



## THE TRANSFORMATION PROCESS OF THE PRIVATE SECTOR IN VIETNAM IN THE PERIOD OF REFORM-AWARENESS AND REALITY

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### **Abstract:**

Developing the private sector in the socialist-oriented market economy of Vietnam is an indispensable trend as well as an appropriate and consistent policy of Vietnamese Communist Party. In the Party Congress X (2006), at the first time in the Party Congress Document, the concept of private sector was used to refer to an economic component based on private ownership mode of production materials, including individual business, small business owners and private capitalist economy. After 10 years of acknowledging this economic sector, at the XII Congress (2016), the Party affirmed more strongly about the role and position of the private sector in Vietnam's economy when determining that "*the private sector is a crucial driving force of the economy*" [5, p.103]. So far, the private sector has played an increasingly significant role in promoting growth, creating jobs, contributing to bringing Vietnam out of being a poorly developing countries and implementing the goal of striving to make Vietnam soon to be an industrialized country towards modernization trend.

**JEL:** B40; B50; B51

**Keywords:** private sector, private business, socialist-oriented market economy, Vietnamese Communist Party

### **1. Introduction**

The viewpoint of private sector has gradually been formed and developed from the Party Congress VI (1986) up to now and the term "private sector" was first confirmed at the X

Congress of the Party (2006), which continues to be asserted at Congress XI (2011) and further affirmed the position and role of this economic component in the Vietnamese economy at the XII Congress (2016). Recently, the Party has released the Resolution 10/Resolution - Party Central Committee, at the 12th Plenum Central Conference (June 2017), about private sector development. From the new perspective, the concept of private sector is used to refer to economic components based on the private ownership regime of means of production, including individual economy, small business owners and private capitalist economy. The theory of Marxism-Leninism has affirmed that the existence of private sector is an objectively indispensable element during the transition to socialism and this economic component reform is one of the basic and permanent economic tasks in the transitional period. The reality shows that the development of private sector in the socialist-oriented market economy is a correct and consistent guideline of the Communist Party of Vietnam, which has been based on scientific basis in accordance with objective economic laws is the creative adaptation of Marxism - Leninism, Ho Chi Minh thought into the specific historical conditions of Vietnam in the renovation period. In recent years, private sector has achieved certain results and has been affirmed by the XII Central Conference of the 12th term that *"private sector has maintained a fairly high growth rate, accounting for 39-40% of GDP, which attracts approximately 85% of the labor force of the economy, making a significant contribution to mobilizing social resources for investment in production and business development, economic growth, economic restructuring as well as increasing state budget, creating jobs, improving people's life standard and ensuring social security and welfare"* [6, p.89-90].

## 2. Research Methods

The paper aims to assert the policies and guidelines of Vietnamese Communist Party on the development of the private sector and the role of private sector in the socialist-oriented market economy of Vietnam. Hence, in this article, the author uses qualitative research methods by using descriptive statistical techniques, collecting and comparing the guidelines and policies of the Party and State of Vietnam on the development of private sector in the socialist-oriented market economy of Vietnam with the statistics of the General Statistics Office on the development of private sector in Vietnam, which serves as a premise for commenting and proposing policy implications.

## 3. Research Results

### 3.1. The conscious process of Vietnamese Communist Party towards the private sector in the socialist-oriented market economy of Vietnam

Even if before the renovation (before 1986), the private sector was not recognized or was planned to be eliminated out of the Vietnam economy, then at the Party Congress VI (1986), the Party affirmed that *"there should be policies on the correct employment and*

*improvement of other economic sectors"* [2, p.67], which points out the role of the family economy and small commodity production.

Regarding the family economy, the Party determines that *"there is an essential position and huge capacity which need to be encouraged and assisted to develop in a supportive and close relationship with the State and collective economy."* [2, p.60]. In terms of the small commodity production economy, *"the State recognize the demand of this economic sector in the transition period as well as guide and help this economy base produce, trade and link with the State economy and collective economy"* [2, p.61]. However, from the Party's perspectives, recognizing the existence of commodity production economy and private capitalist economy means that we have been constantly struggling with the tendency of capitalist spontaneity and negative aspect in the economic activities of those components. Thus, the State need to control and dominate these economic sectors under the motto of *"employment for improvement, improvement for better employment"*.

The 7<sup>th</sup> Congress of the Party (1991) advocated that *"we have initially formed a multi-sector commodity economy, operating under the market institutions and the State management"* - this is the preliminary basis for the Party to step to the policy of building a socialist-oriented market economy for Vietnam. In that mechanism, economic units have the right to do their business autonomously as well as have fair relations, legal competition, cooperation and voluntary joint venture. With regard to the private sector, after 5 years of implementing the renovation policy, the Party concludes that although *"many individual households and smallholders have invested their capital in a myriad of industrial areas, so far many people owning huge capital have not bravely invested in the manufacturing sector particularly, since the business environment is not guaranteed and investors partly do not believe in the stability of economic policies"* [2, p.236-237]. Since then, the Party upholds a viewpoint that *"we should develop private sector, especially in the field of production, under the management and guidance of the State, in which individual economy and small owners have a relatively wide range of activities in areas where collective economic organizations are not yet available, orienting the private capital economy to develop along the path of state capital under many forms"* [2, p.275-276].

Referring to the private sector, the *Platform for building the country during the transition to socialism* (1991) also states that *"The individual economy still has had a relatively large scope, gradually entering the path of doing business properly on the principles of voluntariness, democracy and mutual benefits. Private capital is allowed to do business in industries that benefit the whole people, which is prescribed by the State law"* [2, p.319].

In the *Strategies for socio-economic stability and development to 2000*, the Party determines that individual economy is encouraged to develop their trades in both urban and rural areas, without being restricted from expanding economic activities, which can exist independently ...etc. The private capitalist economy is developed with no restrictions on the scales and regional area of all business sectors that are not prohibited by the State law. The family economy is an independent economic component, which has been encouraged for their development [2, p.343-344].

By the VIII Congress of the Party (1996), Party's thought about private sector has had a new developing step when asserting that "*individual economy and small business owners play a crucial and long-term role*", from which the State policies need "to assist individual economy and smallholders to solve their issues of capital, science, technology and product consumption markets. Besides, it is essential to guide individual economy and smallholders for the sake of their own interests and the development demands of production, step by step to access the cooperation voluntarily, or to be satellites for State-owned enterprises and cooperatives. Furthermore, private capitalist economy is capable of contributing to national construction. Hence, it is necessary to encourage private capital to invest in production and do long-term business; also, the State protects their ownership and legal interests as well as creates favorable conditions for them along with strengthening the State management and guiding their business in accordance with the State law, all of which are beneficial to the people and nation. Business owners are stimulated to reserve preferred shares for their employees. Cooperative relationships between employers and workers have to be built on the basis of implementing the Labor Law to ensure legal interests between both groups" [2, p.480-481].

The Party's IX Congress (2001) was the Party's first congress in the new millennium, which identified Vietnamese overall economic mode during the transition to socialism as socialist-oriented market economy and affirmed socialist-oriented market economy to be a type of economic organization that both obeys the rules of market institutions and based on as well as guided by the principles and nature of socialism" [2, pp.635-636]. On the basis of the socialist-oriented market economy, the Party has considered the role of private capitalist economy as "*individual economy and smallholders both in rural and urban areas, which have a crucial and long-term position*". Thus, the State should "*create favorable conditions and help the private sector grow as well as encourage many forms of voluntary cooperative organization to develop and be satellites for large enterprises. The private capitalist economy is developed with no restrictions on the scales and regional area of all business sectors that are not prohibited by the State law. Besides, it is essential to create a favorable business environment on policies and laws for private capitalist economy to develop on the priority orientations of the State, including oversea investment; they are also encouraged to turn into joint-stock enterprises, sell their shares to laborers as well as enter joint ventures and cooperate with the collective economy and State economy. Moreover, good relationships between business owners and workers need to be built*" [2, p.646].

After 20 years of implementing the comprehensive renovation policy on the whole country, the X Congress of the Party (2006) advocates the rearrangement of economic sectors including individual economic sector, small owners and capitalist economy, in which individual economy belongs to the private sector. That means all citizens have the right to participate in investment and business activities with property rights and business freedom which are protected by State law; they also have equal rights in investment, doing business, accessing trading opportunities, business resources and information. Besides, all barriers have been eliminated in order to create social psychology and favorable business environment for the development of private businesses of all types, with no limitations in scale in all industries and fields including

all of significant business production sectors in an economy, which are not prohibited by state law [3, p.86-87].

All forms of discrimination need to be removed to ensure truly equality and create favorable conditions for private enterprises, especially small and medium-sized enterprises and business households to access capital sources at State credit institutions, including the fund of development assistance; such enterprises have been provided with favorable conditions such as using land for factories and stores. Developing large private enterprises and private corporations having many owners in the form of joint stock companies are encouraged as well as summarizing and releasing policies and solutions to promote the development of the farm economy.

Private businesses are suggested to buy shares of state-owned enterprises and invest in crucial production line and trading sectors of the economy. Also, large private enterprises are suggested to sell shares to their workers in order to protect the legal assets of staff and businesses.

Thus, by the X Congress (2006), the Party's thought about the private sector has been increasingly shaped and recognized in a more proper way since the private sector is gradually playing a significant role in the national economy and in solving employment issues for laborers.

In order to promote the development of private sector, on March 18, 2002, the Party Central Committee's 5th Session of the IX Congress issued Resolution No. 14 on continuing to renovate mechanisms, policies in order to encourage and create favorable conditions for private sector development. After 8 years of implementing Resolution No of the Party Central Committee, in the meeting on January 27, 2010, the Party Central Committee's Secretariat concluded and proposed new guidelines to keep encouraging and facilitating the development of private sector.

The XI Congress of the Party (2011) took place in the context that Vietnam has moved out of the situation of poor and underdeveloped countries and strived to become a developing country with high average income. In the *Platform for building the country during the transition to socialism* (supplement, development in 2011), the Party affirmed that "*private economy is one of the driving force of the economy*" [4, p.74 ] and released the policy of "*perfecting mechanisms and policies is to develop private economy sector to become one of the driving force of the national economy. All other forms of private sector in most economic sectors and fields have been strongly developed according to the planning and the provisions of the State law, which can facilitate the formation of a number of private corporations and some private enterprises who have contributed their capital to state-owned economic groups*" [4, p.209)

In addition, in the new context, when Vietnam promotes international economic integration, the Communist Party of Vietnam has upheld the viewpoint to support small and medium enterprises, farms, production and business households, especially in agriculture and rural areas, which can meet the requirements of farm economics development, international economic integration. Besides, the development of various types of enterprises with mixed ownership have been encouraged such as joint-stock companies, multi-member limited liability companies, partnerships and joint-stock

cooperatives. It is also necessary to review, supplement and complete the legal provisions on rights and obligations towards the State law of owners (the Board of Directors) as well as the rights and responsibilities of the directors who are assigned to manage and use the properties for their business (board of directors). Those directors, who are also responsible for making and distributing profits to owners, are assigned to employ and manage employees.

After 30 years of comprehensive renovation of the country, 15 years of building a general economic model - socialist-oriented market economy - the 12th Congress of the Party (2016) made a new improvement in the theory of socialist-oriented market economy when determining that the socialist-oriented market economy of Vietnam is an economy that is operated fully and synchronously in accordance with the rules of the market economy, and ensures the socialist orientation to be suitable to each stage of development of the country at the same time. That is a mode of modern market institutions with international integration under the management of State law of the Socialist Republic Nation, which is led by the Communist Party of Vietnam, aiming to obtain "*rich people, strong country, democracy, justice and civilization*" [5, p.102]. Based on this affirmation, the Party has developed one more step of thinking about the composition of the private economy sector in the socialist-oriented market economy when determining that Vietnam's socialist economy has a progressive production relationship in accordance with the development level of workforce; There are a wide range of forms of ownership and numerous economic sectors, in which the state economy plays the leading role, *private sector is a significant driving force of the economy*; all entities of economic sectors are equal, cooperative and competitive according to the law; the market plays a key role in mobilizing and effectively allocating development resources, which is the main driving force for releasing production power; State resources are allocated in terms of strategies, planning and having suitable strategies for the market institutions. The State plays the role of orienting, building and improving economic institutions as well as creating a fair and transparent environment for competition; the State can use economic tools, policies and State resources to guide and regulate the economy, promoting business production and protecting the environment; the progress and social justice can be created in each step and development policy. The people's mastery has been promoted in socio-economic development [5, p.102-103].

In order to achieve this goal, the Party continues "*improving the mechanisms and policies to encourage and facilitate the strong development of private economy sector in most fields and economic sectors, which becomes a driving force of the economy. Also, those policies to support the development of small and medium-sized enterprises and start-ups have been completed. Besides, the formation of private and multi-owned private corporations which have contributed capital to state-owned economic groups have been encouraged*" [5, p.107-108].

After more than 30-year period of national reform, 15 years of implementing the policies of the IX Central Conference (2002), at the XII-Year Central Conference (June 2017), the Party took closer viewpoints when aiming at developing the private sector in Vietnam in the coming time as follows: (i) Developing the private sector under the market

institutions is an objective requirement, which is both urgent and long-term in the process of institutional improvement and development of socialist-oriented economy in our country; to be a crucial means to free production power as well as mobilize, allocate and effectively utilize resources for development; (ii) Private sector is an essential driving force for economic development, in which State economy, collective economy together with private sector are the key to develop an independent and autonomous economy. It is envisaged to encourage and create favorable conditions for the private sector to develop rapidly, sustainably and diversely with a high growth rate in terms of quantity, scale, quality and its proportion of contribution to GDP; (iii) all barriers and prejudices need to be eliminated and create favorable conditions for the development of the private sector in a wholesome and right direction.

It is essential to promote positive aspects of the private sector, which are beneficial to the country, and at the same time enhance inspection, check, supervision, control as well as implement those polices publicly and transparently, all of which aim to prevent and limit negative aspects, especially in fighting against all manifestations of "*crony capitalism*", "*group interests*" relationship, policy manipulation, unfair competition for self-seeking illegal benefits; (iv) Private sector is developed in all majors and fields that are not prohibited by law. Besides, start-up and innovation movement have been encouraged and improve the operational efficiency of small and medium enterprises. It is also necessary to create fair environment and favorable conditions for business households to voluntarily link up to form forms of cooperative organizations or operating under the enterprise model and encourage the formation of private and multi-owned private corporations contributing capital to state-owned economic corporations which are capable of participating in production networks as well as regional and global value chains; (v) Private sector is invigorated to take part in capital contribution and purchase shares of state-owned enterprises when those enterprises are equitized or divested by the State. The development of all forms of linking production, business, supply of goods and services have been stimulated according to the production network, the market value chain between the private sector, the state economy, the collective economy and enterprises receiving capital foreign investment (FDI) in order to receive, transfer and create a wide spread of advanced technology and modern management, all of which strive to increase added value and expand consumption markets; (vi) Fostering, educating and raising political awareness, self-reliance, patriotism, pride and national self-respect have been taken care, all of which are tied to the interests of the nation and the cause of building socialism of business owners. Furthermore, it is crucial to develop the business staff who are increasingly sustainable with a sense of law observance, social responsibility and high leadership and management skills as well as focus on building corporate culture and businessmen's morality [6, pp.94-97].

With the above guiding viewpoints, in the coming time, the Party aim to develop the private sector in order to "*enhance a fair, effective and sustainable private sector which truly becomes a significant driving force of the socialist-oriented economy, contributing to improving the socio-economic background rapidly and sustainably as well as constantly boosting*

*the life standard of the people, all of which have been done to implement social progress and justice as well as ensure national defense and security, which soon turns our country into an industrialized country towards modernization” [6, p.97], specifically “(i) Focus on upgrading the quality and business efficiency in the private sector, which strives to obtain at least 1 million businesses by 2020; by 2025 there will be more than 1.5 million businesses and by 2030 there will be at least 2 million businesses; (ii) The growth rate of private sector is higher than the general growth rate of the economy, which makes effort to increase the proportion of the private sector to GDP to approximately 50% by 2020, about 55% by 2025, and from 60 to 65% by 2030; (iii) On average, in the period of 2016 - 2025, labor productivity will increase by 4%-5% / year. The gap among technology level, human resource quality and competitiveness of private enterprises has been narrowed compared to the leading group ASEAN-4; many private enterprises join production networks, regional and global value chains” [6, pp.97-98].*

Hence, from not acknowledging and seeking way to eliminate the private sector, the Communist Party of Vietnam has gradually acknowledged the private sector and promoted the building of the mode of Vietnam's socialist-oriented economy. Besides, according to the development of the economy, the Party also step by step acknowledge and confirm the role of private sector in the socialist-oriented economy of Vietnam. When admitting farm economics to be necessary for the process of building socialism, it also means that the Party acknowledges the private sector to be an important and indispensable driving force in the development of the socialist economy. Thus, the Party can come to a crucial conclusion that "*private sector is a significant driving force for economic development*" in the socialist-oriented economy of Vietnam.

### **3.2. The private sector component gradually affirms its role and position in the socialist-oriented economy of Vietnam**

Under the impact of the open-door policy and accelerating the international economic integration, all of which become one of the main factors contributing to Vietnam's miraculous economic growth. In the period of 2001-2009, the private sector made significant contribution to the country's economic growth and development: the GDP contribution of the domestic private sector was the highest among the three regions, maintaining from 40% to 45%. By 2015, the non-state economy (mainly private sector) has brought jobs for 45,450,900 employees (accounting for 86% of the country's labor force), contributing VND 1,812,152 billion to the gross output (making up 43.22% of GDP), contributing VND 529,600 billion of investment capital (registering at 38.7% of the total social investment capital) [9, p.135, p.172-174, p. .223]. Hence, this sector also most becomes involved in GDP and creates mostly quantity of jobs, helping to reduce poverty and improve living conditions as well as increase the growth rate of Vietnam sustainably and comprehensively; furthermore, it is likely to rise budget revenues and change the structure of budget revenues; the private sector is also a major resource to develop new products and expand export markets. In addition, the high competitiveness of private sector enterprises is a crucial factor to create a fair competitive environment as well as



put pressure on reforms in state-owned enterprises, which makes the economy more dynamic and efficient.

In addition, private enterprises have surpassed the sector of stated-owner enterprises in terms of generating income for laborers and this gap has been widened. The total income generated for employees by domestic private enterprises reached VND 550.7 trillion (US \$ 24.5 billion) in 2015. If including the FDI sector, this figure of total income reached 878.3 trillion VND in 2015 (39.03 billion USD), which is equivalent to 19.1% of the country's GDP in the same year. This is more meaningful when the role of sector of stated-owner enterprises in generating income for employees is declining. In 2010, the proportion of income generated by sector of stated-owner enterprises was 26.85%. However, this number has rapidly decreased to only 15.23% and in recent years. Besides, this declining trend has been taking place. On the contrary to this trend, the proportion of total income paid to workers by private enterprises continues to increase steadily and sustainably over the years, reinforcing the important role of private businesses in creating jobs and generating income in the coming decades. The increasing income of private enterprise workers in total has helped increase the total disposable income, rise the expense capacity and come back to boost the growth of the economy, especially through the growth of consumption and domestic use.

Jobs created by private sector businesses have helped millions of workers move from lower-paid jobs in agriculture to work for better productive industries with higher wages. On average in 2015, the level of income of an employee in the domestic private enterprise was VND 6.2 million (US \$ 276) per month and each one in FDI enterprises has his income of VND 7.5 million (US \$ 333.4). The monthly average income of the domestic private sector grew faster than the growth rate of FDI enterprises and sector of stated-owner enterprises in recent years, thus contributing to narrowing the gap of the average monthly income among these business areas. More importantly, the average monthly income of one employee in private enterprises was much higher than the average income of farmers - a job that might be currently employed by private enterprises if private enterprises do not create such employment opportunity. In 2015, the income of a worker in domestic private enterprises was 2.6 times higher than an ordinary farmer. This ratio is 3.1 in the case of workers working in FDI enterprises. During 2010-2015, private businesses tripled the total income of 3.35 million workers - who may have worked hard in lower-income or suffered the shortage of employment if there are jobs created by private domestic enterprises

On the other hand, private enterprises contribute significantly to the expansion of coverage of social insurance and social security programs. As the total number of employees in the sector of stated-owner enterprises has declined and employees in the state and public sectors have remained stable in the period 2010-2015, private enterprises have played a key role in increasing the number of social insurance participants nationwide from 9.2 million in 2010 to 13.13 million in 2016. The average annual coverage of social insurance has been expanded with new participations of about 650,000 laborers, and the majority of these employees currently work in private enterprises. With ongoing

efforts on the reforms of the sector of stated-owner enterprises and public sector reform, it is clear that the private sector will be the main area which is responsible for the goal of 50% of the workforce participating in social insurance in 2020 (compared to a small level of 24% in 2017).

In 2015, the whole country had about 500,000 registered businesses, in the period of 2011-2015, our country had 393,973 newly- established enterprises [12]. According to forecasts, in the period 2016-2020, our country will have about 450,000 newly-established enterprises [13], which increased the total number of Vietnamese enterprises up to about 950,000. By the end of 2017, more than 1 million businesses in private sector were registered. In merely 2016, 110,000 businesses were registered, and this number increased to 126,800 in 2017. The percentage of enterprises with over 1,000 employees was 10 enterprises in 2017.

The capacity of private sector in the economy has been significantly improved. Registered capital of the private sector has increased from 900 million VND per enterprise in 2000 to over 9 billion VND per enterprise in 2011, which means that the average registered capital increased by over 61.5%. By the beginning of 2016, the registered capital of the new businesses accounted for 113,000 billion VND, which increased 45.8% in comparison the with registered capital in the same period in 2015 [14]. This figure far exceeded the annual registered and implemented FDI capital and ODA capital disbursed in Vietnam in the same period. Obviously, private enterprises have been making a major contribution to the joint efforts of mobilizing capital and resources being hoarded by the people, which includes the form of gold and foreign currencies, all of which have been carried out for efficient use, production and business activities. Although in terms of absolute value, the total capital of the sector of stated-owner enterprises still increased, the proportion of the total capital of the sector of stated-owner enterprises in the total capital of the enterprise sector decreased from 67.1% to 31.4% in 2015, which was mainly based on the impressive growth in the share of the private sector.

The structure of jobs, products and the scale of capital investment of private sector also have many changes. A number of private enterprises have been developed into economic groups which creates their brands both domestically and internationally. After more than 10 years when Vietnam officially became the 150th member of the World Trade Organization (WTO), the private sector in Vietnam has grown considerably. It is forecast that this area will grow dramatically in the coming years when the Communist Party of Vietnam advocates "*promoting the establishment of private sector corporations and encouraging the private sector to contribute capital to state-owned economic corporations*" [4, pp.110-111].

On the other hand, the emergence of increasing trade and business companies in the private sector in all areas, the trade and business sectors have gradually reversed the monopoly situation, which makes goods- manufacturing develop and expand the market. At the same time, the market economic laws have become effective to push back the centralized bureaucratic and subsidized management mechanism that have been ingrained in the sub-consciousness of society. Through the development of private sector, the ownership right of the people, the economic ownership has been promoted at first.

In summary, it is impossible to deny the positive aspects of the private sector towards Vietnamese socio-economic development in recent years; however, certain limitations could also be seen in the development process of the private sector, such as the spontaneous feature, the situation of anarchy in production and business or not strictly obeying the law ...etc. Therefore, it is necessary to assess the development of the private sector objectively and fairly and fights against the tendency of overemphasizing this sector, which can lead to absolutize the role of the private sector.

The development of private sector in the economy of socialist-oriented economy is an objective trend. However, in order to make the private sector development go to the right direction and in accordance with the socialist orientation, it is a very complex, challenging and long-term task. The private sector can be only developed in line with the socialist orientation when the Party and the State have appropriate policies and management measures which do not only lose its driving force of development, but also not allow the private sector to be operated spontaneously and out of the law.

### **3.3. Discussion and policy implications**

In order to make the economy with a variety of sectors, especially the private sector, be developed in line with the socialist orientation, the Party and the State not only have to apply economic and legal instruments to management but also have the economic capacity. Since if the state economy has no enough capacity and strong development, then it will be very difficult to promote the leading role and implement the socialist-oriented function, in which the management and administration role of the Socialist State is particularly significant and a prerequisite for the development of private sector.

In the coming time, in order to implement the socialist orientation in the market economy and contribute to promoting the development of private sector, together with continuing to carry out the conclusions of the Party Central Committee Secretariat on January 27<sup>th</sup>, 2010 and the Resolution of the XII Congress of the Party and Resolution 10 / Resolution-Central Committee of June 3, 2017, Vietnam needs to solve the following issues:

Firstly, it is essential to have consensus in the awareness, ideology and actions in implementing policies and schemes on private sector development as well as the awareness consent of both the political system and the strata of the people, all of which can create a high consensus in the society about encouraging and facilitating the development of private sector. Besides, the strength and great potential of private sector in socio-economic development need to be encouraged and go hand in hand with effectively overcoming the negative aspects arising in the development of private sector. It is vital to effectively prevent and fight against the egressions of political ideology, morality, lifestyle, "*self-evolution*", "*self-transformation*" in building and organizing the implementation of the Party's policies, schemes, State laws on private sector development.

Secondly, the State have to respect and ensure the freedom of doing business in accordance with the law, protecting the legal property rights of citizens, adhering to

international principles and practices, especially commitments of international economic integration. Moreover, the State's economic management method must be renewed in the direction of creating favorable conditions for all enterprises to do business in accordance with law, equality, mutual benefit, especially on the priority orientations of the State as well as combine harmonically the benefits of economy, politics, social and environmental aspects (especially the environment where Vietnam can be sustainably developed). Furthermore, the State necessitate to study many supporting policies which focus on addressing the difficulties of the private sector on some issues of land, business and production space, capital, scientific and technological capacity and market...etc. At the same time, the State also needs to continue some education and training programs in science and technology as well as have timely reward schemes to encourage, honor and replicate the typical examples of activities of private sector in the socialist economy. Also, the patriotism, national pride and entrepreneurship must be educated for entrepreneurs ...etc.

Thirdly, it is mandatory to continue promoting national administrative reforms, especially focusing on reforming administrative procedures, building a transparent apparatus of the State management, raising the professional level of State officials who have implemented policies, law enforcement and directly related to the private sector, all of which can ensure that the State management agencies from the Central to grassroots level are actually the solid base and guides to support, inspect and "*friendly*" control the private sector. That is a truly "*tectonic*" government. The State need to develop and execute new managing and supporting tools for the private sector, shifting from the purpose of "*tightly controlling enterprises*" to "*supporting enterprises*" by orienting policies, market information and financial incentives, as well as by sectors, products, location, not only by each individual business, project or ownership.

Fourthly, the State need to boost the construction and completion of the system of personal citizen records, enterprise information, mortgage registration, property pledge ...all of which must be connected to the network to facilitate the benefits for production and business, the State management as well as prevent and mitigate many credit and business risks, intellectual property, industrial property and other infringing copyrights, security, civil order and safety of trade and other markets. The information systems have to be built to analyze and forecast market trends as well as provide information and services for market trade legislation, international export practices and standards and support trade development, trademark registration for private enterprises ...etc. In addition, it is very crucial to concentrate on controlling, detecting and strictly handling phenomena of commercial fraud, illegal business, production of fake goods, tax evasion, right protection of industrial property and the fair competition of private sector.

Fifthly, the competitiveness of the private sector needs to be improved. The government have to focus more strongly on the quality of growth of private enterprises. Instead of concentrating solely on the goal of increasing hundreds of thousands of businesses in the coming decades, the government should pay attention to growth quality indicators such as productivity at the business level, the sizes of the business, the

level of technology applied, creativity, financial performance and connectivity to global supply chains.

Sixthly, it is necessary to release an apparent policy of domestic private economy, which will be the pillar of the national economy and national competitiveness. Within the businesses themselves, there must be policies and measures to promote the process of reallocating resources among sectors where businesses can utilize those resources (including capital, laborers and land) more effectively. In addition, the potential of the business household sector needs to be promoted with appropriate measures, which have essential effects on improving the efficiency and productivity of Vietnamese private sector. Related to this, those measures to strengthen the link among domestic enterprises, FDI enterprises and state-owned enterprises should be enacted and implemented. Besides, the absence of medium-sized businesses is an issue that needs to be prioritized and solved. Some measures to address the shortage of medium-sized enterprises ought to be supported by policies to promote capital accumulation and encourage the growth of scales of private enterprises

Seventhly, it is essential to give priority to improve the capacity of the private economy to apply and improve technology. Technology can be transferred from overseas or FDI sector. The strategic, persistent, continuous and intelligent application and transfer of technology will lead to the accumulation of secrets, technology, knowledge and then creativity, invention and innovation. The curriculum and training on the content of Science, Technology, Engineering and Mathematics (STEM) should be updated and improved continuously. In line with the trend of the Industry 4.0, the growth of the private sector needs to be driven by creative activities, which must be directed towards higher productivity goals to ensure a stable competitiveness in the coming decade. Moreover, the private sector needs to prepare much better for the aging population, in which the "*golden population*" period will soon pass and labor costs will more and more increase.

Eighthly, localities have to strengthen the cooperation, promoting economic cooperation between businesses, creating favorable conditions for businesses to expand product consumption markets, business development and abroad investment as well as focusing on building and developing the domestic and international legal corridors in order to pave the way and orient businessmen and enterprises to invest abroad safely and conveniently. The Vietnamese embassies, consulates and the Chamber of Commerce overseas need to support those businesses to operate in those countries and territories where they have been in charge. Commercial banks should have branches and representative offices abroad which are preferably located in large centers with a large community of Vietnamese businessmen and enterprises or in centers of international financial markets in order to directly provide necessary payment, money transfer and guarantee services for Vietnamese investment activities abroad.

#### 4. Conclusion

Through the above analysis, we can figure out that the development of the private sector has made a significant contribution to the general development of the entire Vietnamese economy, such as mobilizing many huge sources of capital investment in production and business, having a part in improving the productivity of society, creating more new jobs, increasing the richness for the society, reducing the pressure of creating jobs for workers, promoting the formation and development of other market types, increasing the competitiveness of domestically produced goods, creating fair competitiveness among all economic sectors in production and business activities, having a partly role in making the high economic growth rate as well as taking part in solving many social issues ...etc. The transformation of ownership relations has also changed the management and distribution relations, so the production relation becomes flexible and suitable with the development level of the capital production force which is still low and developed unevenly among regions and industries throughout the country. Thanks to those policies and efforts, we can arouse and promote the potential of capital, land, labor, production experience of all strata of people in the cause of national industrialization and modernization. For these reasons, it can be affirmed that the development of the private sector contributes crucially to promoting economic growth and restructuring the national economy towards industrialization and modernization process. In addition, the private sector together with other economic sectors can have a role in achieving the goal of "*rich people, strong country, democracy, justice and civilization*", creating a foundation to soon turn our country basically into an industrialized country accordance with the direction of modernization. From now to the middle of the twenty-first century, we can make our country become a modern industrialized country towards socialism.

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