

The Development of Private Economy in Vietnam from 1986 to 2001: from Policy to Practice



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ABSTRACT: The recognition of the private economy as an integral part of the economy at the Sixth National Congress (1986) of the Communist Party of Vietnam stems from the practical needs of Vietnam before doi moi. From 1986 to 2001, the private sector in Vietnam has gradually affirmed its role and position in the socialist-oriented market economy and has made important contributions to national budget, increasing gross domestic product growth and job creation. However, besides the positive contributions, the private economy in Vietnam still reveals certain limitations in the development process.

KEYWORDS: Private economy, policy, practice, innovation, Vietnam, Doi Moi.

1. INTRODUCTION

With the process of comprehensive renovation of the country, starting with the renewal of economic thinking, from the mid-1980s to the present, the private economy in Vietnam refers to economic sectors based on the private ownership of the means of production, including the individual economy, the smallholders, and the private capitalist economy. The theory of Marxism-Leninism has affirmed that the existence of private economic sector is an objective necessity in the transition period to socialism and the reform of this economic sector is one of the fundamental and long-term task of the whole transition period.

From reality, we can see that the development of the private economy in Vietnam in the period 1986 - 2001 is a correct and consistent policy of the Party with a scientific base, in accordance with objective economic laws, is the creative application of Marxism-Leninism and Ho Chi Minh's thought to the specific historical conditions of Vietnam in the early years of the "Doi moi" implementation.

2. THEORETICAL BASIS AND RESEARCH METHODS

Rationale: The article is researched based on the viewpoints of current Vietnamese history, policies and guidelines of the Communist Party of Vietnam. In the process of approaching the research problem, the authors focus on using a practical research perspective, a contextual approach, and a comprehensive - systematic approach.

Research Methodology: The article uses a synthesis of research methods suitable to the research content, mainly using the method of historical criticism to assess the reliability of relevant historical sources. Regarding the research content, based on historical sources, the research team applied historical - logical methods, descriptive statistics, analysis - synthesis to analyze and prove relevant scientific arguments related to the issue of private economic development in Vietnam.

3. RESULTS AND DISCUSSION

3.1. The process of adjusting the policy of the Communist Party of Vietnam towards the private economy

After Vietnam completed the national liberation revolution and moved towards socialist construction according to the Soviet central planning mechanism, the private economy was gradually abolished. During the first 10 years after the South was completely liberated, mistakes were caused by the state of volutarism in the reforming of capitalist industry and commerce, private business and economic construction, the situation of "blocking rivers and banning markets", "selling like giving, buying like stealing", ... has made Vietnam's economy develop slowly and as a result, the country gradually fell into a total crisis. In the context of many shortcomings in the economic management mechanism and the country was facing serious challenges, many localities boldly "break down" the mechanism, to help production "sprout" and find a way out of the crisis. Faced with the actual effect of "breaking the fence" in the localities, the central government piloted and advocated for step-by-step untying of the management mechanism to explore and test solutions to bring the country out of the crisis.

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The 6th National Congress of Deputies (December 1986) of the Communist Party of Vietnam officially implemented the policy of comprehensive renovation of the country, starting with economic thinking, the congress stated “There should be a policy to properly use and renovate other economic sectors”(Communist Party of Vietnam, 2005, p. 67), which highlighted the role of the family economy and the commodity economy.

Regarding the family economy, the Party stated: “...has an important position and abundant capacity, it should be encouraged and helped to develop in a supportive relationship with and attached to the state-owned economy and group economy” (Communist Party of Vietnam, 2005, p. 60). For the commodity-producing economy, “The State recognizes the necessity of this economic part in the transition period, guides and helps it to produce, trade, link with the state economy and collective economy” (Communist Party of Vietnam, 2005, p. 61). However, from the Party's point of view, recognizing the existence of a commodity-producing economy and a private capitalist economy, it is natural to constantly struggle with capitalist spontaneity and negative effects in the economic activities of those sectors, so the State needs to control and dominate these economic sectors according to the motto “use to renovate, renovate for better use”.

The 7th National Delegate of the Party (1991) advocated: “Initially forming a multi-sector commodity economy, operating under a market economy under the management of the State”. In that mechanism, economic units have the right to business autonomy, equal relations, legal competition, cooperation and voluntary joint ventures. For the private sector, after 5 years of implementing the renovation policy, “many individual households and smallholders have invested capital in many industries. But so far, many people with large capital have not dared to invest, especially in the manufacturing sector, because the business environment is not secure and some do not believe in the stability of the policy” (Communist Party of Vietnam, 2005, p. 236 – 237). Since then, the Party has advocated: “Developing the private economy, especially in the field of production, under the management and guidance of the State; specifically, the individual economy and the smallholder have a relatively wide range of activities in places where there are no conditions for organizing a collective economy, directing the private capitalist economy to develop along the road of state capital under many form” (Communist Party of Vietnam, 2005, p. 275 - 276). The Platform for National Construction in the Transition to Socialism (1991) clearly stated: “The individual economy still has a relatively large scope, gradually entering the path of cooperative business on the principle of voluntary, democratic and mutually beneficial. Private capital is allowed to do business in industries beneficial to the nation's livelihood as prescribed by law” (Communist Party of Vietnam, 2005, p. 319).

In the Strategy for Socio-Economic Development and Stabilization and Development to 2000, the Communist Party of Vietnam determined: the individual economy is encouraged to develop in industries in both urban and rural areas, without restrictions. business expansion, can exist independently... The private capitalist economy is developed without limitation in terms of size and location, operating in industries that are not prohibited by law... Family economy is an independent economy but encouraged for development (Communist Party of Vietnam, 2005, p. 343 - 344).

To the 8th National Delegate of the Party (1996), the Party's view of developing the private economy continued to have a new development, in which it was affirmed: “Individual economy, small owners have an important position, and long term importance”. As a result, it is necessary to “help individual and small-scale economies to solve difficulties in terms of capital, science and technology, and product consumption markets. Guiding individual and small business owners for the close interests and development needs of production; step by step enter into voluntary cooperation, or to serve as satellites for state-owned or cooperative enterprises or cooperative. The private capitalist economy has the potential to contribute to nation building. Encourage private capital to invest in production, secure long-term business; protect property rights and legitimate interests, create favorable conditions in parallel with strengthening management and conduct business in accordance with the law, beneficial to the nation's livelihood. Encourage business owners to reserve preferred shares to sell to employees at the enterprise. Building a cooperative relationship between employers and workers on the basis of implementing the Labor Law, ensuring the legitimate interests of both parties” (Communist Party of Vietnam, 2005, p. 480 - 481).

The Ninth National Congress of the Party (2001) determined that the general economic model of our country during the transition to socialism is a socialist-oriented market economy. “A type of economic organization that both obeys the laws of the market economy and is based on and guided by the principles and nature of socialism” (Communist Party of Vietnam, 2005, p. 635 - 636). On the basis of the socialist-oriented market economy, the Party has determined the role and position of the private economy as: “individual economy, smallholders both in rural and urban areas have an important position and long-term importance”, so the State “facilitates and helps for development; encouraging forms of voluntary cooperation, serving as satellites for large enterprises or development. To encourage the development of the private capitalist economy widely in production and business lines which are not prohibited by the law. Creating a favorable business environment in terms of policies and legislation for the private capitalist economy to develop on the priority orientations of the State, including foreign investment; encourage conversion into joint stock enterprises, sale of shares to employees, joint ventures, association with the collective economy and the state economy. Building good relations between business owners and employees” (Communist Party of Vietnam, 2005, p. 646).

From 1986 to 2001, the Communist Party of Vietnam gradually adjusted its policy, from acknowledging the existence of the private economy and the market economy to promoting the construction of a socialist-oriented market economy. In that sense, it has recognized an important and indispensable driving force in the development process of the economy that is the private sector.

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3.2. The private sector has gradually affirmed its role and position in the Vietnamese economy in the period 1986 - 2001

The Doi Moi policy has become one of the driving forces that pave the way for the rapid growth of the economy, with the increasing participation of the private sector. With the achievements after 15 years of renovation and transformation of the economy, the private sector has increasingly affirmed its position and role as an indispensable driving force in the development of the national economy.

Firstly, the number of non-state enterprises is constantly increasing

In 1991, the number of non-state enterprises was 414 enterprises, by 1992 it had increased to 5,198 enterprises (Ha Huy Thanh (cb) (2002), p. 97), an increase of 1,155%, by 2001 reaching the result. The result was 44,314 enterprises (GSO (2010), p. 40), an increase of more than 107 times compared to 1991. On average, the number of non-state enterprises increased by 19,403 each year, i.e. an increase about 25%, in which 1992 had the highest growth rate of 1.225%. This is an impressive growth in the number of non-state enterprises for an economy in the early stages of transition.

While non-state enterprises increased rapidly, state-owned enterprises tended to decrease. In 1990, the state-owned enterprise sector had 7,060 enterprises, but by 1996 it had decreased to 5,790 enterprises (Ha Huy Thanh (cb) (2002), p. 99), a decrease of 1.8%, an average annual decrease. 3%; by 2001 there were 5,355 enterprises (General Statistics Office, 2010, p. 40).

Second, the private economy contributes to increasing revenue for the State budget and promoting the growth of gross domestic product (GDP).

Thanks to the rapid growth and development in the number of non-state enterprises and non-agricultural economic establishments, it has created a significant increase in revenue for the State budget. Specifically: in 1991 the non-state sector contributed to the State budget at 51 billion VND, in 1996 it was 1,457 billion VND (Ha Huy Thanh (cb) (2002), pp. 225 - 226), in 2001 was 7,405 billion VND (GSO (2010), p. 250), which is more than 145 times higher than the contribution to the state budget in 1991.

In addition, the development of the private sector together with other parts of the non-state economic group has made important contributions to the growth of the gross domestic product (GDP) of the economy. Specifically: from 102,468 billion VND in 1995, it has increased to 212,879 billion VND in 2000 (Ha Huy Thanh (cb) (2002), p. 230), after 5 years has increased more than 2 times compared to 1995's contribution. .

It can be seen that the development of the private economy has helped increase revenue for the budget and change the structure of budget revenue; at the same time is the main resource to develop new products and expand export markets. Besides, the high competitiveness of enterprises in this economic sector is an important factor in creating a healthy competitive environment, putting pressure on reform in state-owned enterprises, making the economy more productive, more dynamic and efficient.

Third, the private economy contributes to mobilizing capital from the people in the process of production and business

Before Doi Moi, although it was not officially allowed, in reality, people participated in the production and business process with personal capital. After the Communist Party of Vietnam implemented the Doi Moi policy, the state allowed the private sector to participate in the production and business process, while increasing people's capital investment in the economy increased. In 1991, the whole country had 952 billion VND of capital mobilized from the people for production and business, by 1996 this capital had increased to 20,665 billion VND (Ha Huy Thanh (cb) (2002), p. 225 - 226) and VND 113,497 billion in 2000 (General Statistics Office (2010), p. 244), which is an increase of more than 119 times the total mobilized capital in 1991. Value of fixed assets and investment Long-term financial investment of the non-state enterprise sector also tends to grow rapidly: in 1991 it was VND 273 billion, by 1996 it had increased to VND 7,244 billion (Ha Huy Thanh (cb) (2002), p. 225 - 226) and 51,050 billion VND in 2001 (General Statistics Office, 2010, p. 238), which is an increase of nearly 187 times compared to 1991.

The registered capital of the non-state enterprise sector in the period 1995 - 2001 tended to grow very fast. Specifically: in 1995 it was 20,000 billion dong, by 2001 it increased to 38,500 billion dong (Ha Huy Thanh (cb) (2002), pp. 225 - 226), i.e. within about 6 years, the total registered capital Private business has nearly doubled, demonstrating the increasing confidence of the people in the guidelines and policies of the managers.

Fourth, the private economy contributes to creating jobs for workers

In addition to the above-mentioned contributions, the private economy in this historical period also contributed to solving many social problems posed in the early stages of the economic transformation, especially effectively solving results in employment problems for people of working age and workers in the state sector who have to quit their jobs due to the process of equitization, restructuring, and dissolution of state-owned enterprises according to market requirements. Specifically: in 1991, the non-state economy created 26,998.9 thousand jobs for workers, accounting for 89.6% of the labor force and employment of the whole country; in 1995 was 29,977.5 thousand employees, accounting for 90.8%, in 2000 it was 32,358.6 thousand employees, accounting for 87.3%.

At the same time, the state-owned economy could only create jobs: in 1991, there were 3,135.7 thousand jobs for laborers, accounting for 10.4% of the labor force and employment of the whole country; in 1995 was 3,053.1 thousand employees, accounting for 9.2%; 2000 was 4,358.2 thousand employees, accounting for 11.8% (Ha Huy Thanh (cb) (2002), p. 97).

Thus, the development of the private economy has made an important contribution to the general development of the economy in the period 1986 - 2001, such as mobilizing many sources of investment capital in production and business, contributing to the improvement of economic growth, increasing the productive capacity of the society, create more new jobs, contribute to the

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increase of material wealth for the society, reducing the pressure of job creation for workers, promote the formation and development of all kinds of markets, increasing the competitiveness of domestically produced goods, creating equal competition among economic sectors in production and business activities, and contributing to high economic growth, involved in solving many social problems. The transformation of the ownership relationship causes the management and distribution relations to change as well, so the production relationship becomes flexible and suitable for the development level of the production force, which is still low, and unevenly developed across regions and sectors in the country.

In addition, the emergence of more and more production and business entities in the private economic sector in all fields, production and business industries has gradually pushed back the monopoly situation, making production goods developed, the market expanded, the laws of the market economy came into play, pushing back the bureaucratic centralized management mechanism and subsidies that were ingrained in the social subconscious. Through the development of the private economy, the people's right to mastery, first of all, the right to own the economy is promoted.

Besides the positive aspects, the development of the private economy in the early Doi Moi period (1986 - 2001) also had certain limitations. It is spontaneous nature, hot development situation, creating anarchy in production and business, not strictly complying with legal regulations in a part of the private sector. During this period, the private economy mainly developed in the fields of small businesses, requiring little capital, investing in labor-intensive production and business activities, outdated machinery and technology. .. Therefore, it is necessary to objectively and fairly evaluate the development of the private economy, against the tendency to over-emphasize leading to the absolutization of the role of the private economy.

4. CONCLUSION

From the policies and guidelines of the Communist Party of Vietnam to the dynamic development of the private economy in Vietnam in the period 1986 - 2001, it shows that the development of the private economy in the socialist oriented market economy is an inevitable and objective trend. The dynamic and strong development of the private economy during this period not only contributed to solving the crisis of the Vietnamese economy but also created practical evidence confirming the right direction of the innovation path and is a practical basis so that the Communist Party of Vietnam continue to adjust its policy in order to further promote the development of the private economy in the early 21st century.

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