

# A Plan for the Reform in Government Monopolies

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## 1. Roles and tasks of

### government monopolies

Government monopolies enjoy great advantages: fast establishment (by a PM decision only); big working capital (with support from the central bank, public fund and international institutions, etc.); good personnel (with the best experts assigned by the State); important tasks in the development strategy (free from the pressure of profit making); and the smallest required payment in taxes and other financial obligations. And as a result, they become "strategic socialist battalions for fast economic growth."

The Vietnam Electricity Corporation, for example, could build a series of hydropower plants (Hòa Bình, Trị An, Yaly, etc.) and the North-South power line. The Vietsov Petro has become one of the most effective oil companies in the world and contributed big payments in taxes and profits to the budgets of the two relevant countries, and developed large-size subsidiaries (such as the Oil Refinery 1 in Dung Quất, Quảng Ngãi Province.) The Vietnam Sugar Corporation has been able to build a series of sugar mills all over the

country in an effort to cut import of sugar (however, it ended in failure.)

In HCMC, the networks of inner city and inter-province buses have been developed in an effort to reduce road accidents and traffic congestion. Without financial support from the government, no private companies could develop such networks.

These facts show that government monopolies could play a leading role in the economic development and handling of many environmental and social problems.

## 2. Problems with government monopolies

In certain government monopolies, corruption, poor business performance, losses, bureaucracy and slow application of technological advances have become very serious. The Director of Tamexco had spent millions of dollars on gambling and deposited millions of dollars with foreign banks. The pipeline from oil rigs to Bà Rịa-Vũng Tàu required costly repairs and maintenance while the oil output tended to reduce. The Dung Quất Oil Refinery couldn't come into operation as planned. The

North-South power line suffered 250 mechanical failures caused by materials of poor quality. The program to develop the sugar industry has helped increase the sugar output and reduce the import of sugar, but too many sugar mills have been built with the result that most of them are facing the shortage of raw materials. Moreover, most sugar mills employ obsolete machines, which led to poor productivity and high production cost. Up to now, most of sugar mills run into debt to the tune of billion dollars.

## 3. Directions for the reform in the government monopolies

The need to reform government monopolies has become much urgent. Many countries in the former USSR have privatized the public sector hastily and fell into serious problems: low wages, serious exploitation of labor, and huge flight capital, which made the economy fell into recession in the 1990s. On the other hand, Vietnam and China maintained state-owned companies, carried out the reform in the public sector gradually and obtained

high growth rates. The fact that Russia failed to maintain a public sector has deprived the government of an effective instrument for working out economic plans and carrying out major development schemes with the result that the gap between rich and poor widened and social and environmental problems became more serious.

Thus, the reform in the public sector must aim at maintaining and enhancing the business performance of this sector and establishing strong state-owned companies to form a force to "develop the economy, protect the environment and solve urgent social problems" which are beyond reach of private companies. Moreover, government monopolies must deal with their defects: bureaucracy, corruption, slow application of technical advances, etc.

## 4. Suggested measures

- Privatizing state-owned companies, turning them into joint stock ones, in order to stop corruption or embezzlement; and assigning private persons important positions (director, vice-director, chief accountant, etc.)

- Removing monopoly in certain industries, including public utility services.

- Asking for bids for all services and goods supplied to the government; and plans invested by the State.

- Ensuring independence for accountants and making external audit compulsory for all state-owned companies.

- Publicizing financial statements of all companies.

- Allowing the press and NA members to investigate and estimate business performance of state monopolies.

- Including only large-scale monopolies in the public sector on the condition that they are free from corruption and loss. ■