

## **Asia Competitiveness Institute (ACI) Review Seminar on “Competitiveness Studies of ASEAN-10: Vietnam at a Crossroads, Master Plan on ASEAN Connectivity and Income Growth Analysis” held at Lee Kuan Yew School of Public Policy (LKYSPP), National University of Singapore (NUS), 31<sup>st</sup> August 2015**

### ***Seminar Highlights***

The ASEAN Review Seminar is part of a series of activities organised by Asia Competitiveness Institute (ACI) at LKYSPP, NUS, to present its preliminary research findings and concurrently solicit comments and suggestions from prominent policy advisers and scholars. The Seminar aims to exchange views on topics pertinent to the ASEAN-10 economies and review possible improvements for current research work. Thereafter, ACI would undertake to publish a book, journals papers and policy briefs for all topics presented, incorporating expert views and informed opinions.

The Review Seminar began with the Welcome Remarks made by **Professor Tan Kong Yam**, Co-Director, ACI-LKYSPP-NUS. He noted that ACI’s study of competitiveness focuses on Asia with ASEAN at the core in the context of rising China and India with a view to providing rigorous and relevant empirically-based analysis that is useful for policy formulation. ACI has built up a time series data bank consisting of hard and soft data at both the national and sub-national level for ASEAN-10, 35 states and federal territories of India, 33 provinces in Indonesia and 34 Greater China economies, all as ACI’s flagship projects. He also shared that company-level competitiveness is ACI’s new frontier research in collaboration with the European Central Bank.

Guest-of-Honour, **H.E. Mr Nguyen Cam Tu**, Vietnam’s Deputy Minister of Industry and Trade, delivered the Opening Remarks outlining Vietnam’s key strategies for making the transition from economic growth based on low-cost labour to one based on upgrading productivity and competitiveness, namely (i) enhanced international integration for exerting greater pressure on domestic reforms and (ii) shifting from processing and assembling to higher value-added manufacturing. He expressed strong interests in ACI’s flagship project on competitiveness analysis of ASEAN-10 as an insightful guide for enhancing national competitiveness.

The Keynote Address was given by **Dr Nguyen Dinh Cung**, President of Vietnam’s Central Institute for Economic Management (CIEM). He highlighted the imperative for Vietnam to embark on Reform Version 2 as, after 30 years of *Doi Moi* (Renovation), resource misallocation in the microeconomic sector remains, leading to macroeconomic imbalances and instability. The key reason, he argued, lies in half-hearted institutional reform that fails to bring about effective public governance. When enquired about the current status of state-owned enterprise reform in Vietnam, Dr Nguyen Dinh Cung noted that the process has been slow and focused mostly on equitisation, or partial privatisation, of state enterprises. He called for the imposition of budget constraints and improvement of corporate governance for achieving a more comprehensive and effective reform.

The first session on **“2015 Annual Update on ACI’s Competitiveness Ranking and Simulations of ASEAN-10”** was moderated by Associate Professor Tan Khee Giap, Co-

Director, ACI-LKYSPP-NUS. Dr Linda Low, Senior Research Fellow, ACI-LKYSPP-NUS, Ms Nguyen Le Phuong Anh, Research Associate, ACI-LKYSPP-NUS, and Mr Luu Nguyen Trieu Duong, Research Assistant, ACI-LKYSPP-NUS, presented ACI's competitiveness framework and methodology, and highlighted some interesting results from the 2015 Competitiveness Ranking and Simulations of the ASEAN-10 economies. Cambodia, Laos, Vietnam and Myanmar all show impressive jumps in rankings after having the scores of their top 20% weakest indicators raised to the average score, which showcases their immense potential in bridging the development gap with the more mature ASEAN-6. Vietnam, in particular, leaps two places from seventh to fifth in overall competitiveness after the simulation.

As discussants, Professor Chang Xiuze of the Academy of Macroeconomic Research, National Development and Reform Commission of the People's Republic of China, and Mrs Somhatai Panichewa, Chief Executive Officer of Amata VN Public Company Limited, offered their views on Vietnam's reform efforts. Professor Chang Xiuze compared and contrasted Vietnam's market-oriented economic reform with China's. Speaking from a business perspective, Mrs Somhatai Panichewa commended the country's economic progress but noted that many of Vietnam's reformist policies have been rendered ineffective due to poor execution at the provincial and city level, resulting in apprehension in the foreign invested sector. She stressed that strengthening the real sector, particularly small and medium-sized manufacturing enterprises, is imperative for improving Vietnam's competitiveness.

The second session on ***“An Empirical Assessment of the Master Plan on ASEAN Connectivity”*** was moderated by Ms Nguyen Le Phuong Anh, Research Associate, ACI-LKYSPP-NUS. Associate Professor Tilak Abeysinghe, Economics Department of NUS, Associate Professor Tan Khee Giap, Co-Director, ACI-LKYSPP-NUS, Ms Anuja Tandon, Research Assistant, ACI-LKYSPP-NUS, and Mr Choo Yan Jia Nicholas, Research Assistant, ACI-LKYSPP-NUS, presented the findings on the impacts of the Master Plan on ASEAN Connectivity on various economic and institutional dimensions of ASEAN-10. ACI's work is one of the very few empirical evaluations of ASEAN's regional integration initiatives on its member states' economies and intra-regional physical and institutional connectivity.

The discussants were Dr Cledan Mandri-Perrott, Head of Infrastructure Finance and Public-Private Partnership, and Dr Darwin Marcelo, Infrastructure Economist at The World Bank Group. They were generally positive in their appreciation for the study presented, particularly the sophisticated Structural Vector Autoregressive model that ACI adopted, and offered some constructive suggestions on methodologies and interpretation of research results. They accentuated the importance of making highly technical policy analysis readily understandable to policymakers who are largely non-economists. They also encouraged ACI to further refine the models as more specific project-level and national policy implementation information becomes available in the future.

The third session on ***“Tracking Competitiveness and Productivities of Companies: The ECB-ACI CompNet Approach”*** was moderated by Ms Shinae Baek, Research Associate, ACI-LKYSPP-NUS. Dr Filippo di Mauro, Senior Adviser, Directorate General Research and Chairman, Competitiveness Network (CompNet), European Central Bank and Academic Visitor at ACI-LKYSPP-NUS, introduced the company-level dataset spanning 60 sectors in 17 countries in the European Union over the period 1995-2012, and some of the studies that have been conducted using the dataset. He expressed strong interests in assisting ACI to construct a similar company-level database for Asia.

Professor Wu Chung-Shu, President of the Chung-Hua Institution for Economic Research, Taiwan, reiterated the usefulness of time series company-level data in policy analysis, citing Taiwan's international trade as an example. He also noted some of the potential problems in collecting and harmonising company-level data across economies of different development stages. Associate Professor Tan Khee Giap, Co-Director, ACI-LKYSP-NUS, briefly outlined ACI's plan to kick-start the project in Asia, starting with Singapore as the prototype. He concurred with Professor Wu Chung-Shu about having a clear guideline for data harmonisation.

The fourth and final session on ***“Income Growth Analysis for Selected ASEAN Economies”*** was moderated by Mr Luu Nguyen Trieu Duong, Research Assistant, ACI-LKYSP-NUS. The ACI team led by Associate Professor Tan Khee Giap with Ms Sangiita Yoong Wei Cher, Research Assistant, ACI-LKYSP-NUS and Mr Chan Zi Jun, Research Assistant, ACI-LKYSP-NUS, presented preliminary findings on the income growth landscape in ASEAN-10 and possible determinants of growth slowdowns at the middle-income level. The team shared that they will also be studying growth slowdowns in high- and low-income economies as well as sub-national economies in Greater China, Indonesia, and India following the same conceptual and empirical framework. Full empirical findings will be available by the ACI Annual Conference on 26-27 November 2015.

Professor Zhang Shucun, Dean of Shandong Academy of Social Sciences, People's Republic of China, gave his praises to ACI for offering a unique perspective to a research topic that is of major concern among policymakers in the developing world. He remarked that international allocation of resources should be taken into account as a country's future income growth is increasingly affected by globalisation forces. Dr He Dongni, Vice President of China Institute for Reform and Development (CIRD) and Director of Centre for International Economy, CIRD, People's Republic of China, acknowledged the contribution of the study and suggested that the analysis could be further improved if the interdependence between various variables is given due consideration. Mr Steven Wong, Deputy Chief Executive of the Institute of Strategic & International Studies, Malaysia, noted the problems of non-stationary data and stochastic variables in time series analysis. He also encouraged the research team to fully utilise ACI's competitiveness database to systematically investigate the determinants of growth slowdowns, and explore issues such as the impacts of China's opening on the possibility of ASEAN experiencing growth slowdowns.