

The Vietnamese Communist Party (VCP) has determined the policy on the socialist-oriented multi-sector economy which has long strategic significance, under the law from small production to socialism, and has great effect on stimulating the people to build the economy and develop productive forces. At present, in economic sectors, the State economy still makes major contribution to GDP. The State economy has taken place in all national economic fields on the whole and the HCMC to be precise, accounted for 70% of fixed assets and contributed approximately 60% of revenues to the State budget annually. However, in reality of the market mechanism, the State sector has not really performed the leading role yet in the economy, has not had power to force other economic sectors to develop under the Party and Government's targets.

We would like to mention two problems concerning the above reality:

Firstly, the leading role of the State sector in the condition of many economic sectors operating equally before law, according to the market mechanism under the Government management and socialist orientation.

Secondly, how to determine and improve the leading role of the State sector and at the same time stimulate other sectors to develop according to the Party and Government's line and policy.

I. THE LEADING FEATURE OF THE STATE ECONOMIC SECTOR

1. The State economic sector comprises every economic operation of the State, in which state-owned enterprises' operations are major component. This is a basic material force, securing the implementation of the Government's socio-economic targets.

Regarding the organizational form, the State economic sector includes:

- State enterprises doing business and providing public services;
- Enterprises with dominant or special shares of the State (in compliance with the Law on State Enterprises);
- Enterprises with pooled capital of the State;
- Other economic organizations of the State.

In the operational aspect of the economy, the State sector includes activities of the State in:

- Managing and exploiting natural resources;
- Investing, managing and making use of technical infrastructure

(roads, ports, warehouses, concentrated industrial zones, etc.)

- Economic organizations engaging in industry, agriculture, trade, service, finance, credit, banking, etc.

2. With diversified forms and nationwide activities, the leading feature of the State sector reveals itself through the four following contents:

Firstly, owning most assets of the economy and thus making the value of goods and services able to control market prices by quality and prices of products and services provided by the State sector.

Secondly, producing commodities and services to stimulate the development of branches and other sectors.

1. To speed up the process of rearranging state enterprises in the direction of reducing quantity, increasing scale and improving business performance.

Currently, in order to implement the Government's decision, HCMC is making efforts to rearrange state enterprises under the management of HCMC authorities with the following solutions:

- Forming State corporations by techno-economic sector with a view to establishing strong State groups of companies step by step, having enough economic and financial power to compete with other domestic enterprises and cooperate with foreign partners.

ROLE OF THE STATE SECTOR IN THE MULTI-SECTOR ECONOMY

by LÊ THANH HẢI

Thirdly, filling "gaps" in the supply-demand relation created by the market mechanism, businesses necessary for the socio-economic development but producing low profits, and not attracting private investment such as investment in infrastructure, social welfare projects, environmental protection...

Fourthly, controlling activities of the capital and money markets to secure the Government's capability to stabilize the macro-economy (financial, monetary, credit instruments are major ones of the State in the macro-economic management).

To determine leading factors of the State sector as mentioned above will help us with the proper orientation and the rearrangement of existing State economic organizations; investment of the State budget; and the establishment of promotional institutions for development.

II. SOME POLICIES AND MEASURES TO DETERMINE AND INTENSIFY THE LEADING ROLE OF THE STATE SECTOR

- Rearranging small-size and inefficient businesses, granting them more capital to innovate technique and technology and raising their scale to the form of state enterprise having the management board. The target of this arrangement is to reduce the number of small-scale state enterprises, to form medium- and large-scale ones, in accordance with the current managerial mechanism of state enterprises.

- Separating state business enterprises from public utility ones in order to implement different managerial policies for these two kinds of enterprises. In the immediate future, the state enterprises providing public services should be improved, especially enterprises engaging in municipal public services, with a view to raising quality of various public services...

- Determining the list of state enterprises whose 100% of capital need not be owned by the State in order to realize the equitization ac-

tively.

However, so far the rearrangement of state enterprises in the above-mentioned direction has gone slowly as compared with the planned requirement, one of reasons derived from the concept of state economic development. In the recent time, we did not have essential measures yet for state inefficient enterprises or ones engaging in unnecessary fields; whereas we lacked concentration of capital and skilled managers on the development of essential enterprises. This is a shortcoming we should have strong determination and agreement to delete troubles and soon resolve in the time to come.

2. To diversify ownership via the equitization program of state enterprises with the aim to both reduce the number of state enterprises engaging in trivial areas and mobilize more capital to build enterprises involving in important fields for development targets.

Our city, after 3 years of pilot equitization of state enterprises, until now only one has been equitized and operated in compliance with the Company Law (the Refrigeration Electrical Engineering Corporation), others are still in the stage of completing procedures. As a result, we should delete troubles, including improper understanding, in order to speed up the process of equitization in the following direction:

- Transferring partly or wholly shares of equitized state enterprises, the State need not own 100% of capital in order to both socialize the ownership of enterprises and create financial condition for investing in necessary enterprises.

- Making condition for laborers to do business via shares ownership.

- Making condition for mobilizing domestic and foreign capital sources for investment targets, production and business development, especially investment intensification.

- Creating necessary precondition for developing domestic capital market.

- 3. To encourage state enterprises to expand cooperation and joint venture with other economic sectors with the aim to raise the ratio of state capitalist component in the structure of multi-sector economy.

Along with equitization process of existing state enterprises, we should encourage state enterprises to form new enterprises in the form of joint venture, cooperation according to Company Law and Foreign Investment Law with a view to expanding investment capital through state-owned shares in new enterprises. We

should establish many enterprises having mixed ownership, in which the State holds dominant or special shares; strengthen the role, position of the state capitalist sector in the multi-sector economy. This is one of important orientations, so the State regulates the market by instruments of capital investment and supervision and inspection function.

4. To create condition for state corporations to build trade centers, nuclei of commodity system with the aim to gradually control commercial activities just by economic power of state enterprises.

Although most wholesale and import-export operations are undertaken by state enterprises, they have not yet made a distribution network as foreign trade groups which have great effect on their countries' trade networks. The main reason is state economic organizations' operations have not been attached with the building of domestic distribution network via trade centers, commodity transaction nuclei, most of them still depend on private sources to compete for buying and selling in every transaction. Therefore, we need policies to encourage, firstly state corporations and big companies, to focus on building centers, connecting with one another to organize commodity nuclei, thereby forming a retail network as distribution agents realized by private businesses. In this direction, the State will be able to control the market just by the strength of state corporations and big companies. At the same time, we need make policies to help co-operatives, private small- and medium-size enterprises develop in connection with activities of state corporations and big companies. By means of above organization and operation, there is no competition deleting small- and medium-size economic units of other sectors, contrarily, they will develop in the State orientation.

5. To gain the initiative in building the capital market, institutions in the capital market, concurrently improving the capability to rule over financial, monetary and credit operations.

The building of the capital market in our country, including the stock market has been considered and implemented by the Party and Government. HCMC will have decisive position in these markets. As a result, we should build positively intermediary financial institutions to take part in the capital market, including establishment of investment funds, investment companies, stock companies. Together with development of these institutions, we should improve the

control over joint stock commercial banks in the city, via raising state pooled capital and assigning skilled managers to these banks. This is a very important area of the State sector which should be invested to heighten the leading role.

6. To concentrate investment capital on technical infrastructure, concentrated industrial zones, services for industry and infrastructure and social welfare projects.

This is an area which promote common development of the economy. Many operations, having low or no profits, but are essential for the economy and the increase of the people's living standard. Therefore, the expansion of state economic sector, especially for a big city as HCMC, need give priority to this above-mentioned area, or we should have special preferential policy to attract investment capital from other economic sectors.

7. To give priority to investment in the modernization of state enterprises engaging in leading industrial production areas with the aim to raise the quality of products and develop other economic sectors.

Most of local industrial enterprises have obsolescent technology and equipment, poor quality of products, high prices, low capability to expand markets. Therefore, we should direct, make feasible measures and center investment on some state enterprises engaging in leading areas with a view to modernizing equipment and technology up to technical standard of other Southeast Asian countries, and acting as nucleus for other sectors' development. By doing so can the position of state industrial enterprises be improved.

In brief, to heighten the leading role of state economic sector, there need be a system of macro-policies concerning finance, taxation, credit, investment, import-export. However, within the city's power, we think the above proposals can be realized, if we reach a consensus on viewpoints and determination in organization and implementation with the aim to keep on renovating and developing effectively the state economic sector, thus perform well the leading role: To act as lever to speed up economic development and solve social problems; pave the way for and assist other economic sectors in development; realize industrialization, modernization; build foundation for new social regime - socialist one, the way and target the VCP and Uncle Hồ have selected.

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