

Better Competitiveness of the Internet and Telecommunications Service as a Way of Improving the National Competitiveness

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It's monopoly that hinders the economic development while competition is its dynamic. Success or failure in the international arena is determined by the competitiveness of a company or a country.

The competitiveness shows itself at three levels: of the whole country, of a company and of a service or commodity. The competitiveness of a country is the ability of an economy to gain sustainable growth rate, attract foreign investment, ensure socioeconomic stability and improve the living standard. The competitiveness of a company is estimated through its ability to maintain and expand its market share and increase its profit in face of local and foreign competition. The competitiveness of goods and services means their market shares.

In the international integration trend, the competitiveness of a country becomes a decisive factor of increases in the gross investment, economic growth and development. Many organizations, such as the World Economic Forum (WEF), Harvard University, the OECD or Swiss IMD, conduct investigations every year and rank countries in terms of their competitiveness. This ranking is meaningful to governments because it serves as a basis for decisions on investment.

The WEF works out its ranking based on eight groups of factors comprising 155 items. From 2000 on, the WEF estimates the competitiveness of a country in terms of macroeconomic environment, public



institutions and technology.

In 2004, the Vietnam's Growth Competitiveness Index ranked 77 among 104 economies, and in 2005 it ranked 81 among 117 countries. In recent years, Vietnam's place fell down steadily, as shown in Table 1.

The data show that Vietnam's place is always low in the GCI rankings. In 1998, its place was im-

proved, up 10 grades, because the 1997 financial crisis made many Asian economies fall. Thus, this improvement was not due to its own effort. In 2003, Vietnam occupied the 60th place, higher than 42 economies, because the legal infrastructure in Vietnam was improved remarkably (the Companies Law was introduced, many unnecessary procedures were revoked, etc.), which made it

more attractive in the eyes of both foreign and local investors. In 2004, however, the Vietnam's place fell by 15 grades. The WEF warned Vietnam about this fall making everybody feel depressed.

To understand the fall of Vietnam in 2004, we had better examine factors that were estimated as less competitive in the Table 2.

The Table 2 shows that many less competitive factors are in the internet and telecommunication service. Although this sector has made good progress in recent years, its popularity in Vietnam is still low in comparison with regional countries. To get accession to the WTO, Vietnam has to open this market to foreign rivals, which will make the competition fiercer in the coming years. So many strong and consistent measures should be taken to beef up the competitiveness of this sector. We suggest here some of them.

Table 1: Vietnam's place in the GCI ranking by the WEF

| Year | Vietnam's place/Total | Distance from the bottom |
|------|-----------------------|--------------------------|
| 1997 | 49/53 | 4 |
| 1998 | 39/53 | 14 |
| 1999 | 48/53 | 5 |
| 2000 | 53/59 | 6 |
| 2001 | 60/75 | 15 |
| 2002 | 65/80 | 15 |
| 2003 | 60/102 | 42 |
| 2004 | 77/104 | 27 |
| 2005 | 81/117 | 36 |

Table 2: Vietnam's less competitive factors

| Less competitive factors | Vietnam's place among 104 economies |
|---|-------------------------------------|
| 1. Macroeconomic environment | |
| - Country credit rating | 68 |
| - Waste in public expenditures | 68 |
| - 2003 inflation | 52 |
| 2. Public institutions | |
| - Bribes paid for import and export permits | 100 |
| - Bribes paid in connection with tax payment | 97 |
| - Bribes paid in connection with public utilities | 91 |
| - Property laws | 66 |
| - Organized crime | 61 |
| - Independence of the judiciary | 59 |
| - Partiality of officials' decisions | 55 |
| 3. Technology | |
| - Prevalence of foreign technology licensing | 99 |
| - Internet hosts in 2003 | 99 |
| - Quality of competition among Internet service providers | 96 |
| - ICT-related laws | 94 |
| - 2003 mobile phone per capita | 89 |
| - 2003 PC per capita | 84 |
| - Collaboration between businesses and universities | 82 |
| - Readiness for technology | 81 |
| - Secondary enrollment | 81 |
| - Foreign investment and technology transfer | 79 |
| - 2003 employment of patents | 79 |
| - 2003 fixed line telephone per capita | 79 |
| - R&D spending by business | 79 |
| - 2003 Internet users | 71 |
| - Internet access at schools | 69 |
| | 55 |

(1) Generating and employing effectively sources of capital: The service-supplying network in Vietnam is very obsolete and requires intensive investments. Vietnam can ex-

ploit many sources of capital.

- Domestic sources: Authorities must diversify ways of mobilizing capital with a view to encouraging all classes and sectors to take part in this business.

The stock exchange is one of useful channel. Local and central governments could issue project bills to attract idle money from the public.

- Foreign sources: The ODA source could be used

for developing the telecommunications services in depressed and rural areas. Foreign companies should be allowed to take part in this business as required by international trade agreements entered by Vietnam.

The supervision must be done properly in order to reduce and prevent waste and embezzlement which have been very common among public and foreign-financed projects.

(2) Developing the human resource: The telecommunications business requires laborers who could absorb new technologies and invent new ones when necessary, and managers who could compete successfully against foreign rivals. This means that existing training centers should be modernized and new textbooks introduced regularly. Sending officials to make studies abroad is also an effective approach.

(3) Researching and applying new technologies and services: Vietnam had better adopt new technologies appropriate to the convergence of telecommunications, Internet and informatics; and invest intensively in the broadband network. As for services, full attention must be paid to transmission of data (instead of voice only) in large quantities, which serves as a basis for new services.

(4) Improving the state control: The Ministry of Post and Telecommunications could be divided into a Ministry of Post and a Ministry of Telecommunications (controlling telecommunications, Internet and information technology) in order to enhance their specialization. The Ministry of Telecommunications should create a good business climate that ensures fair competition and openness by adopting new and transparent policies. The monopoly in this business must be removed and international cooperation is much needed. ■



Photo by Huỳnh Thơ