Bank in District 5, Phương Nam Bank in District 11, Đề Nhất Bank in District 6 and Quế Đô Bank in District 8. Việt Hoa Bank has many branches in HCMC and other provinces. Recently, Việt Hoa and Phương Nam decided to rise their legal capital to VND75 billion and 70.3 billion respectively.

Trading and restaurant are traditional businesses among Chinese people and they have developed well recently and reached larger scales. Their most famous trading centers are various marketplaces for different commodities in District 6 (rice, sugar, pig meat and seasoning); District 5 (cloth, herbal medicine, farm machinery, etc.); District 11 (leather, hardware, etc.); District Nhà Bè (fertilizer); and District 10 (auto tube and tire). These marketplaces not only supply goods to, and buy farm products from, provinces in the Mekong Delta and Central Vietnam.

The Chinese community also plays an important role in the foreign trade. They export and import goods either legally or illegally. A survey in 1993 conducted by the HCMC Food Company showed that Chinese traders have six large warehouses that could supply from 12,000 to 15,000 tonnes of rice a month and some 65 medium warehouses that supply about 1,000 tonnes of rice a month. At present, it's estimated that Chinese traders supply some 50% of the volume of rice for export.

As for the cloth trading, the clothing marketplace in District 5 sends from VND6 to 7 billion worth of cloth

to other provinces. This volume will rise to some 20 billion in the Tết Festival. Imported cloth is the most saleable.

In doing foreign trade, Chinese traders usually receive goods from relatives or companies in China, Hong Kong or Singapore and settle payment by export goods to those suppliers through Vietnamese export companies. Their distribution network covers not only HCMC and surrounding provinces but also adjacent countries, that is, Cambodia and



Laos.

At present, some 50% of privately-run companies in HCMC receive foreign investment in forms of expatriate remittance or imports with deferred - payment term. This percentage will be much higher if only Chinese-owned companies are taken into account.

1. In doing business, Chinese businesspersons in HCMC reveal both strong points and weaknesses. The following are the main ones.

a. Strong points:

- Chinese businesspersons have taken active part on the HCMC economic growth because they are present in all economic fields and create a lot of new jobs every year.

- Experience from many years of doing business under the market economy before the Liberation Day made them alert to business opportunities and changes in the business climate and legal infrastructure.

- They have close relations with Chinese people in many Asian countries, which provide them with necessary capital, machinery, managerial skills and export markets.

b. Weaknesses:

- Their investment is still divided among too many projects and businesses. Production lines, although newly imported, are obsolete. Most companies are of small size and poor international competition.

- They usually engage in unfair competition against both privately- and state-owned companies. In rural areas, they tend to force peasant to cut selling prices of farm products.

- They often exploit legal loopholes to avoid tax, give bribes, pro-

duce fake goods, trade in contrabands goods or commit commercial frauds.

- In cooperating with foreign partners, they often allow foreign partners to make decisions or violate laws and regulations.

2. Measures to deal with the Chinese sector

- To tap Chinese resources fully, the Government had better encourage them to invest in, or move their factories to, industrial parks and pay attention to the agricultural sector in order to modernize and industrialize rural areas. Formation of groups of companies run by Chinese businesspersons could be also encouraged.

- Necessary policies to support export and local production must be adopted to enhance competitiveness of local companies.

- The average education level of Chinese businesspersons isn't high. This seems to be a lack of equal opportunity for this community in terms of education. They must be provided with easier opportunities for higher education. ■