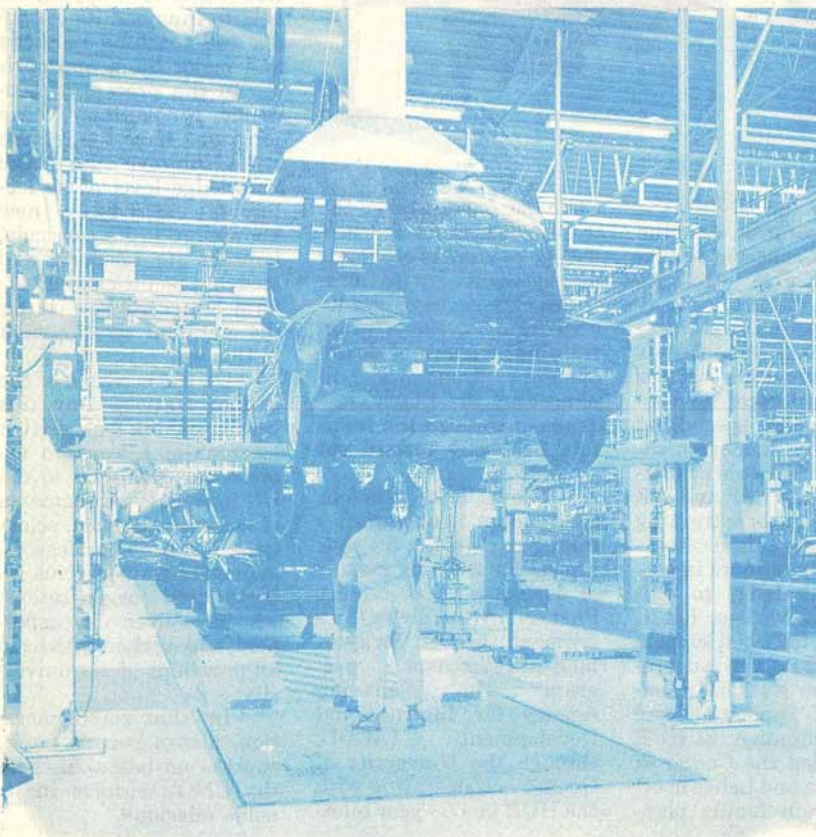


SOLUTIONS TO THE STABLE DEVELOPMENT AFTER JOINING ASEAN

by Dr. PHAN THÚC HUÂN



The ASEAN included six nations (Brunei, Indonesia, Malaysia, the Philippines, Singapore and Thailand). On July 28, 1995, Vietnam became its seventh member.

In the 1960s, most of ASEAN countries were underdeveloped. The Philippines and Thailand were agricultural economies. In the 1970s, ASEAN economies started to develop, their manufacturing industries made good progress. In the 1980s, they developed strongly and in 1980s, ASEAN countries reached the highest growth rates in the world. At present, per capita income of Brunei and Singapore are over US\$15,000; Thailand over US\$2,000. The lowest one is the per capita income of Indonesia: around US\$600. Meanwhile, Vietnam's per capita income is over US\$200 only.

There is a big gap between Vietnam and ASEAN countries. They had rather perfect law systems and had relations with international economic and political centers, whereas Vietnam has just changed from the centrally planned economy to the market mechanism, its law system hasn't been perfected yet. The Vietnam Government is feeling its way to perfect the system of policies, therefore, Vietnam is meeting with a lot of difficulties when it joins ASEAN and AFTA, and makes preparation to carry out CEPT.

The time limit set for the establishment of AFTA has been reduced from 15 to 10 years, that is, it will come into being in 2003, all ASEAN countries have started to lower their tariffs imposed on certain goods while some others were still protected by import duties. In near future, all nations joining AFTA and CEPT Agreement must open their local markets and reduce all import duties to somewhere between 0% and 5% and all protectionist measures must be abolished.

Joining AFTA and CEPT Agreement in the next century will bring Vietnam to a new stage of development with many challenges, although Vietnam is allowed to complete its track 3 years after other members, that is, until 2006, because from such a low level of development, Vietnam has to try its best to develop the social-economic-political system in the next decade. A small mistake in macro-economic management will produce a domino effect on the socio-economic system.

Achievements in economic development from 1988 on showed that Vietnam has found out its way to acquire its wealth. However, we

should agree that in its process of development from 1988 till now, there were a lot of shortcomings which should be analyzed minutely in order to map out right policies and measures necessary for the stable economic development and avoid paying the penalty for making wrong policies. The economic dependency of Brazil or Argentina, and the spread of social evils in Thailand are bitter experiences which we should learn by heart.

In current situation, when Vietnam became an ASEAN member and the US - Vietnam relation was normalized, Vietnam is facing many dangers (of lagging behind other members or losing its socialist orientation, etc.), many problems have assumed greater urgency and should be solved without delay. In the coming years, how is Vietnam's socio-economic situation? How can it survive and de-

velop? Where are the much needed human resources? These are matters of great urgency.

lion (total registered capital was US\$11,545 million). In the first half of 1995, many projects with total registered capital of US\$3,593 million were licenced. This figure is on the increase. The local source of capital is very useful if we find out appropriate measures to mobilize it.

In the social aspect, according to many economists, the human capital is considered as significant as physical capital in promoting economic growth. Making necessary investment in human beings, that is, in health, education, housing, etc. we could increase productivity. In our nation, however, it will take time for us to have the human resources of the same standard as in a developed country which can contribute knowhow to productivity activity.

2. The administrative machinery should be made more effective and more appropriate to the market

mechanism in order to make the best use of both natural and human resources.

5. Civil servants should be standardized in terms of education level and managerial skills. Civil servants who are incompetent and not equal to their jobs and positions should be removed because they are obstacles to the socio-economic development. The potentialities of the intellectual outside the public sector must be fully used by right policies.

6. The struggle against corruption and waste should be carried out nationwide with effective and strong measures. This is a very difficult task that needs the participation of all society members and should be carried out in a long time before it could produce intended results.

7. The equitization of state enterprises should be realized continuously. Naturally, in present condi-



tions, realizing it too quickly will lead to unfavorable effects on the socio-economic life. So we should realize this process at reasonable speed appropriate to the level of economic development.

8. We should establish a healthy stock market in order to mobilize all domestic sources of capital, encourage the people to save and put money into profitable investments, and at the same time, attract foreign investment to development projects.

9. Mobilized capital, especially foreign capital, should be managed and used effectively. Many countries, Thailand for example, have gained high growth rates by getting all sources of capital, especially capital borrowed from foreign organizations, under strict control.

1. The most important problem is the human resources. We can look at this problem from two aspects:

In the economic aspect, we know that $Y = f(C, T)$ where Y = national income, C = capital accumulated, and T = technology. To increase the national income or output, we must accumulate both capital and technological knowledge. In current situation, we can secure needed capital from both local and foreign sources. Total foreign investment in Vietnam from 1988 to 1994 reached US\$4,878 mil-

3. The system of laws must be perfected with a view to forcing every member of society to pay regard for the rule of law. Law and order should be established and maintained in order to stimulate the economic development.

4. The economic structure should be made appropriate to the market