

The Reform of State - owned Enterprises in Vietnam

—the Capacity Cooperation Path Building Based on ‘One Belt One Road’

Dang Thi Hong Diep (Vietnam)

Yunnan University of Finance and Economics
Yunnan, China
danghongdiep88@gmail.com

Prof. Liu Er Si*

Yunnan University of Finance and Economics
Yunnan, China
danghongdiep88@gmail.com

Abstract— Over the past 20 years since the 1990s, Vietnam has embarked on the reform of state-owned enterprises in the light of the socialist direction and the state-owned economy as the dominant position of national economic development. The main purpose of its reform is to consolidate the dominant position of state-owned enterprises, enhance the vitality of enterprises, improve production and operation efficiency and comprehensive competitiveness. In general, the reform of state-owned enterprises in Vietnam has also undergone three stages of state-owned enterprise management autonomy, restructuring and joint-stock system (some scholars also called the market, group and share) three stages of reform. This paper analyzes the three stages of Vietnamese state-owned enterprise reform, points out the achievements and problems of each stage, and finally draws the achievements of the whole reform process in Vietnam.

Keywords— state-owned enterprise; reform; vietnam

I. INTRODUCTION

Liang Li (2016) [2] study of Vietnam's reform and opening process considered the most difficult of economic reform in Vietnam is state-owned enterprises reform. In Vietnam, the reform of state-owned enterprises has been the focus of reform. After 1986 The Sixth Congress of the Communist Party of Vietnam introduced a series of policies and measures for the reform of state-owned enterprises. Which state-owned enterprises mergers, restructuring, decomposition and bankruptcy to become the focus, and a large number of state-owned enterprises are contracted, transferred and sold, especially in some unrelated areas of national economy and people's livelihood.

Qi Ruomei (2016) [7]: the study of state-owned enterprise reform should first study the background of its occurrence, and the reform of state-owned enterprises was swept through the wave of Vietnam's innovation in 1986. Therefore, we first introduce Vietnam in 1986 before and after the domestic and foreign environment, and then for the specific analysis of state-owned enterprises.

The South economy and a large number of military and civilian flight, Saigon, embankment and other industrial and commercial bustling city market recession, decline, this has had a very negative impact on the Vietnamese economy.

In the late 1970s and early 1980s, Vietnam was plunged into a serious economic crisis, giving priority to the

development of heavy industry led to a serious imbalance in the proportion of the national economy, slow production and even stagnation of production, excessive production scale caused by shortage of raw materials, industrial enterprises lack of autonomy and raw materials, low efficiency.

The crisis of the late 1970s exposed the drawbacks of the Vietnamese system, so that the Vietnamese leadership recognized that: the traditional economic system and policy can not meet the needs of economic development, only economic innovation, in order to make Vietnam out of the woods, revitalize the economy [6].

II. THE THEORETICAL BASIS OF VIETNAMESE STATE - OWNED ENTERPRISE REFORM

Dai Ke Lai, Yu Xiang Dong (2006) [1] in History and Current Situation of Vietnam considered: first of all, "socialist orientation" is the most important theoretical basis and starting point for the reform of state-owned enterprises. The reform of the economic system in the south of the socialist countries must adhere to the socialist direction and the purpose of the reform of state-owned enterprises in order to consolidate and develop socialism. At the same time, as Vietnam is still in the transitional period of socialism, there is no established socialist system. Therefore, there must be many non-socialist factors and components in the economic system. Under this condition, The principle of socialism. How many stages of this transitional period, how long the time, but also in the reform of the road to continue to explore, is still unable to give a positive conclusion.

III. REFORM OF STATE - OWNED ENTERPRISES IN VIETNAM

A. The first stage: the initial stage

The first stage of reform was largely from the beginning of the 1980s to the late 1980s. In the 1970s, Vietnam ended the Vietnam War. Vietnam was reduced to being one of the poorest countries in the world because of long-term war damage, the reduction of foreign aid and the lack of raw materials, as well as the uneven economic system that was in place at that time. National residents living necessities almost all the implementation of the ticket supply. With the end of the war, the authorities urgently need to develop their economies to solve the distressing economic environment and improve people's living standards. The possibility and necessity to

* Corresponding author

maintain this "package to the system" no longer exists, and the economic reform is pressing. In this new situation, combined with China at this time began the pace of reform and opening up, the Vietnamese Communist Party in response to the times, began to study and discuss how to develop and lead the reform. During this period, the main content of Vietnamese state-owned enterprise reform is that the government will delegate the enterprise's autonomy to the enterprise, which is similar to the main content of China's state-owned enterprise reform at the same stage. In 1987 the Vietnamese government issued a directive to the national government at all levels, the bottom of the enterprise's jurisdiction, to stop the business should be on the management of the fingers, arranged to replace the enterprise should be in accordance with market regulation, combined with the cost of their own products and other The factors to implement the product sales plan. The state to minimize the mandatory plan, the enterprise has a greater autonomy of production, pricing and sales power. After the first phase of the reform, Vietnam, some domestic enterprises to achieve poverty alleviation, and have a certain economic benefits, to achieve self-management, self-financing.

B. The second stage: the market stage

The second stage is roughly from the early 1990s to the early 20th century. In this stage, the consolidation and reorganization of state-owned enterprises has become the main content and goal of Vietnam's state-owned enterprise reform. After more than 10 years of rectification and clean-up, the Vietnamese state-owned enterprises, although the size and quantity greatly reduced, but the enterprise out of the heavy burden, light battle can have a more explosive vitality. At the third meeting of the 11th Congress of Vietnam in June 2003, it was revised and re-entered into force. The restrictions on state-owned enterprises were relaxed, the provisions of the state were reduced, the rights and obligations of state-owned enterprises were clarified. Reorganization, dissolution, bankruptcy and so made a clear provision.

The marketization of state-owned enterprises in Vietnam refers to a process of developing a market economy from the past "package" system to the management of the state under the management of the state. The starting point and the foothold of the reform of state-owned enterprises in Vietnam are the implementation of the market. Vietnamese state-owned enterprise reform process, this is a more important task. As early as the early eighties of last century, the Vietnamese leaders issued a proposal to expand the autonomy of state-owned enterprises. However, before the Sixth Communist Party of Vietnam, the reform of state-owned enterprises in Vietnam is only confined to some areas, and the overall economic system is not changed, the state and enterprises are the implementation of the double standard. In these reforms, although the enterprise has been a certain degree of sovereignty, but the country's main economic form has not fundamentally changed, more precisely that has not been improved. Resulting in a lot of enterprises blind production, the adverse effects of inflation. These serious consequences, in fact, the country is not perfect for the reform plan, and the implementation of no specific program, which led to the

Vietnamese countries in a difficult to describe the embarrassing situation.

In the later reforms, the Vietnamese government learned the last lessons learned, summed up the new economic reform program, the main purpose is to maximize the market share of state-owned enterprises. In the end, the government has made a very resolute proposal to fundamentally solve these problems. To give enterprises enough autonomy, but also to the enterprise many other aspects of the concessions and incentives. So that enterprises can in their own decisions, the production of products, expand the scale of production and other acts, and allow enterprises to operate in self-financing. But no matter how the Vietnamese state-owned enterprises reform, the state has not completely decentralized to the enterprise. Although the reform to stimulate a number of enterprises, they had a very good encouragement. However, due to the limitations of thought, leading to the reform of state-owned enterprises in Vietnam, the proportion of state-owned enterprises has not been suppressed, but increased a lot. State-owned enterprises still master this coal, electronics, steel and machinery manufacturing and other heavy enterprises. On the whole, although the proportion of state-owned enterprises increased, but state-owned enterprises have become a loss from the loss, or even a profit state. Vietnam's efforts to market the market are obvious, but the limitations still exist in large numbers.

C. The third stage: the share of the stage

It is the share of the stage, is the entire state-owned reform process in the cross, it can be divided into three small stages: The first stage (1987 -1991): the initial stage that is brewing stage. In April 1987, the second session of the Second Plenary Session of the Communist Party of Vietnam, has been initially involved in the state-owned enterprises production and management of the autonomy of the pilot project, then, in a series of Communist Party of Vietnam, and gradually established a joint-stock Existing form. At the end of 1991, the resolution of the Second Plenary Session of the Communist Meeting of Vietnam further advocated the conversion of certain qualified state-owned enterprises into joint-stock companies and the establishment of a number of new state-owned joint-stock companies. The second stage (1992-1997) In June 1992, the Vietnamese Council of Ministers made the "Decision on the Pricing of Shareholding of State-Owned Enterprises". In May 1996, the Vietnamese government decided again and again, and had learned from the work of the pilot project for several years but also decided to gradually expand the pilot work of the state-owned enterprise shares. However, due to various reasons, the stage of the stocking process is very slow. After this stage of reform, although some enterprises began to economic efficiency generally improved, however, due to the implementation of the number of joint-stock enterprises, and most of them are some small businesses, so from a national perspective The influence of this stage of reform is minimum.

The third stage (1998-2004), this stage for the promotion phase. On the basis of summing up the experiences and lessons of the reform of the state-owned enterprises before the reform of the state-owned enterprises, in order to speed up the reform

of state-owned enterprises, to change the status of the "turtle speed" of the state-owned enterprise shares, and to further implement the series of shares on the active and prudent State-documentary spirit, when the Vietnamese Prime Minister on April 21, 1998 promulgated the "on the promotion of state-owned enterprises restructuring and reform," No. 20 instructions, clearly pointed out in 1998 and 1999 nationwide at least 20% of the choice of the country 100% sole proprietorship of the shares, then, the total of nine proposed in the next five years to complete the consolidation of existing state-owned enterprises, restructuring and structural adjustment to improve its production and management efficiency ... into the 21st century, Vietnam The process of reform of State-owned enterprises has accelerated significantly. In September 2001, the Communist Party of Vietnam convened the Third Plenary Session of the Ninth National Committee, in which the resolution on "Accelerating the reorganization, reform and improving the efficiency of State-owned enterprises" was put forward. Once again clear the guiding ideology, objectives, tasks and measures of the reform of state-owned enterprises. The resolution as an important milestone in the process of Vietnamese state-owned enterprises reform, marking the reform of state-owned enterprises in Vietnam has entered a new stage of state-owned enterprise reform. According to statistics, only in 2001 -2004, Vietnam completed nearly 1,800 enterprises in the shareholding system reform.

IV. REFORM MEASURES OF STATE - OWNED ENTERPRISES IN VIETNAM

From 1986 to the present, Vietnam's state-owned enterprise reform is constantly advancing. Mainly from two aspects [1]: First, through mergers, acquisitions, the dissolution of inefficient small businesses or through bankruptcy way to reorganize state-owned enterprises, the implementation of equity reform and ownership diversification; Second, clean up the relevant laws and policies, according to market mechanisms Reorganize state-owned enterprises to improve their efficiency.

Provisions on the division of state - owned enterprises. State-owned enterprises that are not controlled by the state; State-owned enterprises that are not owned by the state and state-owned enterprises that need to be merged, dissolved and bankrupt. The state-owned enterprises are divided into large-scale enterprise groups (100% owned by the state) The focus of these provisions is to narrow the country's 100% of all state-owned enterprises in the scope and quantity, change the state-owned enterprises are concentrated in these major industries and important areas of the situation. In addition to large and medium-sized enterprises, there are some small enterprises, mainly to provide the necessary products and services, especially to rural and remote mountainous areas to provide products and services.

The provisions on the equityization, sale and lease of state - owned enterprises. Including the equityization of large companies (large enterprises) and state-owned commercial banks.

Enterprise law. According to the enterprise law to state-owned enterprises into legal persons limited liability company form.

Establish a system for monitoring and resolving bad debts. To formulate policies to address the problem of overcapacity caused by the reorganization of state-owned enterprises, to improve the financial situation of state-owned enterprises; to re-arrange labor, to lay off incompetent employees; to help staff find jobs and to retrain.

Specify laws and regulations. The elimination of state-owned enterprises and other enterprises in the tax, price, import and export standards, the use of funds and other aspects of discrimination, so that state-owned commercial banks in determining the amount of loans and other borrowing conditions, state-owned enterprises and other enterprises the same, in order to promote the reform of state-owned enterprises.

V. THE ACHIEVEMENTS OF VIETNAMESE STATE - OWNED ENTERPRISE REFORM

According to the statistics of the Steering Committee of the Vietnamese state-owned enterprise to 2015, Vietnam's state-owned enterprises accounted for 8% of the total number of enterprises, employment accounted for 52%, accounting for 65%; all state-owned enterprises to create GDP accounted for 34% of total GDP in Vietnam, and accounting for more than 50% of the national enterprises to create GDP[3]. Therefore, the reform of state-owned enterprises in the economic reform in Vietnam, the core position, the reform of state-owned enterprises from the reality, the development of a variety of forms of ownership, but also adhere to the socialist direction, and gradually transition to the market mechanism and state-owned enterprises out of the woods.

A. The Achievements of Vietnamese State - owned Enterprise Reform

Through nearly 20 years of state-owned enterprise reform, Vietnam's state-owned enterprises to alleviate the shortage of funds, a large number of domestic private capital and foreign investment. Used to solve the enterprise to expand production capacity and improve the technical level of the bottleneck, improve product quality. Now, most of Vietnam's economic market is a market economy under state management. At the same time, the reform also removed some of the original highly extreme management system under a series of shortcomings, improve the management level and operational efficiency. In general, the reform has reduced the number of state-owned enterprises in Vietnam, so that the loss of enterprises is correspondingly reduced, the structure and scale of state-owned enterprises have improved, the benefits have improved to some extent, the biggest result is the diversification of ownership structure, and the result of diversification is to promote the efficiency of the increase. The formation of the national head office has played a positive role in adjusting the layout of enterprises, improving the competitiveness of enterprises, optimizing the allocation of resources, and enhancing the dominance of large state-owned enterprises in the Vietnamese national economy, and has also made significant effectiveness. Economic development also reinforces political stability. Since the economic reform, the Communist Party of Vietnam has

vigorously strengthened its democratic construction and safeguarded the socialist system in carrying forward the democratic politics.

B. Contribution to GDP

Throughout the reform process, the development of Vietnam's state-owned economy has been relatively fast in the development of the national economy. Since 2000, the average annual economic growth rate in Vietnam has remained above 7.5%. After entering the WTO in 2006, GDP growth in 2007 reached 8.5%. Therefore, the proportion of state-owned economy accounted for not only did not decline in GDP, but has improved. As a result of the increase in operating efficiency, the financial contribution to the country is also growing, and the economic strength and viability of state-owned enterprises have also been improved. At the same time, through the restructuring of enterprises, state-owned enterprises leadership level of education has been greatly improved. More importantly, the enterprise from top to bottom, including the leadership, managers and engineering and technical personnel of the overall quality have been significantly improved, but also continue to adapt to the needs of social market economic development. In addition, Vietnam's per capita income and people's livelihood has also been greatly improved. At present, Vietnam has basically eliminated the threat of hunger, the poverty population continues to decrease, urban and rural regional gap is also constantly narrowing. In short, in the wave of reform and opening up, Vietnam's various economic components coexist and competitive market environment, although the economic development of Vietnam to bring some resistance and negative impact, but to a greater extent to promote the Vietnamese state-owned economy Growing, growing, the state-owned economy in the entire national economy in the dominant position is growing. These are the successful manifestations of the successful reform of state-owned enterprises in Vietnam.

VI. CONCLUSION

Vietnam in the 30 years of the reform process, after three stages, from the pilot to the implementation of the reform,

before the opening of the enterprise property completely unified in the state's state-owned enterprises, and now continue to the modern enterprise system development of state-owned enterprises, Institutional reform is deepening, and state-owned enterprises have developed towards the development of modern property rights system with clear ownership, clear rights and responsibilities, strict protection and smooth circulation. Because state-owned enterprises play a key role in the Vietnamese economy, the reform of its property rights system has become the key to Vietnam's economic reform. Only by constantly improving the property rights structure and property rights of Vietnamese state-owned enterprises in order to achieve the diversification of the ownership structure of state-owned enterprises in order to make the Vietnamese state-owned enterprises can become a real market players, improve the transitional economy in Vietnam, and ultimately the Vietnamese economy good direction.

ACKNOWLEDGMENT

I thank my PhD supervisor Dr. Liu Ersi for his insights and guidance throughout the review process.

REFERENCES

- [1] K.L. Dai, and X.D. Yu, "History and Current Situation of Vietnam," Hongkong: Social Science Press, 2006
- [2] L. Liang, "The most difficult point of Vietnam's economic reform is the reform of state-owned enterprises," *The 21st century economic report*, 2016.8.20
- [3] Vietnam Economic Research, 2012.
- [4] D.T.T. Hang, "Vietnam's state-owned enterprise reform and review and prospects," *Pacific Journal*, 2007 (12)
- [5] L.H. Quang, "Under the background of reform and opening up Vietnam Economic Reform," Changsha University of Science and Technology, 2012.
- [6] V.Q. Hua, N.Y. Thi, and T. Thu, "Analysis of the State - owned Enterprises after the Reform of Shareholding System in Vietnam," *Enterprise Science and Technology and Development*. 2008.
- [7] R.M. Qi, "The reform of state-owned enterprises in Vietnam and its implications for China's state-owned enterprise reform," 2016.