

ON THE PRIVATIZATION OF STATE-OWNED COMPANIES

by NGUYỄN HOÀNH XANH

After adopting the economic reform policy, the Government started to privatize certain state-owned companies. From 1992 to 1997, 15 state-owned companies were privatized. This number was 101 in 1998 and 220 in 1999. From 2000 on, the program slowed down. The number of privatized companies was 212 in 2000, 204 in 2001 and 148 in 2002. Up to now, the public sector has contracted with the number of state-owned companies reduced from some 12,000 to 5,000. After privatization, most companies became more dynamic and their performance was improved. It's planned that some 2,000 companies will be privatized in the period from now to 2005, or some 600 companies a year, in order to reduce the number of state-owned companies to some 3,000. This is no easy task and strong and well-devised measures must be taken to achieve this target without causing bad effects on the eco-

nomical growth and international integration process.

As suggested by the 3rd Conference of the VCP Central Committee of the 9th term, we see that urgent task for the time being is to amend the State-Owned Companies Law with a view to clarifying ownership relations and rights to use state-supplied capital because this is the legal basis for accelerating the privatization and changing Corporations 90 and 91 into Parent and subsidiary companies. On the whole, this is a very important measure to accelerate the privatization because the corporations 90 and 91 control over 90% of state-supplied capital.

In privatize a state-owned company, it's necessary to evaluate both tangible and intangible assets of the company, especially the value of land it controls and debts it owes. The evaluation of assets requires cooperation of various governmental bodies in order to avoid both overestimate and underestimate that could affect

badly the issue of shares of the company and the privatization program as a whole.

In our opinion, state-owned companies are only needed in certain key industries (power, chemicals, aviation, railroad, oil, cement and steel, etc.), and the rest, either loss-making or profitable companies, could be privatized. Governmental bodies have to assist this program actively and become more flexible in setting the percentage of shares held by the state. This program must be carried out firmly because the privatization means better use of available resources and more contribution from non-public sectors. In addition, higher speed of privatization means more commodities for the stock exchange and making it a real source of idle capital needed for the economic development projects.

After privatization, companies will witness changes in their personnel, technology, marketing and finance management

to become more suitable to new form of business. Particularly, changes in their financial structure in which private shareholders play an important role can make the companies more dynamic, business decisions to be made quicker and personal responsibility clearer. The new financial structure also leads to more attention paid to long-term interests of the companies, especially strategies to modernize the technology when most of them are technologically backward.

In the privatization process, part of the labor force will be redundant and this must be considered as a normal fact but the Government should make policies to solve this sensible problem. This policy requires participation of the SBV along with Ministries of Interior, of Labor - War Invalids and Social Affairs, and of Finance. This policy can help create a favorable public opinion of the privatization and accelerate the program. ■



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