Chapter 7: Conclusion

National competitiveness is a nation’s ability to create and sustain economic growth, and raises the standard of living of its citizens by improving national productivity in condition of a market economy. The competitiveness, productivity and economic growth have been a special interest of policy makers and business leaders as well as scholars and individuals in both developed and developing countries. Vietnam is not an exceptional case. The Vietnamese government has made efforts to maintain its competitiveness, growth and citizen’s living standard. The intent of this study is to examine the competitiveness of Vietnam and its determinants. The study has addressed four questions as mentioned previously. The findings of this research are expected to contribute to the improvement of the national competitiveness in Vietnam in particular and the development process of the country in general. They are summarized in the following:

First of all, the determinants of Vietnam’s competitiveness and growth were investigated. Relying on recent theories of competitiveness (basically Porter’s diamond model), six determinants of national competitiveness were determined, including: production resources, technology development, market conditions, international business and economic activities, government role, and company’s strategy and operation. These determinants were tested by using the model of multiple linear regression with hard and survey data. The results showed that the determinants influence Vietnam’s competitiveness, productivity, and growth. They have played a significant role in improving Vietnam’s national competitiveness and productivity. Particularly, production resources\(^\text{124}\), have played the most important role in this process. This is very compatible with Porter’s theoretical frameworks. Vietnam has stood in the initial stage of the development processes. Thus, its production resources have become a competitive advantage. It suggests that Vietnam should pay more attention to develop and deploy production resources efficiently.

Secondly, the analysis and assessment of Vietnam’s national competitiveness were examined. Based on the six identified determinants of national competitiveness, Vietnam’s competitiveness was analyzed and evaluated by using the combination of hard and survey data, including our conducted survey in Vietnam and the collected data from international organisations (such as World Economic Forum (WEF), World Bank (WB), Asia Development Bank (ADB), International Monetary Fund (IMF), and United Nations on Conference Trade and Development (UNCTAD) and domestic organizations (such as General Statistics Office of Vietnam (GSO), Vietnam Chamber of Commerce and Industry (VCCI) and so

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\(^{124}\) Production resources consist of human resources, infrastructure resources, capital and natural resources.
This data was used to analyze Vietnam’s competitiveness and compare Vietnam with some selected Asian countries\textsuperscript{125}. The analysis and evaluation showed Vietnam’s competitiveness progress as well as its productivity in the last decades, and the remaining weaknesses compared to the selected regional countries. Its weaknesses are: shortage of production resources supply, backward and slow technology development, poor competitive markets with a dominance of state-owned enterprises, less attractive investment environment and cumbersome customs procedures, inefficient operation of state-owned enterprises and small range of private firms, and weak public institution and inefficient government governance. These weaknesses have led Vietnam’s competitiveness, productivity and economic growth to remain low, especially compared to that of China. In general, the national competitiveness in Vietnam remained low compared with that in the selected regional countries.

Thirdly, based on the above mentioned analyses and assessments, the emerging key issues of Vietnam’s productivity and competitiveness were drawn out. They were namely: production resource shortage and low quality\textsuperscript{126}, outdated technology, bureaucratic and corrupt administration, and the slow reform of state owned enterprises (SOEs). These issues have challenged the productivity, competitiveness, and growth in Vietnam. Vietnam cannot sustain its competitiveness and growth in the long term unless it solves these crucial problems.

Finally, at the same time Vietnam cannot do everything to enhance it’s competitiveness. In addition, national competitiveness is a large scope concept relating to many areas of an economy. Therefore, in this study framework, three groups of recommendations were proposed to solve the key issues, which are considered to be the most urgent\textsuperscript{127}, in order to enhance Vietnam’s national competitiveness:

The first recommendation group is to address production resources shortage. In this group, a number of measures were proposed: firstly, Vietnam needs to reform higher education and develop vocational training such as the encouragement of the private sector’s participation, the autonomy and accountability of publicly-funded institutions, the establishment partnership between the government, industry, community and learners, and so on; Secondly, the transport infrastructure and electricity supply need to be strengthened. To do so, the Vietnamese government should call for investment of the private sector, reform the Ministry of Transport’s

\textsuperscript{125} Some selected Asian countries are China, Thailand, Malaysia, The Philippines, Indonesia and Singapore.

\textsuperscript{126} Production resources shortage includes: lack of skilled labor force, poor infrastructures (especially transport and electricity), and undeveloped financial market.

\textsuperscript{127} The most urgent issues are based on our analysis and conducted survey.
State Owned Enterprises and encourage the establishment of new IPPs; Finally, the Vietnamese government should facilitate to develop the financial markets and reform the banking system such as opening the financial sector further and increasing foreign competition, equitizing the SOCBs, and transforming SBV into a modern central bank.

The second recommendation group is to develop an independent and vibrant domestic private sector. In this respect, the Vietnamese government should strengthen the reform of state-owned enterprises and promote the development of the private sector, especially small and medium sized enterprises (SMEs). In regard to SOEs reform, the government needs to speed up the equitization process and reorganization of the unequitized SOEs, separate its administrative and business administration functions, and transfer state ownership right into the SCIC. The state should only hold the controlling shares in the most important fields of the economy.

In order to promote development of the private sector, the Vietnamese government needs to recognize the private sector as the driving force of the economy and create favorable conditions for the development and investment of the private sector without limiting their scale, field, and region. Vietnam should strictly eliminate all forms of discrimination, praise good producers and entrepreneurs, and encourage the development of large private enterprises, private economic groups, and enterprises owned by women. The local governments should establish credit guarantee companies to support SMEs’ access to finance which is one of the top concerns.

The last recommendation group is to strengthen public institution and government effectiveness. In this regard, the Vietnamese government should launch a strong and effective anti-corruption campaign, strengthen public administration reform, and improve framework and enforcement of the legal system.

In order to fight corruption effectively, the government encourages all stakeholders (social-political organizations, mass media, enterprises, industrial associations, and individuals) to participate in this campaign. The purpose is to raise awareness about the necessity of fighting corruption, to publicize laws and regulations, and to help mobilize public support. Journalists should be encouraged further to detect corruption cases on their own and have indeed done so in a number of highly visible cases. Conducting the asset declaration of managers, civil servants as well as monitoring their assets in administration agencies and organizations needs to be implemented urgently. Initially, priority should be given to the
monitoring of assets of civil servants in such bodies\textsuperscript{128} as Tax, Customs, Land, Construction, and Police. E-government needs to be implemented as soon as possible to increase efficiency and to boost transparency. Simultaneously, the competence of local and government officials must be improved and trained. To effectively tackle corruption, the government needs to make rigorous efforts in recruiting highly motivated and talented people, especially for crucial positions to the quality of the business environment.

The government should continue to strongly implement the public administration reform program to strengthen its governance effectiveness and to simplify administrative procedures. Some measures need to be implemented such as: the widening of the one-door model to different levels of government; decentralizing authority to the lowest level possible together with closing inspection and checking by superiors; preventing the trend of being too bureaucratic in public organizations; continuing to eliminate currently unnecessary business licenses and business conditions to facilitate for all investors.

Improving the legal system’s framework and enforcement is a measure of strengthening the public institution and fighting corruption. This leads to the building of a transparent society under the rule of law. In doing so, four priorities need to be emphasized. The first one is to reform the law-making process, by facilitating greater participation by citizens, enhancing the representative role of legislative bodies, and improving the skills of legal draftsmen. Second is to ensure the constitutional and legal norms, by monitoring administrative regulations and reducing the number of forms of legal documents. The third priority is to strengthen judicial reviews, building independent administrative tribunals to help ensure the citizens’ rights to complain. And fourth is to empower district courts with increasing jurisprudence over civil and criminal cases gradually building a system of high courts for appellation and other specialized courts, on intellectual property issues, for instance.

\textit{In summation}, the success of the improvement of the national competitiveness and sustained growth in Vietnam depends on how Vietnam will implement the above proposals. Vietnam cannot maintain it’s competitiveness and sustain economic growth in the long run unless it solves the key issues. This research provides a comprehensive analysis and proposals to help the Government to make policies to forward enhancing the competitiveness, productivity, and citizens’ living standard in Vietnam in the long term.

\textsuperscript{128} These agencies are considered to be the most corrupted following the diagnostic study of the CCIA