



In the next step of industrialization and modernization in Vietnam nowadays, one of problems we should pay attention to is how to exploit potentialities of the private sector effectively.

1. A VIEW ON THE PRIVATE SECTOR

The private sector came into being some thousand years before along with the private ownership. It not only is one of relations of production in old modes of production (from the slave-owning system to feudalism and capitalism), but also exists objectively in the transition to the socialism in every nation. The private sector has played an important role in the industrialization in many countries. Under the impact of laws of the market economy, businesspersons had to look for all possible ways to reduce the production cost, increase

THE PRIVATE SECTOR AND INDUSTRIALIZATION

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the output and improve the product quality with a view to becoming more competitive in the market. Innovation

of equipment and technology becomes a must and the industrialization the inevitable.

Two centuries before, the industrialization of capitalist countries had attached to the role of the private sector, but in recent decades, the shortened industrialization in late-developers showed that the private sector was the most important dynamic. In South Korea for example, its industrialization was attached to the fast development of private corporations such as Hyundai, Samsung, Gold Star, Daewoo... The same thing repeated in other NICs. In reality, in the process of industrialization in many countries, the role of the private sector was held in high regard.

The fact remains that, however, of 180 nations whose economies depend on the private sector, around 30 became rich, of the rest, many have

fallen into poverty, run into debt, gone bankrupt or lagged behind others. Thus, the private sector isn't the decisive factor in the speed of industrialization.

In Vietnam, the private sector has existed for a very long time. In the past, because of the voluntarist viewpoint, we were anxious to debar the private sector from the economy. In fact, we wanted to eliminate this sector as soon as possible.

After the VI VCP Congress and renovation policy, the private sector was recognized. It has developed boundlessly in all activities permitted by the law since. The Government protects ownership and legal interests of private businesspersons. Up to now, there are 18,697 private businesses with total capital of VNĐ6,312 billion.

In 1994, the private sector produced 65% of GDP, represented 40% of budget income and employed 56% of labor force. This sector's competi-

on with the public and collective sectors has made the market economy livelier.

From realities of the industrialization in various countries we can generalize about the role of the private sector which is as follows:

- Attracting dead money held by the public and foreign investment in order to reduce the shortage of capital; thereby helping the government invest its capital from the treasury in vital projects.

- Helping with selecting the most appropriate production techniques and receiving technology transferred by foreign parties and thereby, improving the technological level of the economy.

- Being small and medium businesses, the private firms could act as subsidiaries to state enterprises (suppliers of parts for example). They also have the ability to cope with changes in modern technology and market.

- Having close relation with traditional craft guilds, the private businesses could help with modernizing these crafts and thereby supplying more new jobs.

- The private business is the main force carrying out the industrialization in agriculture and rural areas.

- The private sector could play an important role in developing the economy, increasing GDP and budget income, and thereby accelerating the industrialization process.

The private sector, however, revealed a lot of shortcomings: running after short-sighted profits; paying no attention to low-profit businesses such as public utility services; developing unstably, etc. But there are many ways to overcome these shortcomings.

In short, the private sector is an important source of dynamic for the industrialization. This is the right view on this sector which provides a basis for policies on the private sector.

REALITIES OF THE PRIVATE SECTOR IN VIETNAM

As was stated above, the private sector has been recognized and has developed recently. In the industrialization process, this sector is facing two marked problems:

Obsolescent technology and small-scale production

According to the Central Economic Management Institute, in 1994, most private businesses had too obsolescent equipment which was at least 20 years old. Many private businesses bought machines or equipment ejected by state enterprises. Only

25% of businesses and 20.5% of companies have modern equipment and technology. The rest use traditional technology or part traditional part modern technology.

The labor force isn't well-trained, many workers didn't take any training course. Many managers and directors of private businesses had only limited knowledge about technology, market economy, managerial skill, national and international laws.

The average capital of a private business is VNĐ 144 million (around US\$13,000). Of total amount of 420 private companies and 280 businesses in Hà Nội, HCMC and Hải Phòng in 1994, 41.9% employed no more than 20 workers.

Obsolescent technology and small-scale production led to low business performance of the private sector. It's difficult for it to compete with foreign competitors.



2. Unreasonable economic structure

The following table will show the investment structure of the non-public sectors

Total investment (+)	100
Manufacturing	13.3
Transportation	6.1
Agriculture	9.4
Construction	64.4

(+) up to December 1994

Source: Thống kê (Statistics Magazine), June 1993

In the South, private investment concentrated in cities, especially in HCMC. In the North, the scale and size of private business are much smaller. The private sector hardly

invest in rural and mountainous areas.

This situation shows that the private sector developed slowly, technology and structure of investment are problems which should be solved in order to help this sector play its role in the industrialization process. Appropriate policies and measures should be taken.

III. SUGGESTED POLICIES AND MEASURES TO DEVELOP THE PRIVATE SECTOR

Based on the policy on developing the multi sector economy and economic renovation policy of the Government and Party, we suggest the following measures to develop this sector:

1. We had better refrain from labelling the capital accumulation as "exploitation", in the contrary, the Government had better help family businesses develop into private enterprises. Being at a bigger scale, these enterprises could carry out technological innovations.

2. The Government should adopt new policies (on taxation, monetary system, etc.) to encourage private businesspersons to put money into production, and particularly, into vital projects of the industrialization process. At present, taxation policy is still one obstacle to the private sector. The tax policy stressed too much on collecting money without measures to foster the growth of local industries.

In South Korea for example, the Government organized export contests, the prize-winners would receive soft loans or sums of foreign exchange, etc.

3. Building a common playground with common rules applied equally to all economic sectors is also a way to encourage the economic development. Private businesspersons should be allowed to come into contact with foreign markets and new technology. The procedures for establishing private business should be simplified.

4. Various kinds of training courses should be supplied to laborers working in the private sector. According to a survey carried out by the Provisional Council of Non-state Enterprises, only 16% of demand for trained laborers was satisfied.

5. A government mechanism for controlling the private sector should be formed: activities of businesses should be supervised strictly, a lot of services should be supplied (advisory, accounting, finance, information, technology transfer, etc.) to this sector. The controlling mechanism should aim at helping this sector develop stably and lawfully ■