

#### COVER STORIES: ECONOMIC MODEL

The Vietnam Government and the VCP advocated developing the multi-sector economy according to the market mechanism under the government management and socialist orientation. This is the Vietnam model of market economy. Vietnam meets with a lot difficulties in the transition from the centrally planned economy to this new model, but it has passed the socio-economic crisis, curbed the inflation and made some developments. This situation showed that the Vietnam model of market economy could stand the challenges of life. But it doesn't mean that our model is perfect and there is no problem for us to solve. In fact, the past ten years of economic renovation is only a short period in the history. We have only had some experience of the market economy, and we are trying to find out the most appropriate way for our country and fortunately, we haven't come up against failures.

From realities of recent renovation process, we realize the following problems which should be defined and perfected:

##### 1. The multi-sector economy

In Vietnam multi-sector econ-

omy, all classes are allowed to take part in the economic development. Besides state enterprises, there are also joint stock companies, limited companies, private businesses, trading cooperatives, etc. Developing the multi-sector economy is a long-term strategy to mobilize and employ all potentialities of the country. Both the state and the people taking part in the economic development isn't a temporary policy.

In this model, all businesses have right to do business according to laws, to compete legally, to cooperate with one another and to be treated equally by the law.

In this economy, the public sector comprising all state enterprises plays the leading role and forms the basis for the management of the government. The leading role of state enterprises doesn't mean that they should take part and assume a formal importance in all industries. It means that state enterprises take an important role, and even hold a monopoly, in key industries (oil, coal, steel, building materials, electricity supply, etc.) which are necessary for the society and not undertaken by private sector because of low profitability or

shortage of capital and technology. In other industries, there may be the participation of both state and private businesses, and some others could be left to private businesses without the participation of the state ones.

This was the role of the state enterprises in Vietnam model of market economy. But the problems posed for state enterprises are as follows:

State enterprises were deprived of government subsidy and they have to adapt themselves to new conditions: the multi-sector economy; the keen competition, the ever changing supply and demand. Some state enterprises haven't had the ability to adapt themselves to the market mechanism; their production costs are high, their product quality is low; they have struggled for their survival by petitioning the Government to ban the importation of the same products as theirs, to give them price support or preferential treatment (tax reduction for example)... but they eventually suffered losses and became defaulters.

The best solution to these enterprises is to force them to declare bankrupt or to put them into liquida-

# MODEL OF VIETNAM MARKET ECONOMY



PROBLEMS  
NEEDED  
TO BE  
DEFINED  
AND  
PERFECTED

by Dr. PHẠM MINH TRÍ

tion. The Government had better not equitize these enterprises or merge them with other enterprises. The Government should consider bankruptcy or liquidation as a normal phenomenon which occurs in all economies.

This situation forces the Government to rearrange the system of state enterprises. This rearrangement should aim at consolidating the system, making it stronger and more efficient and helping it play well its leading role and orient the economy towards the socialism.

In this rearrangement, equitization of state enterprises is considered as an effective measure, but in my opinion, it isn't the only solution to the problem. The best solution is to take appropriate measures to consolidate state enterprises (supplying soft loans and new equipment, selecting competent personnel, etc) in order to help them play well their leading role and form a reliable basis for the economic management of the government. This is the only best way of rearranging the system of state enterprises at present.

As for the system of retail cooperatives at present, although they are called cooperatives now but in fact, they are state-owned businesses because their capital comes from the public treasury instead of from private persons (cooperative members). In recent years, many cooperatives went bankrupt because they couldn't stand the keen competition and the remainder failed to find out appropriate way of doing business and organization. These cooperatives, regardless of their organization or way of doing business, should try to become more competitive in the market mechanism if they want to survive. Receiving some more subsidy from the government isn't the best solution for them because when they haven't got the ability to do business profitably, they will eventually go bankrupt and become defaulters.

As for the private sector, the Government has created conditions favorable for the development of this sector. In the economic renovation process, this sector has developed well and supplied more goods and services to the market but in its development, this sector has revealed many shortcomings and the most remarkable one is tax evasion and

avoidance. So its contribution to the public treasury isn't equal to its importance in the economy. Generally the governmental control over this sector isn't rigorous enough.

The policy on this sector should aim at helping it develop and exploit its potentialities for the national economic growth and at the same time, correcting its existing defects and shortcomings. It's not necessary to put stress on this sector or consider its development as the only way to make the economy take off.

## 2. The ownership

The Government advocated developing the multi-sector economy and considered it as a long term strategy to exploit all potentials of all sectors for the national economic development. Therefore, the ownership of all classes is recognized and protected by the law:

- Public ownership (state-owned

that is the economic development in Vietnam is oriented towards the socialism which aims at making the people rich, the nation strong and the society civilized. This orientation influences all economic policies and strategies of the Government and the Party. Thus, we develop the market economy under the control of the government and we don't leave the economy to the invisible hand of the market. But up to now, after 10 years of economic renovation, we realize the following problems posed for the government's control over the economy:

- Legal and administrative aspect: the system of laws isn't perfect. Economic activities which are banned, permitted or encouraged aren't expressed clearly. Everything seems dependent on the will of administrators.

- Managerial skill: the Government had many difficulties dealing



enterprises).

- Joint ownership (joint stock companies for example).

- Private ownership (private businesses...)

## 3. The governmental control

In all economies in the world today, regardless of their levels of development, there must be the government's control over and intervention in the economy through various measures and policies. Very few nations leave the economy to the invisible hand of the market without the intervention and control of governments. This is the common feature of the market economies in the world today. The Vietnam model of market economy isn't an exception.

The different feature of the Vietnam model is its socialist orientation,

with different matters (tax, finance, banking, foreign trade, fiscal policy, land management...). Many measures taken are too rigorous whereas many other problems are left entirely to the invisible hand of the market. The Government hasn't created an actually fair competition between businesses of different ownership.

- Administrative machinery: This machinery is too heavy and clumsy which leads to the red tape, corruption and bribery and causes difficulty to business, investment projects and international cooperation.

What mentioned above are some urgent problems which should be solved as soon as possible in order to perfect the Vietnam model of market economy ■