Tạp chí Lý Luận Chính Trị Và Truyên Thông

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In the process of renovation in our country, the transition from the model of a state managing the economy by command to a tectonic state means a profound change in the relationship between the state and the market. The State plays an important role in building and enforcing laws to ensure healthy competitive market relations without direct intervention in the market. Therefore, resolving the relationship between the state and the market is an important task in building the tectonic state in Vietnam today.

1. Building a tectonic state in Vietnam

Tectonic state

The term "tectonic state" was introduced by researcher Chalmers Johnson in the 1980s when he studied the miraculous development of Japan. He realized that in this miraculous development there was a very important role of the state. The Japanese state not only created a framework for development but also directed and promoted that development. Later, in addition to Japan, South Korea, China and many other developing countries... were all seen as tectonic states.

The very basic characteristic of this state model is that the State directly sets out an industrial development plan (with great ambitions) and invests heavily in mechanisms, policies and many other incentives to promote industry development. According to the researchers, this is the model of state positioned between the regulatory state (according to free market doctrine) and the centrally planning state (according to the traditional socialist model). The tectonic state does not stand out of the market, but does not replace the market; instead, it actively intervenes in the market to promote development and realize the development goals it sets out.

Building a tectonic state in Vietnam

In Vietnam, the term "developmental government" was first introduced in an article by former Prime Minister Nguyen Tan Dung in 2014. However, this term has become a practical direction of reform only since former Prime Minister Nguyen Xuan Phuc made a commitment to build a "Developmental government of integrity and enthusiastic actions serving the people" in his inauguration speech; and he has put a lot of efforts in fostering the implementation of such a government recently.

In the condition of Vietnam, in order to create development and to build a tectonic state, it is necessary: firstly, to actively design a good legal system, good policies, good institutions to nurture the developing economy, not passively deal with movements in reality. Secondly, the State does not change the market, neither intervene in the areas that the market or the private enterprises can handle themselves; instead, the State creates conditions for the enterprises to do their jobs. The State will only invest in areas where private enterprises cannot. Thirdly, to establish a favorable business environment, which is not only ranked top of ASEAN countries, but also equal to the criteria of OECD's ones. Fourthly, words must be accompanied by actions; discipline must be tightened, especially officials who do not meet job requirements must be replaced immediately. It is necessary to build e-government, e-commerce, e-court, etc. This is also an important factor in building a tectonic state.

With the above viewpoints, the construction of the tectonic state in Vietnam requires more dynamic actions in building institutions and laws, not just governing on the basis of what the laws has already had. The state apparatus must be more dynamic, more innovative, absorbing the world's lessons to utilize along with the Party's guidelines and policies to be more proactive.

2. The relationship between the state and the market in building the tectonic state in Vietnam

The state's intervention in the market

The role of the State in the economy is very important, however, there are differences between countries, regarding stages of development and economic issues. The general trend is that in developed countries, governments are less directly involved, yet they mainly use macro policy tools to affect the market. However, many governments still have state-owned enterprises and rely on making industrial development policies such as in the cases of Japan or Germany.

For transitioning countries like Vietnam, the functions of the Government should be adjusted, economic interventions should be selected, and measures should be distinguished for different enterprises with different forms of ownership through their independent management rights within the framework of the laws. The government remains important in direct market interventions in the present time with the aim of reducing the role of direct government intervention in the future. The reason is that in the conditions of transition from a backward economy to a market economy, without the guidance of the State, this process cannot be successful.

However, in Vietnam, the level of state direct intervention in the market is still high with many specific decisions from the Government and local authorities to intervene in the market and in the specific areas of goods and services. This is obviously not a good governing habit of the government, so it is necessary to plan a roadmap to gradually reduce the management activities of the government which directly intervene in the market.

All state management activities in economic matters are related to the management and control of the operation of enterprises when participating in the market. However, the governance of the Government should be placed within a certain limit as these activities affect the efficiency of the market. Therefore, on the whole, respecting objective market relations remains the smartest management activities of the State.

It is necessary to limit the direct intervention of the State in economic activities, because, in essence, the government has greater power than people and enterprises. Without restrictions, it is difficult for state authorities to reduce harmful interventions to the economy. For example, there are too many types of fees set by local authorities. As a result, businesses will forecast the government’s intervening management activities, select investment sectors and projects with short-term benefits and bribe state officials to achieve their goals. Due to history and many reasons, the relationship between the government and Vietnamese enterprises is quite complicated. State management agencies are always in the position of the superior, having the right to endow benefits. This is one of the reasons for the mechanism of asking and giving, and the enterprises who wish to prosper must be associated with public authorities. Therefore, in our country, it is necessary to build an equal relationship between state authorities and enterprises who all participate in the market. It is important that these relations are based on an effective legal system.

The role of the tectonic state in establishing and implementing the legal system, creating an environment and conditions for enterprises to form and develop.

Only the laws can ensure the level of state intervention in the market in accordance with the requirements of the developmental state, creating the environment and conditions for enterprises to form and develop as per desired. Lawmakers have pointed out that the economic legal system has two basic functions: First, the laws regulate and restrict direct state interference in the economy. Second, the laws regulate the trading activities of enterprises and individuals to create a healthy competitive environment, clearly identifying and well protecting the property rights, ensuring contracts' effectiveness. In essence, the two functions of the laws, governing the relationship between the state and the market through legal institutions, both aim at positive and sustainable economic development.

Another function of the laws regarding the relationship between the State and the enterprises is to ensure the fairness for terms and contracts. This can only be achieved when the Government separates the function of macro-management from micro-economic decisions. Protecting property rights, creating a fair competitive environment, doing antitrust and securing contracts are fundamental issues for economic development as they are necessary to forge solid commitments between and among economic entities. Without guaranteed contracts, enterprises cannot be proactive because they are worried about the opportunistic behavior of other parties in the transactions. But in establishing a well-organized and disciplined market environment, the guarantee of contracts and competition must become the rule of thumb in place of the government's freedom of decisions. The laws must clearly address this issue.

The importance of the laws is to ensure that ordinary people can also limit the power of the government with legal institutions. Only the laws can guarantee the safety of free business. If government interference in market operations is not restricted, the freedom of business is not guaranteed and there will be no modern market economy.
It is possible to establish a credible commitment of the government through the development and enforcement of a legal system that restricts state governance that directly interferes with business activities. Within the framework of the laws, the Government cannot arbitrarily interfere with these business activities. Enterprises that believe in a solid and friendly business environment will have the motivation to make long-term investment decisions. When enterprises are facilitated to develop well, the State can collect more taxes.

Through the above analysis, it is possible to see a paradox of power. Along with increasing power, it is easy for governments to act on power that makes commitments less reliable. If enterprises don't trust government policies, they won't increase investment or scale up their operations. So, having a legal system governing the behavior of the government will make the commitments of the government more reliable, which in turn benefits the government.

The tectonic state, of course, must ensure the effectiveness of law enforcement, handle and eliminate business misconduct such as tax evasion, smuggling, trade fraud, counterfeiting, faking... to protect the genuine businesses.

Inadequacies in the relationship between the state and the market in Vietnam
In Vietnam's market economy, the tradition and modernity are intertwined. The vast majority of enterprises are small and medium. The majority of business relationships in the market are at the early market stage with small scale, low level of linkage between and among enterprises, and the laws have been neither fully developed nor strictly implemented.

Liberalization for economic entities is an indispensable requirement for a market economy. Therefore, the degree of corporate autonomy and market-oriented behavior are factors that determine the level of development of a country's real market economy. In our country, there are still some types of enterprises, especially State-owned enterprises that do not have full rights in using resources and in profit distribution and contract negotiations. There are still many Vietnamese enterprises operating non-market-oriented business, existing and developing based on the guarantee of the market and financial resources by the State, or based on exploiting loopholes in state policies or taking advantage of temporary loss of market supply and demand. Some state-owned enterprises are still receiving many incentives in capital, land provision and specific management mechanisms. The allocation and management of natural, financial and human resources does not follow the real market relationship with the existence of the begging-giving relationship.

In fact, currently, the legal system of our country mainly focuses on the function of managing the activities of enterprises and people, not on the function of limiting the arbitrary and local behaviors in the government's management. The system of business regulations still has a lot of regulations that are bothering business activities, hindering innovation and creativity, acting as barriers to market entry, increasing the business costs of enterprises. The implementation of legal regulations is still poor, leading to the fact that the enterprises have to pay more money and time to enter the market.

Some solutions to address the relationship between the state and the market in building a tectonic state in contemporary Vietnam

The purpose of a tectonic state is to accelerate the transition of our economy from a traditional market economy to a modern market one. Business activities are based on long-term and closely-organized links. Enterprises must be oriented to operate in a real market, neither to take advantage of state policies nor to create opportunities in non-transparent ways. To do so, in building a tectonic state in our country, there must be fundamental changes in resolving the relationship between the State and the market.

First, improving the whole state apparatus in a streamlined way that increases the strength, the effectiveness of management and law enforcement.

It is not just the question of developing laws, but whether they are rational. And what is more is how to implement these laws and regulations? A modern and well- organized market economy can only be formed on the basis of the government's implementing a serious and transparent set of governing tools.

The renewal of economic institutions contains the point of renewing public administration with the requirement that all regulations must be clear-cut, all processes are streamlined, publicized and transparent, civil servants perform their duties conscientiously and with integrity.

Second, a tectonic state must manage the economy and society by laws and effective indirect tools, not by direct intervening management activities.

The State needs to change the methods of legislating, moving from specialized ministries doing the drafting to independent agencies under the National Assembly performing the drafting. Thus, the new legal system can perform the function of handling the arbitrary management activities of sectorial managing agencies and authorities at all levels.

The legal system must ensure real and not formal freedom of business, and enterprises are entitled to take the initiative in doing business under the laws.

An effective economic management mechanism is that the state management agencies must reduce the management contents that are directly interfering with the business activities of enterprises and people.

The regulations on business conditions, sub-licenses which are currently the barrier to the development of enterprises must be reduced. It is necessary to establish an independent review committee to remove the current legal provisions and sub-law documents that are outdated and hinder development.

Third, the State focuses its wisdom on the efficient use of resources in infrastructure investment of the economy, creating favorable conditions for enterprises to develop their businesses.

Fourth, the State should focus on creating policies to encourage new enterprises, innovative enterprises, encourage the application of new science and technologies, new business models to increase productivity and efficiency. It is necessary to abolish policies that create local unrests, distort market relations and create opportunities for enrichment based on the abuse of policies and friendly relations with the government.

For Vietnam's economy to develop sustainably, it is necessary to build a tectonic state to ensure an equal and transparent relationship between the state and the market, complying with the principle that the state management mechanism is in accordance with market law. To do so, it is necessary to develop and implement the legal system to ensure a legal corridor for the activities of enterprises and market. At the same time, ensuring a transparent legal corridor for the management of government agencies and authorities at all levels is required. That is the basis for resolving the relationship between the state and the market in building a tectonic state in Vietnam today.

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