Comparative Analysis of the Impact of Competitiveness to Foreign Direct Investment (FDI) Inflows between Indonesia and Vietnam

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ABSTRACT

This research is conducted to identify of how the Vietnam could surpassing Indonesia in terms of Foreign Direct Investment (FDI), especially when there are 20 company that relocate their company but none of that destined to Indonesia. This research is using a qualitative method with descriptive analysis. This research is conducted using the secondary data from Competitiveness Index from the World Economics Forum from the year of 2019. This research stated that Indonesia is proved leading whether it is in terms of economic condition or from the Competitiveness Index but still could not compete with Vietnam. Turns out there are several main indicators that Indonesia still lacking at. Therefore, Indonesia still needs to improving their quality if they still having an intention to compete with Vietnam in terms of Foreign Direct Investment, since we are still developing country that still needs a funding from foreign country.

Keywords: Competitiveness Index, Foreign Direct Investment, Indonesia, Vietnam, Competitiveness

ABSTRAK

Penelitian ini adalah upaya untuk mengidentifikasi bagaimana Vietnam dapat melampaui Indonesia dalam hal Foreign Direct Investment (FDI), terutama ketika ada dua puluh perusahaan yang merelokasi perusahaan mereka tetapi tidak ada dari salah satu itu yang bertujuan untuk Indonesia. Penelitian ini dilakukan menggunakan metode kualitatif dengan analisis deskriptif. Penelitian ini menggunakan data sekunder dari Indeks Daya Saing dari Forum Ekonomi Dunia dari tahun 2019. Penelitian ini menyatakan bahwa Indonesia terbukti memimpin baik dalam kondisi ekonomi atau dari Indeks Daya Saing tetapi masih tidak dapat bersaing dengan Vietnam. Ternyata ada beberapa indikator utama yang masih kurang di Indonesia. Oleh karena itu, Indonesia masih perlu meningkatkan kualitas mereka jika mereka masih memiliki niat untuk bersaing dengan Vietnam dalam hal Penanaman Modal Asing, karena kita masih merupakan negara berkembang yang masih membutuhkan dana dari negara asing.

Kata Kunci: Index Daya Saing, Investasi Langsung Asing, Indonesia, Vietnam, Daya Saing

INTRODUCTION

Economic growth is an increase in the production of goods and services over a specific period. The excellence of country's economy could be known by the economic growth. To measure the economic growth, we could use the GDP or Gross Domestic Product, and the indicators are consumption, investment, government spending, the amount of export and import. If the economic growth of one country is high enough, the investors will be interested in investing their money in that country using the FDI or Foreign Direct Investment.

A country needs investment to enhance its economic growth. Investment refers to purchases in capital or goods that are not intended to be consumed but to be used for production activity that enhance the amount of production. Investment might not have impact on the short run, if we look at balance sheet, it would only make the capital structure of one country weighed on the debit side. However, if we look at the long term effect, investment would make a big contribution on the production and balance the capital structure again for the meantime.

For a developing country like Indonesia, it is not enough to build a lot of infrastructure in 34 provinces, that spread out in approximately 6 big islands. Such situation would become a massive problem for this country, if a developing country is still in this situation and doesn't not expand due to lack of capital, the country would never be transformed into a developed one, so it would remain stuck. This is the reason why investment from the foreign countries is needed.

The foreign direct investment or FDI is an investment that a country derived from other countries. The FDI is not in the form of money but in the form of infrastructure, labor force, and job field availability in one country. This kind of investment gives country so much benefit such as proper infrastructure, even though for now the major impact in infrastructure could only be felt by the citizen who lives in the capital city of Indonesia, Jakarta. In Jakarta, the development of infrastructure is everywhere. The MRT or Mass Rapid Transit is the new kind of transportation facilities that is available in Jakarta. MRT moves faster than busway and has its own lane so the citizens will not stuck in traffic. Furthermore, it makes their mobilization more flexible. MRT is a form of cooperation that Indonesia has with Japan International Cooperation Agency, the primary Japanese governmental agency responsible for technical cooperation component of Japan's bilateral ODA (Japan's Official Development Assistance) program.

According to UNCTAD (The United Nations Conference on Trade and Development) (2019), the record rise of FDI in Indonesia was led by a surge in investment from Singapore (its largest investor), Japan, the Netherlands and China in manufacturing, wholesale and retail, and other services. Inflows from Japan were particularly strong, with investments in automotive and other manufacturing activities. At the same time, Chinese companies such as Alibaba helped push up Chinese investment in services (particularly in activities related to the digital economy). The significant rise in investment inflows pushed Indonesia's share of FDI inflows in ASEAN considerably, from 3.2 per cent in 2016 to 16.8 per cent in 2017. One of the examples is PT. Freeport Indonesia, and affiliation mining company of Freeport-McMoRan (FCX) and PT Indonesia Asahan Aluminium (Persero) (Inalum). (https://ptfi.co.id/en, n.d.) Because of their help, Indonesia can export gold to many countries and help increasing the export rate of Indonesia and helping the rise of the Indonesia economy in terms of trade. Through this affiliation, Indonesia can also open new job fields to help reducing the unemployment rate of Indonesia. Futhermore, Indonesia can learn from the expert of how to manage a mining area and how to process fields. Indonesia is rich of mines, it will be a waste if Indonesia cannot maximize their natural resources. The output that Indonesia can generate is so huge since not all country have such amount of natural resources, and this is also limited so the demand is high. If we directly learn from the expert of how to get the job done, we do not need affiliation. Thus, all of the profit will entirely belong to Indonesia and does not need share with other foreign countries like what we do today with PT. Freeport. Today, the profit that Indonesia needs to share with Freeport-McMoRan (FCX) is 49 percent of shares while PT Indonesia Asahan Aluminium (Persero) (Inalum) holds 51 percent of shares. This kind of FDI is needed for enhancing the economic growth of Indonesia.

We do aware that FDI is needed to help the growth of economic. Nowadays, the world economic situation is largerly chaotic due to the war trade between the United States and China. Both China and the United States are charging extremely expensive tariff for each other, the impact is many of China's company decided to leave the United States and vice versa because they could not generate profit. It is the impact that they have to suffer due to tariff war between both country. The output, according to data from World Bank (2019), 33 of China companies decided to relocate their operation to another country. There are 23 companies chose Vietnam as their destination. Another 10 companies chose Malaysia, Thailand, and Cambodia. From the 33 companies, it is known that there are no company choosing Indonesia to relocate their operation. If we look at the economic growth, Indonesia is stable at 5% which is higher than Malaysia at 4.5% and Thailand at 3.5%. While Vietnam has the most significant economic growth among ASEAN countries at 7%.

Based on the background elaborated by the author, the importance of Foreign Direct Investment in a country especially in a developing country such as Indonesia is certainly needed. With current economic situation, where 33 China companies relocating their production to other countries due to high tariff, but none of them chose Indonesia to relocate their production whereas it could be a chance for helping Indonesia to enhance their FDI. Thus, this concerns the author of what are the causes that make those company did not choose Indonesia. Therefore the author decided to choose 'Comparative Analysis of the Impact of Competitiveness to Foreign Direct Investment (FDI) Inflows between Indonesia and Vietnam' as the title of the author's minor thesis.

LITERATURE REVIEW

Comparative Advantages

The concept of comparative advantage belongs to the field of normative economics, and states that a country will benefit if it specializes in the production of goods whose manufacture is intensive in its abundant resources. Thus, in developing countries where the reserve labor force is very large owing to open or disguised unemployment (Myrdal, 1956; Prebisch, 1959), best results can be achieved by specializing in the production of labor-intensive goods. Comparative advantages mean how much the country could offer some goods and service compared to the other country to enhance the competitiveness of one country.

Comparative advantage is a different matter. Suppose a developing economy that, up to certain year, has not produced and traded according to its comparative advantage: namely, some of the commodities exchanged are high in capital and low in labor intensity. In this case, a shift in the pattern of specialization in favor of low capital and high labor intensity commodities brings about a reduction in both incremental and average capital output ratio, which now goes hand in hand with a reduction in the average productivity of labor.

Competitive Advantages

Competitive advantage is obtained when an organisation develops or acquires a set of attributes (or execution actions) that allow it to outperform its competitors (Wang, 2014). In other words, competitive advantage is revealed, when activities of a given organization are more profitable than those of its market competitors or when it outperforms them as regards other significant results of activities (Huff et al., 2009). Means that a country is having a competitive advantages when the country could produce more or having more profit compared to the country that having the same goods.

If we having this competitive advantages we surely have a high chance on being the market leader. Competitive advantage grows fundamentally out of value a firm is able to create for its buyers that exceeds the firm's cost of creating it. Value is what buyers are willing to pay, and superior value stems from offering lower prices than competitors for equivalent benefits or providing unique benefits that more than offset a higher price (Porter, 1985). This means that, if we aim for a bigger market target, we need to minimizing the cost of production and maximizing the amount of producer, we need to optimizing our production factor in order to make a bogger amount of output. the price itself should be competitive with the competitor, make it as low as possible so we could attract more consumer by it.

Competitiveness to Foreign Direct Investment

According to the World Bank, it is easy to find data on flows of foreign direct investment (FDI). There are also plenty of anecdotes out there that supposedly summarize what businesses around the world think. It is far more difficult, but, to establish rigorous connections between global investment trends and individual investment decisions by international companies. In the World Bank Group's newly published Global Investment Competitiveness Report 2017–

2018, The World Bank Group is combining new survey data, rigorous econometric analysis, and extensive literature reviews to reveal what is going on behind the headline numbers. Through this we could acknowledge what kind of aspect that being the major impact in Foreign Direct Inflows, we could know what kind of aspect that could be enhanced due to increasing the inflows of Foreign Direct Investment.

Competitiveness Element

According to the International Institute for Management Development (IMD) World Competitiveness Yearbook (WCY) 2019, there are four elements of competitiveness. This for elements later to be the factor that being measured of how competitive the country is. This 4 elements is will describe as follows,

1. Infrastructure
2. Business Efficiency
3. Economic Performance
4. Government Efficiency

Global Competitiveness Index

According to the World Economic Forum, the Global Competitiveness Index is a set of institutions, policies, and factors that determine the level of productivity of a country, conditions of public institutions and technical conditions**.** The Global Competitiveness Index is measured by data from various sources and aspect. The rating uses public accessible (statistic) data (WB, IMF, etc.) and results of findings is made by the World Economic Forum. These findings are made annually with the support of partner institutions (research institutions and business centers). The Global Competitiveness Index is made to acknowledge the factors that play a significant role in creating favorable business-climate environment in the country.

It is important for competitiveness and manufacture point of view. It considers the strength and weaknesses of a country, identifies priorities for the facilitation of political reforms implementation. The Global Competitiveness Index is classified into three stages of country development; factor-driven stage, efficiency-driven stage and innovation-driven stage. The Global Competitiveness Index is divided into 3 sub-indexes and pillars, from factor-driven stage, the basic requirements are institution, infrastructure, macroeconomic environment and health and primary education. The enhancers for efficiency-driven stage are higher education and training, goods market efficiency, labor market efficiency, financial market environment, technological readiness and market size. Moreover, for the innovation-driven stage, the factors are business sophistication and R&D innovation.

RESEARCH METHOD

This research focused on analyzing the impact of the competitiveness towards the inflows of foreign direct investment in Asian developing countries, especially Vietnam and Indonesia. Thus, it is expected that the competitiveness has some kind of impact towards the Foreign Direct Investment inflows. This research used secondary data, which obtained directly in the form of information or literature related to the research. The data of this research are 2018-2019 Competitiveness Index that is being provided by the World Economic Community and data from Doing Business from Indonesia and Vietnam. The data were collected from reading relevant literature and previous researcher, internet researcher, and the Competitiveness Index.

RESULTS AND DISCUSSIONS

Infrastructure

1st Pillar: INFRASTRUCTURE			
Transport Infrastructure		Indonesia	Vietnam
1	Road connectivity	59.8	63.3
3	Railroad Density	2.6	7.6
7	Linier Shipping Connectivity	47.8	68.8
Utility Infrastructure			
9	Electricity Access	94.8	98.8
10	Electricity Supply Quality	9.1	10.2

Source: 1 The Global Competitiveness Index 2019

According to Maxfield Brown (2019), a manager business intelligence, the government of Vietnam has been making efforts to introduce private-sector participation in the roads and rail sectors, and actively attracting foreign direct investment to develop its infrastructure needs. While, as same as Vietnam, Indonesia has been inviting the private sector to help developing the infrastructure and eased regulations to make the infrastructure sector more investor-friendly, such as an amending the law on public-private partnerships and passing a new Land Acquisition Law. Also, asked officials to work closely with their Vietnamese counterparts on infrastructure and to speed up construction on focusing on the long-term plan to push for the construction of the expressway between Phnom Penh and Bavet and build a new border gate. He also pushed for the facilitation on the procedure of cross-border transport, especially the implementation of the single-window service at the checkpoints. For electricity, as many as 24,300 rooftop solar power projects with a total capacity of 465.8 MWp have been installed and put into operation by early March, according to the Electricity of Vietnam (EVN). The group said its National Load Dispatch Centre (NLDC) mobilized 1.8 kWh of electricity from renewable energy projects in the first two months of 2020, accounting for nearly 5 percent of the total power production.

Indonesia itself also had been creating remarkable improvements in both the quality and quantity of infrastructure facilities. The government has set its sights on diversifying its funding sources for big ticket infrastructure projects to the United States after earlier this year by proposing $91.1 billion infrastructure projects to be funded by China. But Finance Minister Sri Mulyani, said that only one out of 14 regencies in South Sumatra alone had successfully channelled its funds this year. In contrast, the other regencies and city administrations had yet to meet all criteria for the funds' disbursement. The government is allocating Rp2.7 trillion in village funds to the province this year.

For electricity, Indonesia is 98.9 per cent electrified and aims to reach 100 per cent this year, said energy and mineral resources minister Arifin Tasrif, Indonesia, the fourth most populous country in the world, had plans for 35 gigawatts of new power to come online by 2019 but delayed its target to 2029 amid investor doubts. Mulyani said that the archipelagos Java and Bali islands could be over-supplied by up to 41.5 per cent this year while Halmahera island is estimated to be over-supplied by 202 per cent. The government is helping PLN to find new growth areas such as smelter projects that could need between 5-6 gigawatts of electricity.

So, both of the countries are competing in terms of infrastructure, both of the countries have the same policy but Vietnam doing it first since the year of 2019. Moreover, that is the reason why Indonesia still lacking in terms infrastructure during the past years. Vietnam also has been focusing on infrastructure development to meet the increasing demand of the whole society.

Product Market

3rd Pillar: PRODUCT MARKET			
Trade Openness			
9	Prevalence of Non-Tariff Barrier	4.3	5.9
10	Trade Tariff	5.56	8.4
12	Border Clearance Efficiency	2.7	3

Source: 2 The Global Competitiveness Index 2019

For the 3rd pillar which is Product Market, Vietnam Prime Minister, Nguyễn Xuân Phúc stated that Vietnamese businesses should work with foreign-invested enterprises for mutual benefits, while continuing to defend and protect Vietnamese goods, protect key products, and avoid litigation from foreign trade. The Prime Minister also suggested fighting trade fraud, smuggling and handling violations of intellectual property rights, creating a fair, open and transparent business environment, and reducing import and export costs of commodities. Vietnam remains heavily exposed to global economic sentiments, given its high trade openness and limited policy buffers.

As for Indonesia, Trade Minister, Enggartiasto Lukita, said that Indonesian government has set itself the target of concluding 12 trade agreements, including eight with non-traditional markets in 2020, as part of its strategy to boost exports. The diversification of export markets focusing on the non-traditional market is necessary to respond to the current uncertain global economic situation involving the main export markets for Indonesian products. Other than that, World Bank Chief Economist in Indonesia, Frederico Gil Sander, stated that, in the midst of an unfavorable global situation, export growth is projected to weaken. Import growth too is expected to weaken in line with the slowing investment growth. In the meantime, government policies to restrict imports are expected to continue to be enforced.

Market Size

6th Pillar: MARKET SIZE			
		Indonesia	Vietnam
2	Import of Goods and Services	21.9	106.7

Source: 3 The Global Competitiveness Index

For the 6th pillar which is Market Size, the Export value grew just over 5% to $13.2 billion in 2018 from $12.5 billion the year before, according to the Indonesian Textile Association. Still, Vietnam’s customs department reported $30.5 billion in textile and apparel exports in 2018, up nearly 17%. The regulatory landscape also can be a minefield. For example, some imports needed for manufacturing require a letter from the Ministry of Industry that is supposed to be issued in the maximum five days but typically takes three to six months or more. While Vietnam does not require a company to have an import or export license to set up a trading company. However, to be able to conduct import or export business, a foreign investor must register with the Department of Planning and Investment (DPI).

In Indonesia, on December 26 2019, the MoF issued a new regulation regarding the provisions on customs, excise and tax on import of parcels (PMK-199). PMK-199 is issued in order to revoke the previous MoF regulation No. 182/PMK.04/2016, as most recently amended by 112/PMK.04/2018. It was issued in order to protect the national interest in connection with the increasing volume of imported goods through the mechanism of the import of parcels and to encourage the growth of domestic industries.

In Vietnam, there are two main requirements deciding whether a trader may take advantage of CPTPP (Comprehensive and Progressive Agreement for Trans-Pacific Partnership) import tariff rates available under Decree No. 57: (1) whether goods 'originate' in a CPTPP member country; and (2) goods must be imported into another CPTPP member's territory.

(1) Originating Goods

To be an 'originating good', a good must be grown, raised, caught, hunted, mined, or extracted within a CPTPP member country. A product that is made from materials originating in a CPTPP territory would likewise be originating, as would a product that has undergone substantial manufacturing within CPTPP member territories. The actual manufacturing inputs required to qualify as good as CPTPP-originating are product specific.

(2) Member Countries

Only member countries who have legally adopted the CPTPP and notified other members of their adoption may enjoy preferential tariff rates. It includes the first six members to ratify the CPTPP (Australia, Canada, Japan, Mexico, New Zealand, and Singapore), and Vietnam, the seventh member to ratify. Annual tariff rate reductions occur on 1 January of each calendar year following ratification. The first six members and Vietnam have completed two rounds of tariff cuts on CPTPP originating goods, with round three cuts set to occur on 1 January 2020.

Labour Market

7th Pillar: LABOUR MARKET			
		Indonesia	Vietnam
7	Internal Labour Mobility	4.7	5

Source: 4 The Global Competitiveness Index 2019

For the 7th pillar which is Labour Market, Internal Labor Mobility Indonesia has a level of 4.7 out of 7. In contrast, Vietnam has a level of 5.0 out of 7. Vietnam is the top country by internal labour mobility - value among 2 countries. As of 2019, internal labour mobility - value in Vietnam was 5.02 on a 1-7 scale (best) that accounts for 51.78% of total internal labour mobility. The 2 countries (others are Indonesia) account for 100.00% of it. The total internal labour mobility - value was estimated at 9.69 on a 1-7 scale (best) in 2019.

In Indonesia, both domestic and foreign companies have long complained that a number of rules stipulated in the 2003 Labor Law, especially those on severance allowances, are too rigid and have become one of the biggest barriers to new investment in the country. The 2003 law requires employers to give severance compensation and service benefits amounting to up to 17 months of salaries, depending on the years of employment, to workers who are dismissed. Even employees who are detained by the police as criminal suspects are entitled to get living allowances for their families, ranging from 25 to 50 percent of the monthly salary for up to six months. The working hours is 40 hours per week. President Joko Widodo's planned Omnibus Law on Employment Creation Act may hurt domestic workers, mainly because it will revise regulations on salary, working hours, and worker protection. Iqbal (2020), Chairman of Confederation of Indonesian Labor Union (KSPI) officialy said, "Our concerns are that the Omnibus Law will harm labor because some of the regulations will allow foreign unskilled worker (to be employed), it will be a massive use of outsourcing, flexible working hours, and a change in payroll scheme from monthly to hourly."

While in Vietnamese labour law requires employers to make severance payments to terminated employees who had been regularly working for the employer for 12 months or more. The severance allowance is equal to one half of one month's wage for each year of employment. Salary for the purpose of calculating the severance allowance is the average salary under the employment contract for the six months immediately preceding the termination of the employment contract. The working hours is 48 hours per week. The Vietnamese workforce reached 55.8 million last year, and increase to 417,100 compared to 2018, reported the General Statistics Office. While the revised Labor Code will not take effect until January 2021, it is expected that changes to labor representation will begin to be implemented in 2020. The new code will also raise the legal retirement age and include new national holidays. The government could deem that an energetic independent union leader is in violation of the Criminal Code, including vague provisions that bar “conducting anti-state propaganda” or “abusing freedom and democracy to infringe upon the interests of the state”, and simply arrest them.

Innovation Capability

10th Pillar: INNOVATION CAPABILITY			
Research and Development		Indonesia	Vietnam
4	Patent Applications	0.07	0.21
4	International co-invention	0.03	0.12
5	R&D Expenditure	0.1	0.4
6	Research Institution Prominence	0.01	0.02
Commercialization			
9	Buyer Sophistication	3.6	3.9
10	Trademark Application	185.34	385.36

Source: 5 The Global Competitiveness Index

For the 10th pillar which is Innovation Capability, specifically the Third aspect which is international co-invention, Indonesia has a level of 0.03/million population while Vietnam has a level of 0.12/million population. In this aspect Vietnam is surpassing Indonesia. In patent application Indonesia has a level of 0.7/millions population while Vietnam has a level of 0.21/million population. In R&D Expenditure or Research and Development Expenditure that being given by the government through the country Gross Domestic Product, Indonesia has a level of 0.1 of the GDP while Vietnam is having 0.4 of the GDP. Indonesia has a level of 3.6 out of 7 while Vietnam has a level of 3.9 put of 7, means that Vietnam’s sophisticated buyer is better than the one in Indonesia, so if there are any products of innovation we would know if the goods are being commercialized appropriately or not. Indonesia has a level of 185.3/million population, while Vietnam has a level of 385.36/ million population.

In Indonesia, one of the primary roles of government related to innovation is formulating S&T development policy. This function has been assumed by the Ministry of Research and Technology and Higher Education (MRTHE). The government not only facilitates and creates a supportive environment for innovation but also actively drives, conducts, and, in some cases, even leads to R&D activities. While in Vietnam, the government also decides on the priority sectors for R&D. During 2011–2016, S&T development and innovation were specified as among the highest priorities under the Socio-economic Development Strategy, 2011–2020 and the Socio-economic Development Plan, 2016–2020. In 2015, the Minister of Science and Technology identified five key measures for S&T: (i) significantly and consistently upgrading the organisational structure, management mechanism, and operations of S&T activities; (ii) mobilising resources to implement S&T development orientations; (iii) continuously strengthening national S&T potential; (iv) developing the S&T market, S&T entrepreneurs, and S&T-related services; and (v) promoting international integration in S&T.

According to Minister of Research and Technology Bambang Brodjonegoro, "The second focus is to encourage more entrepreneurs in the country. This second combination is needed," the minister said. The issue of human resources becomes a big factor which until now still hampered Indonesia from becoming a big player in the field of research and innovation, according to the minister. Therefore, Indonesia must begin to measure human resources, including the millennials, so that they can later be at the forefront to encourage research and innovation in the country.

Vietnam Deputy Minister of Science and Technology Pham Cong Tac stated that to sustainably increase GII. Vietnam needs to pay more attention to innovation input, especially indices about IT infrastructure, IT application, business environment, legal regulations, and the workforce. In 2020, the Prime Minister has issued Instruction No.09/CT-TTg about facilitating innovative start-up businesses. He also asked the Ministry of Education and Training to select potential technological start-ups in the higher education environment. Presently, three support centers for innovative start-up have been built in three universities to develop the innovative start-up ecosystem in education. Solutions and suggestions on boosting start-up activities in universities and on connecting businesses and educational institutes have been proposed.

Health

8th Pillar: HEALTH			
		Indonesia	Vietnam
1	Health Life Expectancy	62.7	65.8

Source: 6 The Global Competitiveness Index

For the 8th pillar which is Health, Vietnam has a longer health expectancy compared to Indonesia, this means that Vietnam has a better health quality compared to Indonesia. According to the latest WHO data published in 2018, life expectancy in Indonesia is: male 67.3, female 71.4, and total life expectancy is 69.3 which gives Indonesia a World Life Expectancy ranking of 124, and as for Vietnam is 71.7 for male and 80.9 for female, and total life expectancy is 76.3 which gives Vietnam a World Life Expectancy ranking of 55.

The Vietnam Ministry of Health has recently issued Decree No.155/2018/ND-CP, which has many positive changes towards cutting procedures and creating favourable conditions for businesses in tenders, drug imports, and others. In terms of the medical device sector, the new Decree 169 slashes some regulations in Decree 36 in line with Resolution No.01/NQ-CP on cutting business conditions, which will ease the business of trading medical equipment. According to the MoH's Department of Medical Equipment and Works, this will create a legal framework for the management of medical equipment, in the new development period, increase international integration while meeting international norms. Additionally, the Vietnam government also encourages foreign investment by putting forward a wide range of incentives for private healthcare sector, such as incentive tax rates (corporate income tax rate of 10% throughout the project life span). According to Vietnam prime minister at of the end of 2019, social insurance had covered nearly 16 million people, equivalent to 32.3 per cent of the workforce, and health insurance nearly 86 million people, or 90 per cent of the country's population. Given this, Vietnam has basically achieved the target of health insurance for all ahead of schedule, the PM said, adding that it took some developed nations 40 – 80 years to attain universal health insurance coverage.

The Health Care and Social Security Agency (*BPJS Kesehatan*) has recorded a deficit of Rp15.5 trillion (US$1.13 million), 51.56 percent lower than the late-2019 projection of Rp32 trillion, Finance Minister Sri Mulyani Indrawati has said. The reduced deficit could be largely attributed to the government's Rp13.5 trillion cash injection provided through Presidential Decree No. 75/2019, she said. "With the Presidential Decree, we were able to provide Rp13.5 trillion to *BPJS Kesehatan* in the period between August and December (2019). It has helped to reduce BPJS' deficit from the projected Rp32 trillion to Rp15.5 trillion," Sri Mulyani said, as quoted by kompas.com. The cash injection was made to cover the difference in premiums between low-income customers, known as contribution assistance recipients (PBI), and earning employees (PPU). The minister went on to say that the government had allocated an additional Rp48 trillion to help BP*JS Kesehatan* fulfil its obligation to finish reimbursing 5,000 Medical Centers And Hospitals.

Institution

11th Pillar: INSTITUTION			
Security		Indonesia	Vietnam
1	Organized Crime	4.3	4.6
2	Homicide Rate	0.4	1.5
3	Terrorism Incidence	96.8	100
9	Freedom of the Press	36.8	74.9
Public Sector Performance			
12	E-Participation	0.62	0.69
24	Energy Efficiency Regulation	25.7	72
25	Renewable Energy Regulation	53.7	66.7
26	Environment-related Treaties in Force	22	23

Source: 7 The Global Competitiveness Index 2019

For the 11th pillar, Institution Indonesia has a level of 4.3 out of 7 while Vietnam has a level of 4.6 out of 7, this is signalling that Indonesia still have a lot of organized crime compared to Vietnam. Second homicide rate Indonesia has a level of 0.4 while Vietnam has a level of 1.5, means Indonesia still have a lot of homicide happen in that country compared to Vietnam. Third, terrorism incidence, Indonesia has a level of 96.8 out of 100 while Vietnam has a level of 100 out of 100, means Indonesia is still there a terrorism incidence while Vietnam does not have any incidence.

E-participation Indonesia has a level of 0.62 out of 7 while Vietnam has a level of 0.69 out of 7, in this aspect Vietnam is surpassing Indonesia. Energy efficiency regulation, Indonesia has a level of 25.7 out of 100 while Vietnam has a level of 72.0 out of 100, this indicator Vietnam surpassing Indonesia with a very wide gap which almost a half of it, meaning that Vietnam has a better regulation in order to manage their energy well to make it more efficient to use. Environment-related treaties in force Indonesia has a level of 22 out of 29 while Vietnam has a level of 23 out of 29. In renewable energy regulation, Indonesia has a level of 53.7 out of 100 while Vietnam has a level of 66.7 out of 100. Vietnam is surpassing in this indicator means that Vietnam's government has better regulation for their renewable energy.

In the past two years, the Jokowi administration has begun to take three major security threats more seriously: potential conflict in the South China Sea, the growth of militant groups linked to the Islamic State, and maritime piracy. China's increasing assertiveness in the South China Sea has become far more apparent to Indonesian opinion leaders, as has Indonesia's lack of modern maritime vessels. With this encroachment, Beijing is threatening waters near the Indonesian Natuna Islands. Lastly, Jokowi administration has attempted to take a stricter approach to piracy and other transnational crime in Southeast Asia. Jokowi often speaks of Indonesia's need to be more effective in combating illegal activities in Southeast Asian waters, including piracy, people smuggling, drug smuggling, and illegal fishing. Meanwhile, the security threat in Vietnam is more to cyber-attacks. According to the Authority of Information Security under the Ministry of Information and Communications, Vietnam suffered 620 cyber-attacks in the first quarter of 2019, down 21.17 percent compared to the last quarter of 2018, and 49.82 percent compared to a year ago.

Renewable energy projects fall within the scope of legislation applicable to all types of energy projects in Vietnam – that is, laws on electricity, construction, environment, and so on – and in the adoption of such laws Vietnam has scope to develop a distinct legal framework for renewable energy projects. While in Indonesia their regulation is not as strict as before, yes Indonesia is also having their own regulation Energy and Mineral Resources Ministerial Regulation No. 31/2009 on new and renewable energy development. However, it is come uncertain like Indonesia is having a very wide renewable energy source, but the government could not handle it really well so in the end, it would consumed the country's GDP itself for funding the subsidies of that renewable energy.

A report based on two years of World Bank support to the Government of Vietnam recommends new approaches to bidding and deployment for solar projects that will help Vietnam substantially boost and effectively manage its abundant solar energy resources. The report comes as Vietnam is considering moving from a feed-in-tariff (FIT) policy to a competitive bidding scheme for solar projects to reduce the cost of solar generation. The FIT has been successful in recent years, spurring the fast deployment of projects at a time when Vietnam has also become a world leader in solar module manufacturing. However, this success has also given rise to new issues, including curtailment — or underuse of solar generation capacity.

Indonesia's state electricity company, *Perusahaan Listrik Negara* (PLN), is at risk of producing more power than needed as new plants start-up and demand grows more slowly than expected, the electricity ministry said. Indonesia's electricity demand grew just 3.8 per cent year-on-year in January, and growth of 4.5 per cent in 2019 was below the government target of 6.3 per cent, Rida Mulyana, the energy ministry's director-general told.

ICT Adoption

12TH Pillar: ICT Adoption			
		Indonesia	Vietnam
3	Fixed Broadband Internet Subscription	2.3	11.8
5	Internet Users	25.5	46.5

Source: 8 The Global Competitiveness Index

For the 12th pillar which is ICT Adoption Fixed broadband Internet subscribers in Indonesia was reported at 8,781,060 in 2018 while Vietnam is reported to have 12,994,451, according to the World Bank collection of development indicators, compiled from officially recognized sources. Moreover, Internet subscribers in Vietnam was reported at 12,994,451 in 2018, according to the World Bank collection of development indicators, compiled from officially recognized sources. According to a study conducted in cooperation with Indonesia Internet Provider association Indonesia have 171 million people of 64.8 percent of the total population of 264 million population are connected to the internet, while in Vietnam there are 64 million people of 66% population in Vietnam. Indonesia has the internet speed of 6.9mb/s while Vietnam has the internet speed of 14.1mb/s.

As for Indonesia, Rudiantara as the ministry of Communication and Information stated that Indonesia still lacking in terms of ICT Infrastructure, proven by only 0.1 of GDP being used for the development in ICT, he also said that the diversity in ICT still has not reach all the region in Indonesia, so only people in a big city could access the internet. At the beginning of 2019, the government agreed to experiment using a telecommunications account to pay for the goods of small value through Mobile Money despite a significant impact on the bank.

Vietnam also has a strong IT community in foreign countries, and that attract them to start up their own business in Vietnam or contribute their part to the country's tech firms which will help foster growth. The country has been gearing up for the fourth industrial revolution. Earlier, OpenGov (2019) reported that in line with the make in Vietnam mission, the country's Minister said that there must be close cooperation among three specific groups of start-up stakeholders that create innovative technology products. Firstly, start-up technology firms, which leverage current technologies to develop new products or solutions for other companies. Secondly, giants in the field. Lastly, companies that work in other fields of commerce, services, real estates, and telecommunications but now intend to invest more heavily in technology. Deputy Minister of Information and Communications Pham Hong Hai stated that his ministry is researching suitable management methods, especially the legal frames, to promote the sustainable growth of telecommunications and novel digital services such as no-cash payment in Vietnam.

Ease of Doing Business

For starting of doing business Indonesia has a rank of 140 while Vietnam has a rank 115. Basically, Vietnam and Indonesia both having the same level on Cost with 97.2 and paid-in min capital with 100.0 the things that difference them is Vietnam surpassing Indonesia in procedures indicator by 17.6 point greater with Indonesia, Indonesia has a level of 41.2 while Vietnam has a level of 58.8. and Indonesia surpassing Vietnam by 6.1 points in Time indicator, Indonesia has a level of 90.5 while Vietnam has a level of 84.4.

For the time indicator Indonesia is leading since Indonesia have a short term of amount to taking care their legal contact when they wanting to starting to do a business while Vietnam take a longer time. Indonesia mostly using the online method while Vietnam is not doing the online method, most of the people tend to use the offline method since the online method turns out to take a longer time than the offline one. The advanced of time is so much needed when they about to do business, the faster they could get on starting the faster for them to do all the productivity.

For the procedure indicator, Indonesia is still left compared to Vietnam. Well technically both of the procedure is just the same, they need to registering the company name, taxation, permit for using a labour force and registering for health insurance but Indonesia is somehow more complicated compared to Vietnam. Vietnam only need one step to registering the company to the legal agent, while Indonesia could not do it in one go after they finished the first one they need to take another legal documents to be registered only when they following a certain step to the same legal agent, so the process is so complicated in Indonesia. But for another thing as taxation and all it simply the same.

Economic Performance

For Vietnam economic performance after peaking at 7.1% in 2018, real GDP growth in 2019 is projected to slightly decelerate in 2019, led by weaker external demand and continued tightening of credit and fiscal policies. Real GDP growth is projected to remain robust at around 6.5% in 2020 and 2021. Annual headline inflation has been stable for the seven consecutive years – at single digits, trending towards 4% and below in recent years. The external balance remains under control and should continue to be financed by strong FDI inflows which reached almost US$18 billion in 2018 – accounting for almost 24% of total investment in the economy.

For Indonesia economic performance, at 2018 Indonesia's GDP is 5.2 percent and the real GDP is projected to be lower into 5.1% The country's drivers of growth shifted over the first quarter of 2019. Growth in fixed investment decelerated from multi-year highs, while both private and government consumption picked up. For the inflation rate in 2019 Indonesia is on the level of 3.21%. for the FDI inflows, according to (NASDAQ, 2019)Indonesia booked a total of $28.2 billion incoming FDI, excluding investment in banking and oil and gas sectors,

CONCLUSIONS & SUGGESTIONS

Conclusions

1. The first pillar is infrastructure; Indonesia still lacks in infrastructure while Vietnam is one step advanced. It happens since Vietnam is taking the same decision as Indonesia but a year prior. Vietnam is more focusing on building their infrastructure while Indonesia

is just aware of that thing this year. Also, Indonesia should improve their new renewable energy so they could expand their electricity supply through the entire country.
2. The second pillar is product market; Vietnam is surpassing Indonesia because both countries is indeed making the same decision in doing the export and import. However, Vietnam is less rigid compared to Indonesia, they tend to make it easier to all of the import that about to enter the country.
3. The third pillar is market size; Vietnam is surpassing Indonesia because Vietnam is less strict in import and export matters.
4. The fourth pillar is labour market; Vietnam is surpassing Indonesia because Vietnam has longer working hours and the compensation is also bigger in Vietnam compared to Indonesia. Moreover, also the new regulation, Omnibus Llaw that Indonesia made is most possibly could not bring welfare for the domestic labour force in Indonesia since the unskilled labour from foreign country could easily come to Indonesia, while Vietnam hears their work force's voice well by changing their code law of labour so their labour could live with more welfare.
5. The fifth pillar is health; Vietnam is surpassing Indonesia because Vietnam government encourages foreign investment by putting forward a wide range of incentives for the private healthcare sector, such as incentive tax rates, while in Indonesia they doubled up the premium instead.\
6. The seventh pillar is innovation capability; Vietnam is surpassing Indonesia because they have a very clear regulation in terms of Research and Development, while Indonesia only supervises it.
7. The eighth pillar is institution; Vietnam is surpassing Indonesia since the security threat is not as much as Indonesia, the only threat they need to overcome is the cyber-attack while Indonesia is having various dangerous attacks. Furthermore, the regulation for renewable energy is also clearer in Vietnam, Indonesia is indeed taking action but it is not working as it should be. Moreover, Vietnam also could effectively use their renewable energy while Indonesia still could not make it more efficient, in the end it would only consume the country's funds
8. The ninth pillar is ICT Adoption, the reason why Indonesia is still lacking is because the internet in Indonesia is slower compared to Vietnam and the accessibility of Indonesia is also still lacking in remote areas.

Suggestions

1. Indonesia should improve its infrastructure development so it will not get left behind by Vietnam.
2. Indonesia should lower the tax rate for the import fee to attract investor to come to the country.
3. Indonesia should be more flexible when dealing with the international trade, safety is indeed needed, but the government should notice that they need to take care of all the legal permission faster so the investor will not wait longer.
4. Indonesia should arrange the standard wage bigger than Vietnam, so they could catch up with Vietnam and maximizing their labour mobility. Also, Indonesia maybe could revise the Omnibus Law so it could protect both worker from foreign and domestic worker.
5. Indonesia should make tax incentives as their funding for the B*PJS Kesehatan* instead of doubled up the premium which only burdened some of citizens who cannot afford that.
6. Indonesia should make a legal framework for the invention matters.
7. Indonesia should increase their level of security so any harmful threat can be taken care of. Also, Indonesia should prioritize safety, and also Indonesia should maximize their regulation on renewable energy so it could be used well.
8. Indonesia should build faster internet connections, and expand the connectivity, so all the region in Indonesia could be enlightened by the new technology, so that they could compete with other nearby countries.

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