

V IETNAM'S PARTICIPATION IN ASEAN

I. DIFFICULTIES

On July 28, 1995, Vietnam became a full member of ASEAN and would take part in all ASEAN activities, especially in economic field. This is also the target we aimed at when we joined ASEAN. There are many points of similarity between Vietnam and ASEAN countries in geographical, historical, cultural and traditional features; and in the growing trend towards international co-operation, Vietnam wants to improve its cultural, economic and techno-scientific relations with other countries in the region. In the economic relation, however, we will meet with many difficulties which should be solved if we want to make the best use of the economic co-operation with ASEAN

countries:

1. There are many gaps in per capita GNP, percentage of savings in national income, trade balance, foreign exchange reserves, etc. between Vietnam and other ASEAN countries. For example, in 1994, the per capita GNP of Brunei was US\$18,500; Singapore 18,025; Indonesia 645; Malaysia 3,230; the Philippines 850; Thailand 2,085; while Vietnam stayed at US\$220. The percentage of savings in GNP of Brunei was 35%; Indonesia 38%; Singapore 48%; Thailand 37%, and Vietnam 7%.

2. Up to December, 1994, foreign exchange reserves of Brunei reached US\$30 billion; Indonesia 12.4 billion; Malaysia 32.5; Singapore 53.0; Thailand

28.1 and Vietnam US\$ 0.6 billion.

As for export turnover up to December 1994: Brunei earned US\$2.6 billion; Indonesia 37; Malaysia 48.4; The Philippines 12.4; Singapore 88.8; Thailand 41.2 and Vietnam 3.

3. ASEAN countries have got better infrastructure than Vietnam, especially the networks of roads (in cities or from cities to countryside), of railways, air routes, communications, water and power supplies. The good infrastructure has attracted foreign investors, made distribution of goods and international co-operation easier and more favorable. It will take Vietnam several years and some billion dollars to build such a good infrastructure. By the early

DIFFICULTIES AND SOLUTIONS



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twenty-first century, some ASEAN countries such as Singapore and Malaysia will become members of the club of newly industrialized economies, while Vietnam could just reach the first stage of export-oriented industrialization.

4. Regarding the economic structure, when the leading role of the industry (including traditional, manufacturing and high-tech industries) has been established, the better part of Vietnam GDP still comes from the agricultural production, instead of deriving from manufacturing industry. In Vietnam, the service industry lacks the right orientation, so it didn't help other industries develop. In

agricultural production, the percentage of market gardening is small because of lack of help from the manufacturing industry. It will take Vietnam a long time to change this economic structure.

5. In exportation, there are too many points of similarity between Vietnam and ASEAN countries, although there are also some differences. ASEAN countries, and Vietnam as well, are exporting their traditional products with some difficulty. Therefore they should be in competition with one another for foreign markets. This situation will put Vietnam in a more difficult position.

6. In technology transfer, ASEAN countries are looking for ways to transfer obsolescent technology to Indochinese nations with a view to buying modern technology from developed countries and modernizing their economic structure. This will be an unfavorable condition for Vietnam in the economic co-operation with ASEAN countries.

7. The trade relation between Vietnam and ASEAN countries is unfavorable. In the past 14 years, from 1980 to 1994, only 28% of Vietnam exports went to ASEAN countries. Goods from ASEAN countries represented 40% of Vietnam imports, while Vietnam exports occupied only 1% of their imports. It's a too small figure.

8. As for direct investment, from 1986 up to now, ASEAN countries represented only 10% of total projects and 11% of total foreign investment in Vietnam. These percentages increase moderately in 1995 due to Singaporean investment in the north of Hồng river and Malaysian investment in Đà Nẵng EPZ. Except for the two above-mentioned projects, most of ASEAN projects in Vietnam are small and technologically normal in comparison with projects invested by Western countries.

9. After joining AS-

EAN, Vietnam should take part in AFTA and carry out CEPT. By doing so, Vietnam could integrate into the broad ASEAN trading network, because CEPT agreement could increase trading profits of member nation by 3%; intraregion trade by 18% and export turnover by 50% by the year 2000. Thus, Vietnam will be in competition with stronger competitors whose manufactured goods represented at least 50% of their exports (in comparison with Vietnam's 20%). In such a situation, if the prime cost of a certain Vietnam product is from 5% to 7% higher than an ASEAN product of the same quality and design, it will be very difficult for Vietnam exporters to find a foothold in the ASEAN market. Contrarily, manufactured goods from ASEAN countries could sell like hot cakes in Vietnam because their design is nicer and their prices are cheaper. Moreover, ASEAN governments have taken many effective measures to encourage exportation business. All these factors could make Vietnam a supplier of labor and raw materials for ASEAN countries.

10. Joining ASEAN, Vietnam should give contributions to ASEAN funds (US\$200 million to the ASEAN monetary fund in return for the right to borrow US\$80 million in an emergency, for example), and take part in all ASEAN activities. There are around 200 conferences at various levels which Vietnam should send delegation to. This means we have to prepare qualified experts and money for these conferences.

Vietnam history, culture, society and people haven't become known by both laymen and professionals in ASEAN countries. They can only learn about Vietnam through studies done by foreign authors, American ones for example. The Vietnamese language hasn't provoked interest among ASEAN countries yet. In Malaysia, there are only 70 students who learn Vietnamese. This number reduces to none in Thailand. This is also a difficulty for us in foreign co-operation.

II. SOLUTIONS

In the present international situation, it's inevitable that we take part in ASEAN and confront a lot of difficulties. What we

should do is to prepare both objective and subjective factors to co-operate with ASEAN countries for the socio-economic development. The situation forces the Government to renovate the micro- and macro-economics, and adopt appropriate policies on taxation; fixing interest rate, exchange rate or controlling prices in order to make the best use of our small advantages.

In participating in AFTA and CEPT agreement, Vietnam should, by the year 2015, invest in technological innovation, change the structure of industry and increase the percentage of manufactured products in exports to at least 50%. In the coming years (1995 to 2000), Vietnam should set forth demand for ASEAN countries to give Vietnam preferential treatment (such as receiving soft loans from ASEAN funds).

In return for this, Vietnam should favor ASEAN countries who invest in Vietnam, and carry out bilateral or multilateral co-operation in solving common economic problems by making the best use of advantages of each country.

