

First of all, it's necessary to say that the demand mentioned here is always based on willingness and ability to pay for a product or service, not merely on a desire for it. The market demand includes demands for consumer goods and for capital goods, but it has no relation with people's need for a better physical and spiritual life which always evolves in parallel with economic development and needs no stimulation. In other words, to stimulate the market demand means stimulating, and enhancing, the spending power in a certain period of time. That is why measures to stimulate the market demand we want to discuss here are ones at macro-economic level that couldn't be limited to certain products, services or demands posed by certain social classes.

In the past few years, the Vietnamese economy has kept on developing but its growth rate became lower and lower. Many industries met with difficulties in expanding their market shares and securing capital needed for making new investments with a view to improving the product quality and competitiveness. The knottiest problems facing industries are as follows:

1. Imbalance between supply of goods and money supply: In recent months, the supply of goods (both locally-made and imported ones) tended to increase while the people's spending power remained unchanged. This situation made prices of certain goods fall slightly but many companies couldn't sell their goods in stock although they have offer installment plans to customers.

2. A glut of capital in the banking system: Although all producers, from farmers to industrialists, are badly in need of capital, the banks still find it difficult to supply loans. The interest rate, mortgage regulations and other procedures have discouraged borrowers. The recession and high degree of business risk today only encourage private persons to put their idle capital in saving accounts, instead of in real investments. This is not only a difficulty to the banks, but also an unhealthy sign in the economy which should be dealt with as soon as possible.

3. Poor competitiveness: Most local industries couldn't compete successfully against foreign rivals, even those from Southeast Asia, in both international and domestic trade. In the coming years when

Vietnam has to lift trade barriers, local industries will meet with more difficulties and less opportunities.

In present conditions, we can suggest here some measures to stimulate the market demand:

(1) To enhance the spending power of farmers: Prices of agricultural products should be fixed in farmers' favor. After harvest, the Government should try to buy up rice put up for sale by farmers at a reasonable price (production cost plus a 30-40% profit) and find new markets for their produce. In the coming years, farmers could be

velopement as a whole. Export duty, VAT and land tax rates should be revised. In our opinion, the monetary policy should aim at creating favorable conditions for production and trade and helping taxpayers enhance their ability to pay tax, instead of forcing them to save more and spend less.

(5) To enhance the international competitiveness: This measure includes the following tasks: attracting both local and foreign sources of capital needed for industrialization and modernization of the economy; improving the product quality in



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allowed to enjoy some reductions in land tax and other surcharges.

(2) To increase income and spending power of wage-earners: The wage scale should be reformed with a view to allowing wage earners to support themselves and their families.

(3) To ensure the supply of capital: The banking system should be beefed up and a stock exchange should be organized because the banking system at present has failed to meet the demand for capital and operate effectively according to the market mechanism.

(4) To reform the tax system: The Government shouldn't let the tax system become a great obstacle to producers and the economic de-

velopment as a whole. Export duty, VAT and land tax rates should be revised. In our opinion, the monetary policy should aim at creating favorable conditions for production and trade and helping taxpayers enhance their ability to pay tax, instead of forcing them to save more and spend less.

(6) To promote export: The Government can help promote export by supplying, through the system of Vietnamese embassies and commercial chambers, information about Vietnam's potentials and staple products, carrying out negotiations and concluding trade agreements with foreign countries. Well-thought-out export policies can not only help increase our share of world exports but also limit the extent of import penetration into the domestic market.