

APEC AND VIETNAM AS ITS NEW MEMBER

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On Nov. 14 and 15, 1998, an event that is meaningful to Vietnam's integration into the region and world economy will take place. It's the day Vietnam becomes a full member of APEC, the world's biggest economic grouping.

1. An outline of APEC

Asia Pacific Economic Cooperation was established in November 1989 according to the Australia's initiative at the Canberra Ministerial Forum. There were many important developments in the world economy then: Firstly, the Uruguay Round of multilateral trade negotiations didn't seem to conclude on time because of disagreements between its members. Secondly, the tendency towards regionalization was becoming

rates. Fourthly, the end of the Cold War provided developing countries in this region with economic cooperation opportunities. These changes encouraged Asian Pacific countries to form a group in order to deal with new requirements originated from the multilateral globalism and make the best use of existing advantages of countries in the region.

At first, APEC included only 12 members: the U.S., Canada, Japan, South Korea, Brunei, Indonesia, Singapore, Malaysia, Philippines, Thailand, Australia and New Zealand. Afterwards, APEC co-opted China, Hong Kong and Taiwan in November 1991 and Chile, Mexico and Papua New Guinea in November 1994 raising its membership to 18.

At its summit conference in

at its 6th summit conference being held in November 1998 in Kuala Lumpur (Malaysia) to raise the membership to 21.

APEC is the biggest economic bloc with total GDP of US\$15,581.5 billion in 1995, representing over 50% of the world's gross product. In trading business, APEC accounts for 46% of the world trade value. The APEC population amounts to 2.68 billion, equaling 50% of the world population. Including as its members such economic powers as the U.S. and Japan, such large countries as Russia and China and such emerging economies as South Korea and Singapore, APEC is really an important trading partner in the world economy. Its strength could be seen in the Table 1.

Table 1: Basic APEC economic indicators

Countries	Area (sq. km)	Population (mil.)	Growth rate (%)	GNP per capita (US\$)	Export value/year (US\$bil.)	Balance of payments (US\$ bil.)	Foreign exchange reserve (US\$ bil.)	Foreign debt (US\$ bil.)
The U.S.	9,363,123	267.7	3.6	28,480	633.0	-166.3	55.1	814.0
Japan	372,313	126.0	-0.3	33,090	411.0	76.6	222.7	0.0
Canada	9,970,610	30.3	3.7	18,900	201.0	-2.2	19.4	237.0
Australia	7,682,300	18.4	3.2	20,710	60.2	-13.0	14.2	161.2
China	9,600,000	1,228.4	9.6	655	145.0	2.1	122.8	116.3
South Korea	99,600	45.5	-6.3	10,730	132.0	-22.6	33.3	34.7
Taiwan	35,989	21.7	6.3	13,130	122.0	9.9	90.0	0.0
Hong Kong	1,066	6.4	6.1	24,455	181.0	2.1	81.7	0.0
Singapore	625	3.1	7.8	30,500	125.0	14.2	78.7	0.0
Thailand	514,000	61.4	6.4	2,970	56.9	-14.5	25.9	88.0
Malaysia	329,500	21.3	8.4	4,466	78.2	-5.2	23.8	28.9
Indonesia	1,904,433	199.2	7.8	1,086	49.8	-8.9	19.5	107.8
Philippines	299,404	69.7	5.7	1,265	22.6	-3.5	10.3	39.4
Brunei	5,765	0.3	2.0	20,400	2.3	0.8	30.0	0.0
Chile	756,945	14.3	8.5	4,090	16.2	0.9	13.1	19.8
Mexico	1,958,200	93.5	8.8	3,600	104.0	-2.4	22.5	165.7
New Zealand	268,700	3.7	2.3	17,010	13.6	-3.1	4.1	35.0
Papua New Guinea	462,840	4.3	2.3	1,249	2.4	0.2	0.6	2.4
Vietnam	330,991	76.7	9.5	270	7.6	-2.9	0.6	26.5
Peru	1,285,216	24.0	6.9	2,100	5.6	-0.3	4.7	26.6
Russia	17,075,400	149.8	-6.0	2,965	88.7	9.2	15.9	120.5

ing stronger. Thirdly, Asia-Pacific was emerging as an active economic zone with high and stable growth

Vancouver (Canada) in November 1997, all members agreed on co-optation of Vietnam, Peru and Russia

After its establishment, APEC's main operation aims at forming a political force needed for multilateral



trade negotiations and regional economic stabilization, but then the economic cooperation trend prevailed, therefore, at its second summit conference in Bogor (Indonesia), APEC's reaffirmed objectives are as follows:

+ Completing the process of liberating trade and investment in Asia Pacific by 2010 for developed APEC members and by 2020 for developing members.

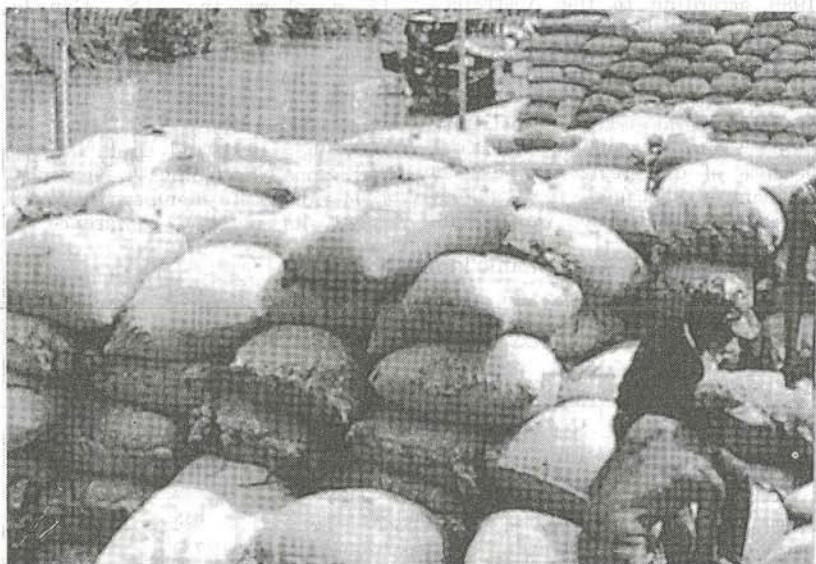
+ Facilitating trade and investment in the region.

+ Struggling for sustainable and balanced development for all members through techno-economic cooperation.

APEC's operation is based on the following basic principles: equality and mutual respect, assistance and mutual beneficial relations, honest and helping partnership, and consensus-based decision making process.

The supreme body of APEC is its annual Summit Conference taking place in November. Up to now, there were five Summit Conferences held in Seattle (the U.S.) in 1993, Bogor (Indonesia) in 1994, Osaka (Japan) in 1995, Subic (Philippines) in 1996 and Vancouver (Canada) in 1997. The sixth Summit was planned to take place in Kuala Lumpur (Malaysia) in November 1998.

Besides annual summit conferences, there are ministerial conferences held every year before the summit conference or whenever necessary. Main functions of the ministerial conference are to examine the work program and APEC budget, make decisions on organizational issues and statutes of new members,



and make plans for the next year.

In addition, there are superior officials meetings being held in the interval between ministerial conferences. APEC also includes a secretariat in Singapore and many specialized committees.

To achieve its planned targets, APEC carries out two operations: realizing programs to liberate and facilitate trade and investment, and promoting eco-technological cooperation. The operating mechanism of APEC isn't as strict as those adopted by other economic blocs. It's only an informal grouping of countries and all of its programs are applied to members with different deadlines: 2010 for developed members and 2020 for developing members. In spite of their informality, all APEC programs are carried out willingly and seriously by its members.

After many summit conferences, the cooperation between members started to produce intended results, however, APEC still faces many difficulties:

+ The Asian financial crisis has affected greatly all APEC members and tended to hinder the formation of a free trade zone for its members.

+ There are great differences in development level between APEC members. This situation has limited the cooperation between members and formed an impression that APEC programs weren't favorable to developing members. That is why many Asian countries were reluctant to support this grouping. A businessman from Hong Kong, after attending an APEC meetings, even said that APEC was an open mechanism to countries with eco-

nomic and political strength, and a closed mechanism to the rest.

+ There is a division of opinion about human rights and democracy between Western and Asian members. The U.S. usually puts pressure on Asian members to deal with this problem according to its suggestions instead of respecting their right to self-determination.

+ There are potential disagreements between members: bilateral trade between the U.S. and Japan, political viewpoints between the U.S. and Russia, conflicts between North and South Korea; China and Taiwan; Russia and Japan, etc. They are highly sensitive problems that require appropriate solutions based on mutual respect and common interests, otherwise they will produce bad effects on the cooperation between APEC members.

2. Affiliation to APEC: a new opportunity for Vietnam

APEC has been the Vietnam's biggest trading partner for years, representing some 80% of Vietnam's export and import values.

Table 2: Vietnam-APEC trade (US\$ mil.) 1997

	Export	Import	Total
Northeast Asia	3,927.50	5,633.75	9,561.25
China	532.50	413.75	946.25
South Korea	387.50	1,642.50	2,030.00
Japan	1,700.00	1,481.25	3,181.25
Hong Kong	507.50	643.75	1,151.25
Taiwan	800.00	1,452.50	2,252.50
Southeast Asia	2,046.75	3,258.75	5,305.50
Singapore	1,237.50	2,181.25	3,418.75
Malaysia	146.25	225.00	371.25
Indonesia	42.50	196.25	238.75
Philippines	223.75	30.00	253.75
Thailand	235.00	543.75	778.75
Laos	53.00	57.50	110.50
Cambodia	108.75	25.00	133.75
Oceania	203.75	245.00	448.75
Australia	182.50	200.00	382.50
New Zealand	21.25	45.00	67.25
APEC	6,178.00	9,137.50	15,315.50
Value realized by Vietnam	8,700.00	11,200.00	19,900.00
APEC/ Vietnam	71%	82%	77%

After the Vietnam's Foreign Investment Law was promulgated in 1987, APEC members, especially NICs and Japan, have become the most important investors in Vietnam. Australia is helping Vietnam upgrade its infrastructure.

After that, Vietnam officially applied for membership of APEC. On Nov. 25, 1997, at the 5th Summit Conference, all APEC members agreed to co-opt Vietnam into APEC.

In fact, after Vietnam had joined ASEAN in July 1995, ASEAN mem-

Osaka (November 1995) and the 4th Summit Conference in Subic (November 1996). But their suggestion was rejected because APEC had decided to stop co-opting new members for three years since 1993, after its Seattle Summit Conference.

Being affiliated with APEC means that Vietnam has met the following requirements: being in Asia Pacific region, being determined to pursue the policy to open its domestic market, and being ready to remove tariff barriers by 2020.

Vietnam will benefit a lot from the affiliation to APEC: it will be easier for Vietnam to receive the MFN treatment from the U.S., and intensive cooperation and investment from APEC members, especially from developed ones. Without the affiliation to APEC, Vietnam seems less attractive than China and other ASEAN members in the eyes of foreign investors. APEC programs will facilitate the introduction of new technologies to Vietnam.

Thus, joining the APEC will lead to new prospect of multilateral cooperation between Vietnam and other members and help Vietnam integrate into the regional economy. Joining the APEC allows Vietnam's small and medium businesses to develop their potentials because developing small and medium companies is one of the main programs of APEC. Vietnamese businesspersons will have chances to market their products, get access to APEC sources of business information and study managing experience of other companies.

Besides new opportunities, however, Vietnam will meet with many difficulties originated from its low development level. Although the APEC cooperation mechanism isn't too strict, Vietnam will suffer great losses when competing against stronger rivals if it fails to bridge the gap between it and other members.

Facing these difficulties, Vietnam has no alternative but to try its best to integrate into the world. After joining APEC, Vietnam should make plans to engage in the process of liberating trade and investment in the region. Of course, Vietnam has enough time to adapt itself to the new environment because the deadline will be 2020 for developing members. Moreover, after joining the AFTA, Vietnam will have chances to practice and it will certainly meet requirements posed by APEC.■

Table 3: APEC investment in Vietnam, 1997

Country	Projects	Capital (US\$ mil.)	Rank
Japan	78	875	1 st
South Korea	48	792	2 nd
Singapore	44	596	4 th
Taiwan	85	338	5 th
Hong Kong	33	317	6 th
The U.S.	16	277	8 th
Thailand	14	275	9 th
Malaysia	21	248	10 th
China	11	22	18 th
Philippines	5	21	20 th

As an ASEAN member, Vietnam is very interested in APEC operation.

members introduced Vietnam to APEC at its 3rd Summit Conference in