

# **CAPACITY GOVERNANCE AND GLOBAL COMPETITIVENESS OF VIETNAM IN THE CONTEXT OF REGIONAL AND INTERNATIONAL INTEGRATION?**

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## **ABSTRACT**

*Global competitiveness is a reflection of the competitiveness of a country in relation to the competitiveness of other countries. Concepts discussed national competitiveness, so far there are still differences in the understanding and interpretation of this concept. At the most general level, national competitiveness is a combination of factors that create competitive advantage of a country in comparison with other countries, it reflects in labor productivity, capacity revenue investment to achieve economic growth in a sustainable manner, economic stability - improving social and living standards of the people.*

**Keywords:** Global Competitiveness, World Economic Forum, World Bank.

## **INTRODUCTION**

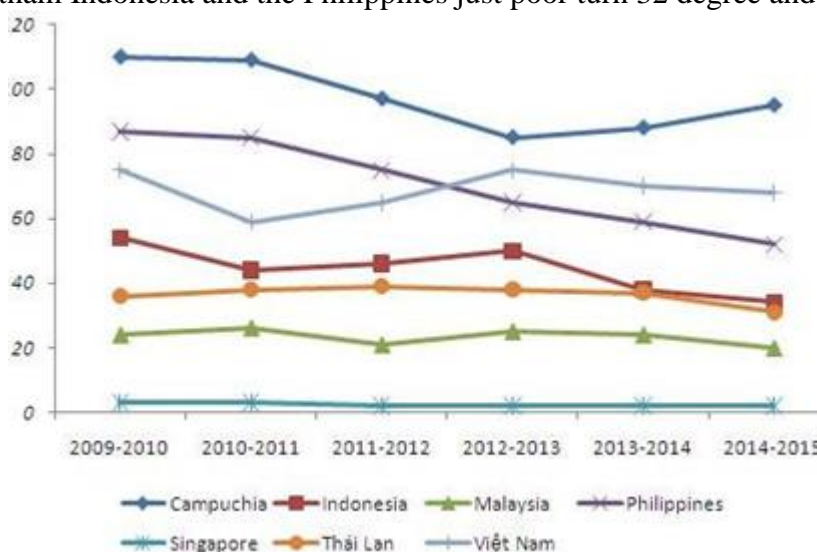
### **Status of the Global Competitiveness of Vietnam**

Index of global competitiveness (GCI - Global Competitiveness Index) by the World Economic Forum (WEF - World Economic Forum) building, published annually to assess national competitiveness of countries. GCI index was first published in Report on Global Competitiveness 2004 - 2005 and is currently used as WEF key indicators measuring national competitiveness. By quantifying method through the system to gather information to determine the criteria and indices, WEF competitiveness assessment of the country based on three indices, which includes the 12 branch indices. Only the first component of (fundamental factors) includes 04 indicators that branch Institutional infrastructure, macroeconomic environment, basic education and health care. The second component of (the efficiency improvement factor) is the branch index includes 06 training and higher education, the efficiency of commodity markets, effectiveness of the labor market, level of development of financial markets, the level of technological readiness, market size. The third component of (elements of innovation and development), including 02 index level is the development arm of the business and the level of creativity. In each branch indices are built from a specific set of criteria, with a total of 111 targets.

In recent years, the international measure of national competitiveness of Vietnam more or less positive changes. However, the overall position of Vietnam on the map of global competition is still gray markings, need directions, improved solutions. According to the Global Competitiveness Index 2014/2015 (Global Competitiveness Index) of the World Economic Forum (WEF) Vietnam ranks 148 countries on 68, higher than in 2013/2014 (70/144) but lower than in 2010/2011 (59/144) and in 2011/2012 (65/144). Private Institutional economics, Vietnam ranked 101, that is going down 9 spots from the year 2013/2014, lower than the neighboring Democratic Republic of Laos. Transparency in the process of policy formulation, Vietnam ranks 116/144. Business Environment Index (Doing Business) from the World Bank (WB) in 2013 Vietnam ranked at No. 99, dropped nine spots

from 2012.

In the WEF's rankings the past 6 years, Vietnam will be put in the grade point average ranges from 60 to 75, that in the latter half of the global value chain. Indicators such as the level of sophistication of business operations ranked 106, ranked 99 technology, the development of financial markets in position 90, education 96 ranking and especially institutional still ranked No. 92 Compared with other countries in Southeast Asia, the gap between Vietnam and other developing countries with increasingly higher. In particular, compared to other countries in Southeast Asia, the gap between Vietnam and other developing countries with increasingly higher, specifically, of Vietnam is ranked 66 ranks poorly Singapore, Malaysia lost 48 degree, 37 degree and poorly Thailand remains lower even turn 34 degree and 16 degree compared with Indonesia and the Philippines. In 2013/2014, Vietnam Indonesia and the Philippines just poor turn 32 degree and 11 degree.



**FIGURE 1**  
**RANKING THE COMPETITIVENESS OF VIETNAM COMPARED TO 6 COUNTRIES IN SOUTHEAST ASIA RECENTLY**

Although there are many different opinions about the measure of global competitiveness as the scoring is based on perceived by the experts but did not give an overall mark for comparing the competitiveness index still is the global source of reference information investors use. In the context of regional integration and the world, the evaluation index, a measure of the country as part of the general rules of the world. On the other hand, when many countries accepted indicator of global competitiveness as a suggestion for improvement of governance, Vietnam also needs to look at is as a source of reference for the reform process public sector today.

The issue of global competitiveness of Vietnam as more complete information than the survey of Vietnam Chamber of Commerce and Industry (VCCI) to build competitiveness index Provincial (Provincial Competitiveness Index ). PCI 2013 survey questionnaire asked for foreign investors (FDI) in Vietnam comparison with other investment locations which they have invested or considered investing and their origin. According to the PCI 2013 survey, 54% of FDI enterprises said they had considered other locations before entering Vietnam increased quite a lot compared to 32% in the 2011 survey.

In the PCI report also stated: compared with other economies in the region, Vietnam is generally FDI appreciate more: the seizure risk assets; stabilization policies; the ability to participate in policy-making; and low taxes. In East Asia, only Taiwan is considered risky assets lower seizure Vietnam while we are rated higher than the other economy greatly, from

57% to 88% compared to Indonesia compared with Laos.

A notable point in the joint opinion of the Vietnam FDI is evaluated on the ability to influence policymakers higher than other FDI destinations in East Asia, including China (60% rating Vietnam higher) and Malaysia (58% higher evaluation Vietnam). Besides, one cannot ignore points that Vietnam is always the best policy, but stable PCI survey showed that FDI enterprises assess stability of Vietnam policy in Indonesia and Myanmar are not equal, even whether China or the Philippines higher.

Vietnam's weaknesses compared to other investment locations include: corruption; restrictions on law; infrastructure and public service. In this index, Vietnam has not been appreciated more than any economy in the region (China, Thailand, Cambodia, Cambodia, Indonesia, Malaysia, Laos, the Philippines, Taiwan and Myanmar).

How do you compare the business environment in Vietnam with	Other countries have considered investing	Origin countries
My business less meet corruption	34,2%	22,5%
My business less meet restrictions on laws	43,5%	34,1%
My business has lower tax rate	52,4%	49,2%
My business is less at risk of assets seizure	63,8%	50,7%
My business encounter fewer uncertainties of policies	59,7%	44,8%
Better infrastructure	36,9%	9,0%
Better public administration service	31,9%	21,0%
My business plays active role in process of policy-making	59,2%	46,1%

The comparison between Vietnam and the economy of origin is not difficult to understand because FDI from the developed economies. Vietnam is measured horizontally with the place of origin of FDI on hold risky assets and the income tax. Compared with countries of origin, Vietnam weakest of infrastructure, public services and corruption.

### **Governance Capacity and Global Competitiveness - Theory and Practice in Vietnam**

Public administration and global competitiveness of each country has a close relationship with each other. The factors that make competitiveness depend heavily on effective governance in each country. From the measurement criteria index of global competitiveness, governance has a direct impact on both the indirect impact on global competitiveness.

Governance capacity primarily in the creation of institutional capacity for development. Labor productivity of the nation depends on human resources but also depends on the institutional environment. Good institutions to ensure relatively equal access to economic opportunities create a level playing field and those providing capital, labor supply should be entitled to a worthy achievement and rights ownership of their assets must be protected safely. North Douglass, a Nobel economics prize, have concluded that the country is not quite up its institutions by creating operational rules society does not encourage efforts to create value new Douglass (1998).

Good state institutions will be a catalyst for economic development. Many theoretical and experimental studies have shown that countries with strong state institutions are capable of achieving their development goals. Hoff and Stiglitz, cited by Peter Evans, has confirmed "no development is seen as the process of capital accumulation that is seen more as a process of organizational change." According to these authors, it can public governance has replaced capital markets and technology to become the center of development. State institutional framework will create the interaction and integration of ideas, techniques and other inputs

such as capital and labor to produce higher economic results. Many economists, including Dani Rodrick, concluded that "the quality of institutions is the key to prosperity models from around the world." So developing countries "have little choice which must rely on the state to industrialization. "From the experimental perspective, the success of state institutions to promote economic growth in East Asia and the failure of the state and elsewhere in the world has been expressed in the poverty rate in the reporting of UNDP. According to reports 2000/2001, "East Asian people living below \$ 1 a day fell from 420 million to 280 million in 1987 while in 1998, South America, South Asia and Africa region, the number of poor people increase." Obviously system state institutions have strong growth and are useful for poverty reduction and income redistribution. Strong institutional system of a country can coordinate the various components in the water; negotiate effectively with foreign partners Thai Pham Vietnam (2008); Tran Dinh An (2002); World Development Report (1997) .

Good institutional system is an important factor for middle-income countries to switch to economic models has high growth and improved income. There is a good institution will also help monitor the effective allocation of resources, thereby assisting the Government with the ability to cope with the "shock" of the economy - challenges often in the context regional Integration and international today.

According to a survey by the World Bank (World Bank, 1997), the country has stable state institutions, as a basis for anticipating the future in countries that have the level of investment and higher growth compared to countries lacking such institutions World Bank, (1997). The fact that the level of investment in a market depends on many factors such as political stability, predicting the level of state issued new regime reflects the aspiration level of the business in the state's policy, asset protection and security of the state for private business, the credibility of the judiciary, corruption levels these factors is a measure of trust of institutional investors in the state, and once confidence is declining, investments will be stalled or stopped.

Put in the context of Vietnam, governance capacity of Vietnam in recent years has been reformed in significant achievements. Vietnam is continuing efforts towards a state are run by law through judicial reform efforts. Administrative reform has greatly increased access to social services and administrative services across the country as well as improves the ability to meet the needs of the people at the local level.

Accountability, the fight against corruption is also remarkable progress. Aside from that corporate governance in Vietnam still faces many challenges, and become one of the causes affecting the global competitiveness. Thinking governance based on resources and traditional development models will meet many obstacles and difficulties in international integration. Whereas before, can take natural resources, cheap labor, big market as a competitive advantage when international integration difficult factors that make a difference. So, if there are no immediate solutions and effective to elevate his administration, Vietnam will be very difficult to adapt to global environmental governance and the current difficult enhance the global competitiveness. The weakness of the management capacity of the public authorities has led to the actual quality of service management and the management of Vietnam was not present at the limit. Satisfaction of citizens and organizations for the quality of public services remains a problem should soon be answered.

Institutional capacity of Vietnam despite these positive changes, but also need to be improved. In recent years, to create a legal environment for economic activities - social, many legal documents were issued. According to statistics from the Law Commission of the National Assembly, the number of legal documents issued in 2008-2012 more than the total number of documents issued within the previous 18 years, the quality of many text the low. This is reflected in several documents issued after a very short time to make adjustments and supplements to suit. Many documents issued but are not able to perform, cannot come into reality. Institutional reform processes of Vietnam have tended to be slower than the

requirements, expectations of the people and society. It is one of the fundamental causes leading to the fact that in recent years, Vietnam's position in the ranking chart of institutional reform tends to go down. According to Mr. Scott Jacobs, consultant project to improve the competitiveness of Vietnam (VNCI), Vietnam has many reform efforts, to improve the law, but other countries also progress faster. Thus, ranking institutional capacity of Vietnam has plummeted in the world charts. Besides, the business environment in Vietnam consecutive relegation.

The survey conducted by VCCI at local shows greatest difficulties for the operation of local businesses is: capital, human resources, administrative procedures, infrastructure, land and taxes. Although for different localities, these difficulties are different but all of the local businesses have a common voice about the difficulties and problems of administrative procedures for the operation of the business career. Up to 75% of private enterprises increased investment statement will develop if favorable conditions, including the administrative procedures have been simplified.

### **Improving the Global Competitiveness of Vietnam**

To enhance the global competitiveness of Vietnam, there should be concerted efforts on many aspects which should first see institutional reforms should continue to be a central feature of the process of public sector reform in Vietnam today. For institutional reform, in our view, need to focus on the following measures:

First, we need to complete the system of market economy institutions in terms of institutional capital and currency markets, stock markets, real estate markets, market science and technology, market labor market, services market. For practical conditions of Vietnam today, institutional reform should focus on compliance with the direction from the behavior of the market or issued regulations to help markets work better. A fundamental concern is the promulgation of regulations to intervene and control the market to bring benefits outweighs the costs incurred to comply with regulations. There should be thinking a full and comprehensive relationship between the state, society and market, a thorough review of the role of the state in relation to society and the market.

Second, the innovation role of the state administrative system to make adjustments accordingly. This adjustment primarily from the role of government, administrative agencies and the highest state. The government needs to shift from the role of economic factors primarily and directly engaged in production business into the role of promoting development, the economic arbitration. In the field of management, the role of government shift from allowing people to guarantee, enabling people of all citizens to exercise basic rights under the law, the right to freedom and democracy under the provisions of law. In the social sector, the role of government also moved from the direct agents providing public services, welfare distribution (uniform and limitations) to ensure the social security of people, who provide career services at a minimum, while ensuring resources on-demand services society.

Third, we need to take measures to change the mechanism for preparing the draft legal text, especially at the national level, in order to overcome a fundamental way in the work of local institutional development. We need to enhance professionalism in the drafting of legal documents. In the current economic conditions, we can establish at each administrative level should have an agency responsible for the drafting of legal documents. This will contribute to improving the quality of the legal documents drafted. To improve the quality of institutions should aim to expand the participation of the citizens, organizations and enterprises with different forms accordingly. On the other hand, the state administrative agencies also need to strengthen dialogue with citizens, the business community in order to capture the aspirations and expectations of society for institutional system.

Along with changing the way drafting and issuing institutions, is a very important work is regularly reviewed, codified legal documents at all levels. Systematized work will contribute to overcoming the overlap, inconsistencies in systems and institutions in the enactment of the new; through reviewing, systemizing will determine what is missing and what needs to supplement the outdated need to modify or cancel. The reviews of administrative procedures are also performed at the same time need to review the functions and authority of the issuing agency institutions. The fact is that, there are not a few agency promulgating legal documents over legal jurisdiction. This is most evident in the state of many provinces to promulgate legal documents "hurdles". These regulations are issued exceeded that authority, when put into practice, will make it difficult for people, organizations and businesses.

Fourth, the need to raise awareness, the level of the officials involved in the development, promulgation institutions. This should be seen as important directions to raise the quality of institutions are issued. Cadres, civil servants need to be sensitive in identifying issues need to be adjusted by law, required adjustments to it. Officers and employees should have the ability to assess the impact of legal documents to the target group. Besides, to increase the consultation process with broad social issues important legal documents to ensure legal under construction feasibility, high consensus, ensuring effective and efficiency in the implementation process. The consultation process is to acquire, accept any proposals or recommendations. It is important for the acceptance or acquisition, information received is processed into stars, stars to collect, why not receptive to the specific explanations. The process of creating institutions to actually be an interactive process between the institutional actors to make the institutions of consensus and institutional feasibility and corridor for the movement and development.

Fifth, an operation should be implemented regularly and seriously, which is a survey on the satisfaction of citizens and businesses to the state agency, through which timely corrective steering, overcome the shortcomings and weaknesses of the agency in serving the people.

Besides, should have done other important measures such as innovation growth model associated with the restructuring of the economy. Innovation model of economic growth is the process of modeling oriented economy operating on the basis of optimizing the resources of the country with an economic structure reasonable, efficient, modern, in order to achieve economic growth higher in the direction of sustainable development. Innovation model of economic growth with organic relations with the task of restructuring the economy, because to implement innovative growth models need to restructure the economy, to one side, to overcome disability, limitations arise in the growth process; on the other hand, building an economic structure to meet the requirements of the growth model. Model to future growth based businesses, strong brand name products, competitive in the market area and the world, the development of science and technology, workforce highly skilled and knowledge-based economy. Need to specify the dynamics of growth of the economy is the human element, knowledge, labor productivity. International experience shows that countries, such as Japan, South Korea has a growth strategy focused. State facing choices determine the motivation for economic growth (based on exports or domestic consumption, agricultural development, industrial assembly or services, tourism). This determination should be considered on two bases: (i) national characteristics (level of economic development - social, competitiveness ...) and (ii) the characteristics and trends of international (the international division of labor and regional development trends). Need to conduct review process and construction methods for the growth model approach sufficient conditions and water resources in the context of regional and international based on comparative advantage.

Macroeconomic stability, sound public debt management, monetary policy, fiscal policy effectiveness, to provide stability to the economy. Strengthening the technical infrastructure through public-private partnership mechanisms, investment and development of human

resources, especially human resources leadership, management, skilled workers, intellectuals, improve labor productivity, investment efficiency, administrative reform, anti-corruption to effectively remove bottlenecks in the economy, and overcoming the weaknesses of national competitiveness.

Besides, Vietnam has joined playground area and globally, therefore, respect for and implementation of the commitments, the WTO obligations and with international economic organizations which Vietnam is a contracting One should also have the strategic direction and specific responsibilities.

In the heart of governance is to serve the people and promote the development of the country. Therefore, in order to improve global competitiveness, Vietnam needs to take measures to strengthen the voice of civil society. The administrative bodies need to listen more life echoes in order to adjust accordingly institutions, creating new momentum for reforms and economic development - society.

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