

# BENEFITS AND CHALLENGES FOR VIETNAM'S ACCESSION TO THE WTO

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In the recent time, there are many debates and negotiations happening revolving the issue of Vietnam's integration in the World Trade Organization (WTO). This event attracts so much attention of many business people both local and overseas that they felt so sorry when hearing Vietnam can not join the WTO by the end of 2005. This has raised many questions that whether Vietnam will gain benefits and what challenges face it when being accessed to WTO. In this journal, I would like to brief the benefits and challenges for Vietnam and make some suggestions on what Vietnam should do to join this organization beneficially.

## 1. Benefits and challenges

Vietnam began to apply for the WTO accession in January, 1995. Up to now, it performed successfully bilateral negotiations with many countries, and only needs to negotiate with four remaining countries: the US, Mexico, Honduras, and the Dominican Republic before officially becoming the WTO member. These negotiations are at final completion stages.

The WTO entry will bring both benefits and challenges for Vietnam. As we know, in the situation of a rapidly changing economy at global scale, no country can expect to get all good things. It has to accept to give up something to get better things. Success will be small at first but grow bigger later. Vietnam is not an exception. Vietnamese Trade Minister Trương Đình Tuyển (2005) said that: "Any country entering the WTO had to accept some disadvantageous conditions because other members try to benefit their own businesses as much as possible."

Though Vietnam has trade relation with many country members of the WTO, it faces with many obstacles like anti-dumping laws, high tariffs that some countries such as the US, EU have put on it. Therefore, joining the WTO, Vietnam will have legislative system to protect it. If Vietnam has dispute with any country, it can resolve thorough negotiations and agreements on free trade of WTO allow it to do that. Second, being accessed to general playing ground, Vietnam will not deal with quotas and discriminations. This will help Vietnam establish a fair and mutual beneficial multilateral trade system. From here, Vietnam will be treated equally and respectfully. Third, accession to the WTO will help the country expand market, trade and attract foreign investment. This stimulates export, creates jobs for society, and spurs social economic development. Once foreign investors come, they not only bring capital, good

management, but new and advanced technology as well. It creates high competition, leading to better products with cheaper price for consumers. Besides, it also forces local companies to improve themselves continuously to survive. Consequently, whole country economy develops. Fourth, being the WTO membership requires Vietnam to adjust and change radically to be in accordance with common international trade laws. This will speed up internal reformation process. It also pressures the government to change old-fashion economic execution and management style, ends subsidy management lasting long in the society. Serious competition results in rapid technology changes for economy, urges enterprises privatization that take place still slowly in the society. Finally, but not last, as a poor country, Vietnam's economic development is behind other countries for tens of years. It needs very long time to catch up



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with others. Integrating the WTO is also a mean for it to shorten time to develop since it helps Vietnam to have quick access to capital, know how, modern technology, global market to accelerate the development.

However, no country gives freely something to a country. On the way of integration in the WTO, Vietnam certainly deals with so many challenges.

Opening the market to let foreign investors come in with good management, advanced technology also means that they will compete and defeat local firms out of play ground. Moreover, the majority of enterprises in Vietnam are small and medium sized. They do not have experience and not well prepared in global competitive environment. Second, as a later comer, Vietnam may face with difficulty that other country members have shared delicious cakes, controlled current regulations benefiting them. Third, in a big play ground with many giants and players, Vietnamese government is required to act promptly and effectively in a high speed game. Fourth, society today develops basing on advanced technology, skill and knowledge. This causes many difficulties for Vietnam with traditional comparative advantage based on natural resources and cheap labor cost. These factors are no longer crucial in creating competitiveness.

Fifth, accession to WTO requires Vietnam to change many trade laws, remove subsidy policy, reduce tariff, etc. it challenges Vietnam a lot in trade. According to Đỗ Hoài Nam (2006), implementation of international commitments causes difficulties for Vietnam. Many regulations in trade, service and intellectual property right are quite new to Vietnam. Sixth, as a poor country with weak voice on international play ground, Vietnam has to face many pressures from developed countries. It is a fact that developed countries talk and promise more than they perform, even cause some dangers to poor countries. Seventh, WTO integration makes member interdependent.

Bad changes or crisis in the organization will lead to crisis in Vietnam immediately. Crisis in Thailand, Taiwan, Indonesia, and South Korea in 1997 illustrates for this problem. Eighth, to integrate in WTO, Vietnam has to adjust and create economic mechanism to be accepted in sell its products to other countries while goods from others also flood its market easily. This play game is sometimes not balanced.

## **2. What Vietnam should do and prepare to integrate into the WTO**

As we analyzed above, benefits and challenges will come at the same time when Vietnam join WTO. However, this does not mean Vietnam should delay the integration. It is because if we let time go by, conditions and global circumstance will be more complicated and hard. Nguyễn Đình Lương (2006) indicated that: "China, for instance, is a country with an enormous economy. They had more to lose than our country, but they used the competitive pressure of integration and WTO membership to drive the development of the country." He also told the case of Taiwan and South Korea. They had smaller share at the beginning, but they knew how to adjust and change the situation. Then they have gained benefits and become economic tigers in Asia.

In order for Vietnam to be successful in transforming the opportunities in benefits and overcome challenges, it should prepare and perform many things. First, it must take proper actions to gain WTO membership. From now to the time of APEC summit conference in November 2006, it should finish negotiation with the US. Once it succeeds in signing agreement with the US, it is easy to pass with the three remaining countries.

Second, Vietnam should revise and change radically many of its laws to meet requirements of international trade practices. This factor will strengthen com-

petitive capacities of business in the global market.

The third step is Vietnam must create fair competitive environment for both local and foreign enterprises, build up economic institutions that is absolutely market oriented, and remove subsidy policy.

Fourth, since the majority of Vietnam enterprises are small and medium and their awareness of challenges in WTO accession is limited, the government should act as legal protector to support them. It also needs to provide information and helps consulting these enterprises by holding frequent meetings, forming information agencies at State level, enhancing human resource training.

Fifth, Vietnam need to unify opinions from governmental management level to local level, let all levels understand the importance of WTO accession and know what they should do and prepare. Integration in WTO requires an assessment of its influences on social issues and poverty. That is why "Active international economic integration is not simply to reduce protection of domestic production, but also an overall and concerted campaign of the whole country in all fronts, political, economic, culture, social, and environmental alike", said Nam (2006). All of these should be done and prepared in a consistent way.

Sixth, Vietnam must gradually remove and eliminate subsidy, monopoly, clarify economy, speed up State own enterprise reform, especially State owned enterprises privatization process. It should enhance capacity of labor market, capital market, banking system, etc.

Seventh, Vietnam should step by step build up quality and technique standards in the line of international standards in order to penetrate in global market. This is a hard task but once it approaches successfully, its competitive capacity will be improved.

Eighth, Vietnam should have policy or policy to protect resources since once many giants



and big players come with open market, these resources may fall in their hands. It should limit material sales but orient production economy.

Ninth, diversity economy is also another basic step to help Vietnam maintain and enhance self-sufficient capacity so that it will not heavily depend on other countries.

Tenth, Vietnam should consolidate with WTO members and those not to be accepted to work and pressure in the hope that they can balance interests of poor and rich countries. Once they are successful, the organization can reflect its original aims of multi-lateral trade fairly.

In reality, there are some countries are not able to gain benefits when accessing to the WTO, but some, especially developing countries in Asia have made full use of WTO beneficial regulations to speed up its own foreign trade. Integration in WTO in the situation of Vietnam economy, the most beneficial thing is the change and adjustment to be in line with international popular playing rules. This is an opportunity for Vietnam to look back its policies, laws. Whatever that is not suitable to the world trend should be changed. Challenges lie in this change and in the fact that whether Vietnam itself admits correction. If things are done, Vietnam can gain more market, increase its exports of agricultural products, textile, etc which is considered as its strengths. Besides, Vietnam also can resolve headache problems on anti-dumping taxes on catfish, leather, shoes, etc. that are mainly concerned at the moment.

### 3. Conclusion

From the above analyzed, we recognize that the WTO accession brings Vietnam not only benefits but challenges as well. The thing is that a country will be successful if it knows how to translate opportunity into real benefits as well as overcome challenges. As we know, we all live in a globalized economy.

Countries are more or less interdependent. Vietnam can not stand out the joint play. No country with a closed economy can develop in this era of globalization. In reality, we see that most of the countries having open markets and involving in international economy are not poor. They can deal with difficulties at the beginning, but then they will mature and grow more with the world economy development trend.

It is certain that integration can change radically many economic sectors, even cause the failure of many enterprises. However, we should consider who fails and why. This is a very normal circumstance in a market economy and takes place very often in the world. Let us get familiar with this phenomenon since once some enterprises fail, others will emerge. It results in general development of society. To end this journal, I would like to borrow words of Nguyễn Đình Lương, the head of the nation's team that negotiated the Vietnam-US Bilateral Trade Agreement. He said that: "Integration may cause some Vietnamese enterprise to go bankrupt. This is as it should be. On the whole, however, economy will develop. Policymakers should create con-

ditions to develop the whole economy, and they should not create conditions for the benefits of certain enterprises."■

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