

# Role of the Private Sector in the Industrialization and Modernization

by MEcon. NGUYỄN HỒNG HẢI

The private sector in Vietnam includes joint stock companies, limited companies, associated companies, private businesses, family businesses and foreign-invested companies that are owned and run by private persons. The private economy isn't a sector. It is a category including components that have both similar characteristics and different nature. The private economy is considered from three aspects of its productive relationship:

- Ownership relation: In the private economy, means of production is owned by private persons. They could be small owners (such as craftsmen, small merchants, peasants, etc.) or larger ones (local and foreign company owners, etc.)

- Management relation: Originated from the ownership relation, the management relation is also based on small and large private ownership.

- Distribution relation: The distribution in the private economy is based on different kinds of private ownership. In family businesses where owners don't employ hired labor, they could distribute their output at will. In larger companies where owners employ hired labor, the distribution of output is based on price of hired labor and capital owned by owners.

Experience from foreign countries and local realities show that the economic development depends a lot on the development of the private economy, especially in the

first stage of transition to the market economy.

After the economic reform was launched, many progressive policies were adopted to encourage the development of the mixed economy. The private sector in the past 10 years has developed fast and proven its efficiency and active-

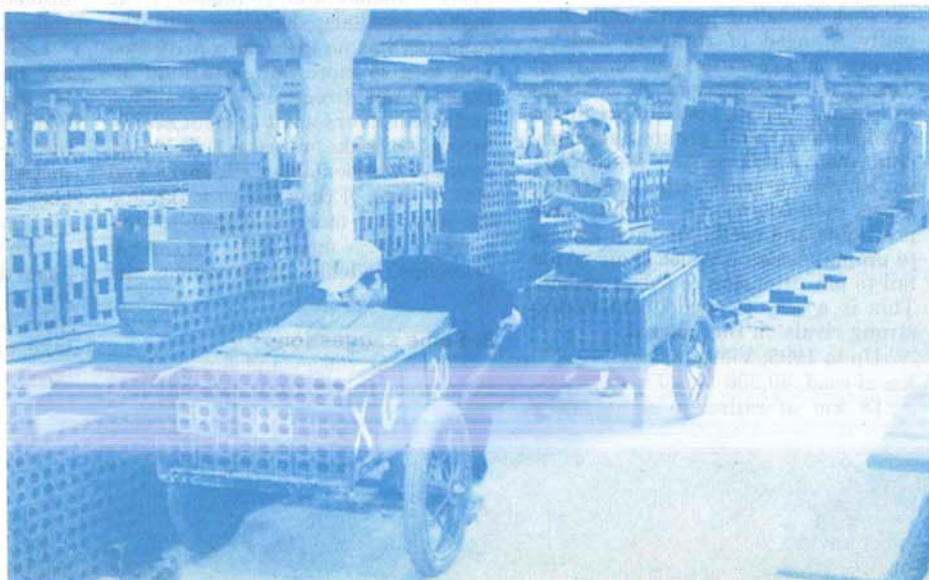
ness in the economic growth. The development of the private economy has produced many good effects:

- The private economy tapped effectively local resources (raw materials and idle money in particular.)

- The private economy supplied a wide range of

goods and services to both domestic and foreign markets, helped stabilizing prices and ensured sustainable development for the whole economy.

- The private sector created a lot of new jobs thereby improving the living standard of the working class and alleviating





poverty in many residential areas.

- The private economy helped many handicraft guilds along with their experiences and traditions survive and develop.

- The private economy helped develop the human resource and enhance skills and marketing activities. The private sector has incessantly improved its activeness and creativity and developed relations with the public sector, thereby contributing to the industrialization and modernization.

- The private economy helped liberate productive forces and encouraged specialization; labor division and changes in the structure of industry.

- The private economy also encouraged the creativity in economic, cultural and social activities, thereby carrying out effectively policies introduced by the State.

Estimating the position and role of the private economy in the past 10 years in the socialism-oriented market economy, the Resolution of the 5<sup>th</sup> Conference of the VCP Central Executive Committee (9<sup>th</sup> term) affirmed: "The private economy is an important components of the economy. Developing the private economy is a long-term strategic problem to the development of a socialism-oriented mixed economy, plying an important role in realizing the ultimate target of industrialization and modernization in the process of integrating into the world economy."

This is the direction the VCP gave to the development of the private economy during the industrialization and modernization of the socialism-oriented market economy.

The private economy is considered as an organic and important component of the economy in the transition to the socialism. Developing the private economy is part of the policy to

develop the socialism-oriented mixed economy in which the public sector playing the leading role and the collective sector including cooperatives will serve as a basis for the whole economy.

After 15 years of the economic reform, the technological level and size of the private economy has made good progress; many products from this sector have secured firm footholds on both domestic and foreign markets; the army of businesspersons has developed well qualitatively and quantitatively; and the share of the private sector in the GDP is on the increase.

On its way to development, however, the private economy reveals many shortcomings and has to face many challenges, especially to its product quality and production cost. To help the private economy achieve new developments equaling to its strategic position and role in the socialism-oriented market economy and become an organic part of the mixed economy, the government should find solutions to the following problems:

- A favorable legal infrastructure should be created in order to allow the freedom of business and right to official financial support. The government should allow the private

sector to enjoy official programs to train skilled workers, give technical support and supply market information. All discriminations involved in economic policies must be removed in order to prevent inequality between sectors before law. Performance of agencies controlling the private sector must be improved. At the same time, the government should take measures to develop the roles of VCP cells and civic organizations in private companies.

- The government could encourage cooperation among private concerns in the direction of diversifying forms of ownership. Family businesses could be encouraged to join cooperatives of all kinds or become satellites of state-owned companies. Private businesses could be encouraged to go public, join associated companies and cooperate with cooperatives; state-owned and foreign-invested companies.

- The task of developing the private sector must be linked with the war against corruption. The Government should ensure discipline among the army of civil servants. If the administrative machinery isn't strong and clean enough, the private sector tends to connive with corrupted officials causing

damage to the development of both public and private sectors and trust by the public in civil servants.

- There must be sea changes in the thinking way among VCP units and the private sector as well. The government must refrain from discriminatory measures and praise strengths and contributions of the private sector with a view to tapping resources from this sector, and encouraging private businesspersons to strive for the good of the community.

- It's necessary to regularly draw lessons from developments of the private economy, analyze situations and predict coming trends in order to work out more progressive policies on the private sector.

It's worth noting that encouraging the development of the private sector in the mixed economy doesn't mean encouraging the privatization of the whole economy. That is why the government should beef up the public sector by dissolving loss making state-owned companies, reforming its management machinery and modernizing its technology in order to help it play well the leading role in the economy and maintain the socialist orientation. ■

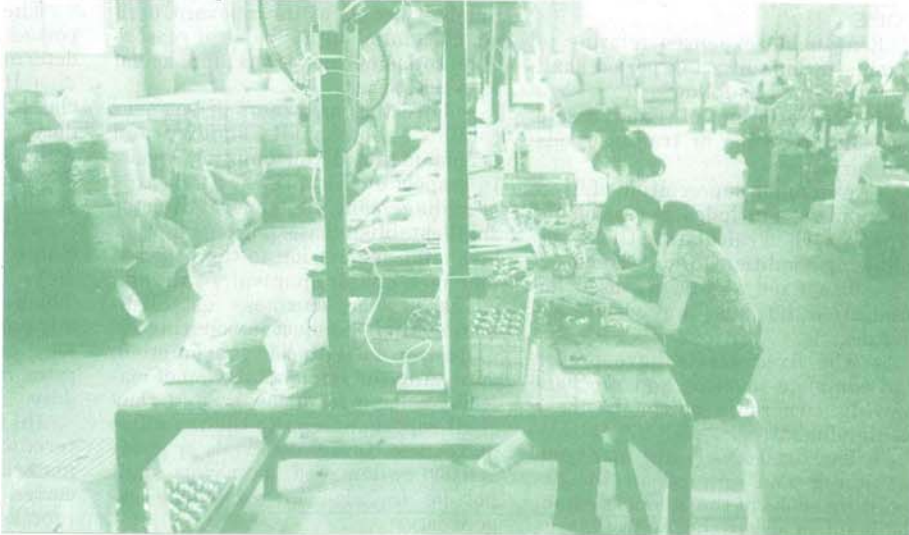


Photo by Hoàng Tuấn