

The ASEAN was formed on Aug. 8, 1967 and up to July 1995, it consisted of seven members (Indonesia, Malaysia, the Philippines, Singapore, Thailand, Brunei and Vietnam).

With the motto: "Cooperate in order to accelerate the economic growth, social progress and cultural development of the region through common efforts based on the spirit of equality and cooperation with a view to consolidating the basis for a peaceful and prosperous community of Southeast Asian nations", ASEAN nations have helped and relied on one another to carry out overall cooperation programs in economic, cultural, social, health and educational fields, and at the same time, set forth an active and flexible foreign policy which enables each member to develop its economic potentials and make the best use of external help. The ASEAN is a large market with a population of 430 million people on an area of nearly 3.5 million sq.km. In the near future, ASEAN will include 10 members with a population of 500 million people and become the focus of international attention.

I. ECONOMIC RELATIONS AND POTENTIALS OF THE ASEAN

1. An outline of the international economy and trading blocs

Economic data in the first months of 1996 showed that there was the possibility of an decrease in the American economic growth. In 1995, the American growth rate was 3.5% in comparison with 4.1% in 1994.

The Japanese economy also met with difficulties when the yen rose by 20% against the US dollar. In addition, there was a terrible earthquake in Kobe. The Japanese growth rate in 1995 was only 0.5% and this rate in 1996 was estimated at 1.4% at most. Other developed countries weren't full of optimism for the future when the unemployment rate rose high (12.2% in France, 11.7% in Italy, 23.5% in Spain for example).

However, the international trade in 1994 rose by 8.9%, twice as high as the rate in 1993. According to estimate, this rate would keep on rising as a result of the Uruguay Round in which nation members had agreed about tariff barriers within



VIETNAM'S POLICY ON AND ECONOMIC COOPERATION WITH ASEAN

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the framework of the WTO agreement.

In 1995, the globalization and regionalization took place all over the world at various levels: global, transcontinental, regional and subregional ones. Many economic cooperative organizations came into being and pushed ahead with the formation of free trade areas.

The globalizing trend was marked by the birth of the WTO on Jan. 1, 1995. Its operation has encouraged the growth of international trade. The value of trade between WTO members in 1994 reached US\$4,009 billion, rising by 13% compared with 1993. Asia became the most active trading center of the world. The value of this region's exports rose by 15%, and imports by 15%. One of the most remarkable features of Asian trading business is

the increase in the intraregion trade which represented over 50% of region's trade value in 1994 and 1995.

ASEAN nations were making good progress, their growth rates remained high (around 7% or 8%). Their capital formation and investment were on the increase and this bloc became one of the most active regions of the world.

Besides ASEAN, there were many other trading blocs in the world such as NAFTA (3 members), MERCOSUR (4 members), G3 (3 members), EU (15 members), SADC (12 members), APEC (18 members)...

The internationalization and regionalization were encouraged by the techno-scientific revolution and international division of labor. In this trend, both economic cooperation and competition will become more and more active in the coming years.

2. An outline of ASEAN economies

a. Brunei: the economy depends on oil business and international oil market. In recent years, oil products have represented 83% of its GDP and 98% of exports. Its exports rose by 3% in 1995 and would rise by 8.6% in 1996 according to estimate. Brunei always has trade surpluses, its foreign exchange reserves are on the increase (US\$30 billion in 1994 not including gold).

b. Malaysia: The Malaysian

economy had a growth rate of over 8% in a succession of eight years. One of its difficulties is a shortage of labor which led to employment of over 2 million foreign workers. The wage, therefore, is high and causes the inflationary pressure. Budget deficit and unfavorable balance of trade which is estimated at US\$8.4 billion in 1996 are also major challenges facing the government.

c. Indonesia: this nation has the highest birth rate in the region. The gap between the rich and the poor has affected greatly the government's policies. Corruption, bureaucracy and stagnation are also serious problems.

d. Thailand: Its growth rate has been kept at somewhere between 7% and 8% in the past 30 years while the inflation rate was at two-digit level. Social unrest, political instability and continuous changes of governments are major obstacles to the economic development. In addition, the gap between towns and rural areas, and between the rich and the poor, the pollution, social evils, traffic congestion, etc. are also urgent problems.

e. The Philippines: The economy is making good progress, the business climate is changing favorably. This is one of a few nations who used the HCV standard to set import duty. This practice becomes an obstacle to the international trade. As required by WTO, the Philippines, in the next five-year period, should replace the HCV with the TV standard.

f. Singapore: This nation has the highest personal income in ASEAN, and has the capability to compete with the US. Its urgent problems are: maintaining stable output, dealing with manpower deficit and high production cost, etc.

g. Vietnam: Its economy has gained the first encouraging achievements in recent years. Vietnam become the world's third biggest exporter of rice but it is facing many serious problems: foreign debts, budget deficit, poor infrastructure, pollution, unemployment, etc.

3. Potentials and trading relations of

ASEAN

In 1995, developed countries gained low growth rates (the US: 3.5%, Canada: 2.1%, Russia: -5%, England: 2.7%, France: 2.5%, Germany: 2.1%, Japan: 0.5%), so high growth rates of ASEAN nations became a remarkable fact in the world economy.

The trade value of ASEAN ranks fourth in the world, after the US, EU and Japan. Policies on export-orientation and attracting foreign direct investment were carried out successfully by ASEAN members and this bloc has attracted strongly foreign investors.

In the period 1991-1994, foreign investment in ASEAN reached US\$68 billion, while intrabloc invest-

Indonesia 5.62, South Korea 5.79, China 6.3, India 6.36 and Vietnam 7.56. Thus, Singapore, Malaysia and Thailand, three ASEAN members, were considered as countries of the most favorable business climate in Asia.

The intrabloc trade in ASEAN developed well because both tariff and non-tariff barriers were lowered according to CEPT agreement. We saw that trading items affected by CEPT represented a high percentage in the value of intrabloc trade (from US\$64.4 billion in 1993 to 92.6 billion in 1994 and about 112 billion in 1995). The volume of trade of domestic appliances and machinery increased by 64% representing 60% of intrabloc trade value.

In the 5th ASEAN summit held in Bangkok in December 1995, decisions taken by leaders of seven nation members encouraged the formation of AFTA and a stable political atmosphere. According to estimates, the average growth rate of ASEAN in 1996 would be 8%, exports value reach US \$500-550 billion, increase by 10-15% compared with 1995, and the value of intrabloc trade reaches around US\$120 billion in 1996.

Generally, the economic strength of ASEAN shows itself in various aspects: high growth rates, convenient geographical position,

abundant natural resources, large domestic markets, abundant and skilled labor force, etc. but ASEAN members have to deal with many difficulties: corruption, bureaucracy and stagnation, budget deficit, high inflation rate and birth rate, etc.

II. ASEAN IN VIETNAM'S FOREIGN POLICY AND FOREIGN TRADE

1. Renovation of Vietnam's foreign policy

The renovation process of the foreign policy could be divided into two stages: before and after 1986. We only discuss the second period here. After 1986, many new policies on foreign trade were adopted by the Government and the Party. The VCP 7th National Congress concluded that the foreign trade should be diversified and multilateralized. The 3rd



ment rose by 49%, reached US\$3.3 billion and was done mainly through cooperation programs. Foreign investment in ASEAN kept on increasing in 1995 and 1996. Exports value of the bloc reached US\$36 billion in 1995.

These achievements have ranked ASEAN among the most competitive economies in the world. According to the *World Competitive Report*, Singapore in 1995 was ranked second, below the US, with 94.9 points; Malaysia ranked 17th with 70.8 points and Thailand ranked 23rd with 62.3 points. According to a survey carried out by a Hong Kong-based advisory firm in 1996, the business climate of each nation was marked from 10 to 0 and result was as follows: Singapore 2.43, Malaysia 3.37, Hong Kong 4.26, Japan 5.0, Thailand 5.11, Taiwan 5.37, the Philippines 5.58,

central conference of the 7th-term central committee issued a resolution on foreign trade and foreign policy. A series of law documents were promulgated in replacement for old ones which became inappropriate to the multi-sector economy. The novelty of the new policy on foreign trade show itself in the following points:

+ The trading policy must be linked and of service to the building of an open economy. This is one new viewpoint which has profound and strategic meanings.

+ The principle of the government's monopoly in foreign trade is replaced by the permission given to all economic sectors to cooperate and trade with foreign partners.

+ Market for Vietnam's products and service is diversified and enlarged. Up to now, Vietnam has established trading relations with over 100 countries in the world. Pacific-Asian markets supplied over 80% of Vietnam's export earnings. Vietnam has entered EU, Eastern European, Latin American markets and has been trying to enter North American and African markets.

+ The Government regulates the foreign trade by using customs duties instead of quota and non-tariff barriers.

This is an important change which aimed at deregulating trade and encouraging export. Imports and exports are put into three groups: banned goods, goods traded under regulations of the Government, and free trading goods.

+ The floating exchange rate is accepted in order to encourage export. This is a novelty in foreign trade policy which aimed at getting rid of irrational features in the foreign trade, forcing import-export companies to increase efficiency and reduce waste and risk; and helping governmental bodies evaluate results of the national foreign trade.

These changes in the foreign trade policy have produced good effects on Vietnam's trading relations with ASEAN and Pacific-Asian nations.

2. Vietnam's trading relation with ASEAN members

Vietnam has just established trading relations with ASEAN members (not including Singapore) since 1986, that is, since the introduction of Vietnam's renovation policy.

Favorable changes in Vietnam's international relationship and in regional economic structure have made Vietnam-ASEAN relation become better and better.

In recent years, the multilateral trade between Vietnam and ASEAN

countries has developed well as was showed in the following table.

Table 1: Vietnam-ASEAN trading relation (US\$ m.)

Nation	1990	1991	1992	1993	1994
Singapore	692	1,149	1,400	1,440	1,671
Malaysia	51	87	134	135	260
Thailand	115	141	160	170	200
Indonesia	70	198	215	220	250
Philippines	61	11	67	65	73.4
ASEAN	989	1,586	1,976	2,030	2,454
% of Vietnam's foreign trade	31.98	38.94	38.50	33.28	28.38

Source: *Statistics Yearbook 1994*, pp. 280-283

Thus, the Vietnam's trade with ASEAN members has increased by about 30% every year. The value of Vietnam's exports to ASEAN represented from 25% to 30% of total exports of Vietnam. The multilateral trade between Vietnam and ASEAN members has made a twentyfold increase within 10 years from 1986 (US\$ 120 million) to 1995 (2.5 billion).

Among ASEAN members, Singapore is the biggest trading partner of Vietnam. It has replaced Soviet Union's position since 1990 and become an important bridge between Vietnam and other nations in ASEAN and in the world as well.

The Vietnam's trade with Malaysia increased from US\$51 million in 1990 to 260 million in 1994, a fivefold increase within four years.

Vietnam's trade with Thailand was worth US\$200 million, however, the structure of goods traded with each other was simple and not proportional to potentials of the two countries. Main trading items between two countries were rice and garments. Thus, the competition between Vietnam and Thailand is more remarkable than their cooperation.

The Vietnam-Indonesia trading relation actually came into being in 1990. In the period 1990-1994, their value of trade increased by 3.5 times, and reached US\$250 million, whereas the trading relation between Vietnam and the Philippines made no remarkable increase in the same period. Brunei is the ASEAN member who has the most moderate position in trading with Vietnam.

Thus, the Vietnam's trading relation with ASEAN countries is of low level and not proportional to potentials of each member, but it is making good progress and helping with developing each economy.

Besides trading relation with Vietnam, ASEAN members have made direct investment in Vietnam and taken high positions among leading

investors in Vietnam.

Up to the end of 1995, ASEAN members have invested over US\$3.2

billion in Vietnam, representing 17% of total foreign projects and investment in Vietnam.

Singapore is the biggest ASEAN investor in Vietnam and ranked fourth among 50 foreign investors in Vietnam. Singapore had 120 projects with total capital of US\$ 1,876 million in Vietnam.

Malaysia is the second biggest ASEAN investor in Vietnam and ranked 7th among 50 foreign investors. It had 41 projects with a total investment of US\$826 million.

Thailand is the third biggest ASEAN investor in Vietnam and ranked 14th among 50 foreign investors. It had 52 projects with total capital of US\$352 million.

Indonesia ranked 17th among 50 foreign investors in Vietnam with its 13 projects and US\$194 million put in Vietnam.

The Philippines carried out 11 projects worth US\$69 million in Vietnam and ranked 20th among 50 investors in Vietnam.

Brunei had only one project with an investment of US\$2.5 million in Vietnam.

In short, ASEAN is an economic bloc of great potentials. Vietnam's participation in ASEAN had a profound effect on our political, economic and cultural lives, and at the same time, posed many problems which we should solve properly in both large and small scales. Adjustments made to the foreign trade policy will affect greatly the future of our economy, and the development of this bloc as well, at the threshold of the twenty-first century.

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