

The Role of the Private Economy in a Socialist-Oriented Market Economy in Vietnam

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ABSTRACT: The Vietnamese private economic sector has largely contributed to our country's socio-economic development. Private enterprises contribute 43.22% of GDP and 39% of social investment capital, creating many jobs in the economy. However, at present, there are still many factors that make it difficult and limit the motivational role of the private economy, so it is necessary to take some measures to make the private sector really become the foundation of the model economic development in Vietnam in the coming period. This research focuses on analyzing the role of the private economy in the socialist-oriented market economy of Vietnam, its important contributions to the socio-economic development process. Research shows that, for a long time the concentrated economy has led to a socio-economic crisis, people's lives have been facing many difficulties. Since the change of the management mechanism, allowing the private economy to develop has contributed to improving the people's living standards, stabilizing the socio-economic situation. However, during the development process, this economic sector still has some limitations that need to be overcome. On the basis of analyzing the development status of this economic sector, the author gives a number of solutions to further develop this economic component in the future.

Keywords: The private economy, socialist-oriented, market economy, Vietnam, innovation

I. INTRODUCTION

The concept of the private economy as "an important driving force of the economy" at the XII Congress showed a breakthrough in awareness of our Party compared to the previous period, when we only consider private economy as one of the forces of the economy [1]. The Fourth Meeting of the 12th Central Executive Committee continues to require strong development of the private sector in both quantity and quality, to really become an important driving force of the economy [2].

Over the past years, the private sector has made a dynamic development of the economy, making an important contribution in creating jobs, improving people's income, and being bold in making breakthroughs and being at the forefront of many real estate sectors new production and business [3]. Therefore, creating all favorable conditions for the private economic sector to develop is also creating conditions for the release of development resources in society, so that the socialist-oriented market economy can bring into full play the its great potential.

The policy of developing private sector is associated with the policy of developing the market economy, socialist orientation in our country. Our Party has made a very correct judgment that: Market economy is the product of human civilization, able to exist and adapt too many different social forms; market economy develops at a high level under capitalism, but is not consistent with capitalism and is not opposed to socialism. A country based on the market for economic development may not succeed quickly, but a country without a sufficient and modern market economy will certainly not be able to develop in the long term. Market economy itself does not bring socialism, but if you want to build a successful socialism, you must definitely develop market economy.

The private economy is the most important factor in the modern market economy. While the size of the private sector may differ in diverse market economy models, it is certain that without the private sector there would be no market economy in its own right. Despite its imperfections, the market economy still proves to be the best-today-considered mechanism for mobilizing, distributing resources, promoting innovation and development. It is the activities of the private sector that help operate that mechanism. A developed private sector is unlikely to bring about a perfect market economy. The private economic sector itself does not help to overcome the shortcomings

and “failures” of the market. However, if the private economy is not developed, it will not be possible to bring into full play the strength of the market economy and fully exploit the great development resources of the society. Meanwhile, newly established private enterprises increased each year (Figure 1).

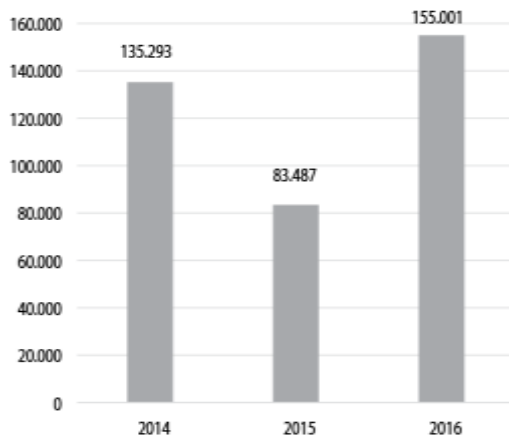


Figure 1. The number of business households increases each year
(Source: General Statistics Office)

From the spirit of the XII Congress [1] should also emphasize and clarify, defining the state economy as the leading role and the private economy as an important driving force in the economy without any discrimination, treatment, which in the sense is subject to the functions of each economic sector to determine their role. The State with resources, tools and policies will play a key role in directing and regulating the economy, ensuring great balances for the economy, controlling strategic resources, and the development of public infrastructure and services with large investment capital, slow turnover, low profitability, very necessary for the socio-economy that the private sector is not ready to undertake; in the fields of defense - security, some venture capital activities, etc. Thus, to see that, our Party continues to define the state economy as a key role with new contents, consistent with Country building platform in the period of transition to socialism (additional and developed in 2011) [4] and the Constitution of the Socialist Republic of Vietnam (revised in 2013) [5].

II. LITERATURE REVIEW

The Resolution of the Fifth Meeting of the Central Executive Committee (Session IX) defines: “The private economy is an important constituent part of the national economy. Private economic development is a long-term strategic issue in the

development of a multi-sector economy with socialist orientation, making an important contribution to the successful implementation of the central task of economic development and industrialization, modernize and improve the country’s internal strengths in international economic integration” [7]. The private economy here includes the individual economy, the small owner and the private capitalist economy. “In terms of ownership relations, the individual economy, the small owner and the private capitalist economy all belong to the same type of private ownership, different from the public ownership and collective ownership. Although theoretically, the individual economic point of view, the small owner and the private capitalist economy are two different economic sectors, with different levels of production force development and the nature of production relations” [7].

The difference in the nature of production relations is reflected in the bottom line that the individual economy, the small owner is based on private ownership, but is the private ownership of the small good producer; while private capitalist economy is based on private ownership, but is a large capitalist private property of the bourgeois. However, when the capitalist acquires a large amount of surplus value, then uses most of that surplus value to invest in reproduction and expansion, to ensure the welfare of workers, etc., if they only devote a small portion of that mass of surplus value to personal consumption, they are a progressive, active boss, not capitalist in its own right.

With the above conception, in our country today, private business owners are spending a lot of business capital, hiring a lot of labor and of course earning a big profit, but they are still direct employees. Direct: direct management of the business, direct labor to produce a certain part to make goods, in order to enrich themselves and the society. Such business owners are actually just small owners at different levels and different levels. Therefore, in our opinion, in our country at present, we should not use the term private capitalist economy, but only use the term private economy including individual economy, smallholder economy, private company, limited liability companies, joint stock companies without State shareholders, etc. Because, in our country there is a political regime led by the Communist Party of Vietnam, our economy is a multi-sector commodity economy, including individuals, smallholders and the private sector.

In an economy with a socialist-oriented cooperation regime, all legal economic sectors

contribute to the building of socialism at different levels, all in the linkage and cooperation relationship socialist orientation. This is consistent with the very basic Marxist thesis: small private economic forms are never an independent mode of production; its properties are determined by the nature of the relationship of production (or mode of ownership) that dominates in a given mode of production.

From the point of view that the new economy is a multi-sector economy, according to socialist orientation, under the leadership of the Party, we inevitably admit that all economic sectors are equal before the law in the revolutionary people's coalition, in the Party-led cooperation regime; The Party must include advanced people, both economically and politically active, of all economic sectors. The Party admitted its team to pioneers of all sectors, righteous workers and had a positive impact in mobilizing the mass organization to advance into the economic front. Therefore, the Party should not declare not to enroll in the Party, or to leave the Party those who spend a lot of business capital and use a lot of labor. However, the Party does not admit to its organization capitalists who live and get rich solely by exploiting the surplus value of workers without labor.

III. SITUATION AND POLICY ENVIRONMENT FOR PRIVATE ECONOMIC DEVELOPMENT IN VIETNAM

Looking back on the journey of more than 30 years of renovation [8], from a passive mentality, relying on the State and the collective, all classes of people have turned to a sense of proactive and active in economic- the society development in which the private economy is focused on development. Many large private economic groups were born and played an important role in the national economy.

These important changes of thinking and perceptions have created conditions for the private economic sector in our country to gradually develop both in quantity and quality. From the place where there are mainly individual business households, our country has had large economic groups. From mainly operating in the informal sector, private sector has strongly transformed to operate in the formal sector of the economy, business scope has been wide in industries that are not prohibited by law. In particular, over the past years, a start-up wave has been taking place, bringing a new vitality to the economy. It can be

seen that the private sector is playing an increasingly important role in the socialist-oriented market economy, contributing to solving the country's socio-economic problems.

However, the majority of private enterprises are small and micro enterprises. Even the share of microenterprises has increased dramatically in recent years. Due to the small size of capital and weak financial capacity, the competitiveness of private enterprises is often lower than that of state-owned enterprises and foreign direct investment (FDI) enterprises. Many private enterprises still do business in a short-term form, do not have a long-term business vision and strategy; the sense of self-consciousness in observing the laws of the State is still limited. Entrepreneurs of the private sector are not really strong, lack experience in the international marketplace and have not been deeply trained in production and business management. A part of business people still has limited knowledge, legal understanding and business capacity, management experience, competitiveness and integration. Some entrepreneurs still lack responsibility to the society, for local benefits, group benefits, increasing negative social and environmental.

Industrial capacity of the private sector is in fact very small and weak, only in the early stage of development. Most of the industrial production of private enterprises is outsourcing, mainly using imported machinery, equipment and materials. The production stages that bring high added value, such as design, styling, ma-tank-ting, etc. are all done by foreign partners. Technology stratification is taking place in each industry and in many businesses; outdated, medium and advanced technology coexist; Advanced and modern technology focuses on only a few private enterprises in a few fields. The gap in technology levels is evident: Private enterprises are lower than the state-owned enterprises and far behind FDI enterprises. Due to low technology level, private enterprises do not have the ability to connect and participate in supporting industries for large enterprises, especially they cannot take advantage of the spillover effects from FDI enterprises fast growth. The majority of private firms still operate in the domestic market [8], with only a few large private firms reaching a modest extent abroad. Even in the domestic market, under the pressure of fierce competition, large private enterprises also tend to withdraw from industrial production, ceding the market to foreign enterprises. This retreat also takes place in some service sectors such as distribution and retail which are preferred and have great potential for the economy.

The number of private firms operating in the agricultural sector is very small. Meanwhile, many “untie” policies to help agriculture and rural development in the post-reform period have reached their limits. The traditional household economic model that has existed for a long time in the countryside is no longer suitable with the new conditions; the requirement of land consolidation and concentration is being set for the implementation of modern models such as large-scale farm economy. The settlement of labor in the agricultural sector has not yet achieved the desired effect, mainly because the development of the rural business force is not strong enough, so it has not accelerated the rapid transition of agricultural labor to non-agriculture.

IV. INTERNATIONAL EXPERIENCE

International experience shows that the private enterprise form (individual business or single-owner enterprise) is a very popular form in many different countries. In the European Union (EU), for example, of the 2.3 million businesses established in 2012, 1.6 million or 70% are registered as individual (or single-owner) businesses.) or in particular, the form of a private enterprise by name for this type of enterprise in Vietnam. This rate is especially high in some countries, for example, France is 92.3%, Poland 86.9%, Netherlands 86.4%, and the Czech Republic 86.1% (EuroStat, 2013). In Hungary, of the 450,733 active businesses, 53% are in the form of individual/single-owner enterprises (OECD, 2016). 73% of small businesses in the US are in the form of single / single-owned businesses (US Small Business Administration, 2013). In Southeast Asia, out of 907,065 registered enterprises in Malaysia, 554,900, or 61.2% are in the form of individual/single-owner enterprises (SMECorp Malaysia, 2017).

The comparison of individual enterprises in these countries shows that they do not have a household business. However, these single-owner/single-owned businesses are very similar to the business household model in Vietnam. The difference is that individual businesses in this country, especially in the EU or OECD countries, are officially registered. These individual/single-owned businesses are easily registered (either at local government or online) and the cost of complying with legal regulations, accounting regime, financial reporting, simple and much more compact than other types of companies due to the nature and size of this type of business. Consequently, the cost of compliance with the laws and tax rates applicable to single-owner firms in

these countries is reasonably low, consistent with the capabilities of individual/single firm’s owner and business individual or household. This is a decisive factor in the attractiveness of this type of business and makes most people when conducting business registration choose to officially register under the form of a one-owner enterprise (like people in Vietnam) has chosen the form of individual business households).

Clearly this shows a practical problem that needs to be solved. The fact that the need for adjustments and reforms to the private enterprise model (individual enterprise/single-owner enterprise) in Vietnam will contribute to the return of this model to its correct position to bring into full play the enormous potential of this type of business. In particular, it can make an important contribution to the reform of the household business sector, encourage the voluntary formalization of the business household sector, improve the formalization of the private sector, and enhance productivity overall performance and efficiency of the private sector in particular and of the economy in general.

V. SOME BASIC SOLUTIONS TO PROMOTE THE DEVELOPMENT OF VIETNAM’S PRIVATE ECONOMY IN A SOCIALIST-ORIENTED MARKET ECONOMY

First, create a business environment conducive to the private economy:

In Vietnam today, the business environment for the private economy is improving. Document of the XII Congress of the Party affirms: “the private economy is an important driving force of the economy” [1]. The Vietnamese state has strong and regular support for the private economic sector. However, there are still many limitations such as: there are no clear regulations and institutions on registration and use of land use rights as collateral or joint venture capital contribution; Private businesses still have difficulty in accessing bank capital; Lack of clarity or rapid change in many economic policies in a short time, increasing business risks and costs, wasting resources for businesses; State financial management of private enterprises is still lacking, there is no legal framework to maintain operations of private enterprises in a transparent, responsible and non-toxic direction permission.

Second, the State should have measures to support the private economy:

The State has the role of macroeconomic management, not interfering in production and business activities of enterprises. But proposing economic programs to support the development of businesses, including private enterprises, is the responsibility of the State. In order to create conditions for private economic units to operate, in addition to capital support through the banking and credit systems, the State also needs to have the following specific programs:

Technical and technology support program:

Slow technology innovation, lack of accurate information, little understanding of the economic situation and business activities of customers ... are the main weaknesses of the Vietnamese private business community. In such conditions, the Vietnamese private economy is in great need of the State's support in engineering and technology. This support comes not only from the individual interests of private business owners but also from the common interests of the national economy. Therefore, the State should have tax and credit incentives for businesses that borrow capital for the purpose of investing in equipment and technology innovation. At the same time, the State needs to create an open business environment in foreign transactions, especially in the receipt of capital and materials from the relatives of overseas Vietnamese entrepreneurs in order to encourage enterprises to quickly change new equipment and technology to shorten the technological gap of our country compared to the world.

A public investment program to provide economic and social infrastructure services:

In the current private economic conditions of Vietnam, the capital potential is too thin, the size of the businesses is small, and the ability to associate and joint ventures among businesses is limited. Meanwhile, provision of infrastructure services requires a huge amount of capital, which is likely for most Vietnamese private enterprises today. Therefore, the State needs to define its role as a key force in creating and providing infrastructure services for the economy. Experience of countries around the world shows that countries with prosperous economies, maintaining a harmonious development between the public and private sectors, the government plays a good role in building economic infrastructure economic and social infrastructure. In Vietnam, according to a World Bank survey, private enterprises in both urban and rural areas need the Government to have

basic support programs that include: 1) Improve infrastructure, especially electricity, transportation and telecommunications; 2) Clarification of long-term policies (eg laws and regulations); 3) Strengthen the banking system to improve credit loan borrowing.

The market economy requires adequate social and economic infrastructure services to facilitate the business activities of all enterprises of all economic sectors. . In that sense, the provision of infrastructure services is not one's own, not only the State is responsible for providing infrastructure services, but even the private economy must have responsibility. Therefore, the State should also have a mechanism to attract the private sector to participate in the provision of infrastructure services. This will have the effect of adding more capital for social investment and reducing the burden on capital for the State; on the other hand, it will create competition in the field of infrastructure, encourage efficiency and quality of infrastructure services.

Support for education and training to improve the cultural level, business knowledge and management capacity ... of business owners and workers in the private economic sector:

Dynamism, assertiveness and dare-to-do are characteristic of private business owners. However, knowledge of business, economic law and management, rights and responsibilities of business owners and employees is still limited. Therefore, the State should have training programs to support enterprises to master the necessary knowledge. Only on the basis of improved qualifications and capabilities of business owners and employees, can the Vietnamese private economy be able to effectively participate in the general development of the national economy. , in the process of integration of Vietnam with the region and the world, and at the same time meeting the requirements of the market economy.

Helping the private economy to remove ground problems in production and business:

Remove problems in the procedures for early issuance of land use right certificates for the area of land that households use as residential land, agricultural, forestry, and fishery production land, land being used as production and business premises that enterprises have acquired the right to use. At the same time, it allows enterprises, regardless of economic sectors, to contribute capital to joint ventures with foreign countries equal to the value of land use rights; forming and developing real estate market, including land use rights according to the provisions of law.

Third, the State must be proactive in developing relations between the State and private sectors, between domestic and foreign private sectors, and direct the private economy to develop along the path of state capitalist economy:

This is the idea that V.I. Lenin stated during the period of applying “New economic policy” to direct the development of the private economy into the trajectory of socialism. According to Lenin, state capitalism is the intermediate economic form needed to move from pre-capitalist relations to socialism. Once there were millions of small commodity producers in the country, the revival of capitalist economic relations was inevitable; Once those relations have been restored, the most plausible, correct and fully actionable policy is to direct it along the path of state capitalism. It is the capitalism that the State can regulate and control, which is at a higher level than the small commodity economy, higher than the private capitalist economy and closer to socialism, it is not scary, is the “threshold of socialism”.

The business cooperation relationship between the state economy and the private economy is essentially a form of state capitalism. It is the mechanism through which the State can direct the development of the private economic sector in order to achieve socio-economic goals that the State has set out as the rich, the strong, the owner, and fair, civilized.

However, in our opinion, the domestic private economy is still the internal force of the economy, the economic force of the nation. Therefore, it is possible that at present, the joint venture relationship with the domestic private sector has not brought about direct effects, but in order to promote internal strength and for the long-term benefit of the national economy, the State should proactively create mechanisms to promote joint-venture relations with domestic private individuals, just like the State already has open laws and incentives in developing partnerships with foreign private partners.

In addition to creating a mechanism to develop the joint venture relationship between the State and the domestic private sector, the State should also create a mechanism to promote the partnership between domestic and foreign private sector. Although this relationship is legally permitted by the State, in fact, state-owned enterprises still participate in about 90% of the total number of foreign investment projects in Vietnam with about 95 % of total capital, while private enterprises and companies only participate in less

than 10% of projects and with less than 5% of total capital.

VI. CONCLUSION

The relationship between the private economy and the market economy is a parallel relationship, closely linked with each other, mutual institutions and promotes mutual development. The private economy is a development engine of the market economy and vice versa, the market economy is a favorable environment for the development of the private economy. Once the Party and State have decided to choose a market economy model to build and develop the country's economy, it must accept and create conditions for the private economic development.

The results of over 30 years of innovation that we have achieved in terms of growth, job creation and income enhancement, the transformation of the whole economy towards integration, modernization, etc. proves the correctness of the development of a market economy on the basis of many economic sectors, of which the private economy is an important part.

In recent years, the Vietnamese private economy, although its development is not strong, has shown that this is a potential area. Therefore, it is necessary to be consistent with the multi-sector economic policy, with the views and policies on private economic development that the Party and State have issued. Only then can the multi-sector economic policy come to life and we can achieve its goal of releasing all production capacity and exploiting economic potentials for land development country.

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