

# Missing the Boat for the WTO

## Gains and Losses

by Ass. Prof., Dr. TRẦN NGỌC THO

### 1. Causes of the failure

We can see three main causes:

- Foreign sides, especially the American one, pay only a little attention to Vietnam's interests and want to know what benefits Vietnam could bring them and how competitive Vietnam could be to their economies. If answers to these questions are not favorable enough, they don't care about Vietnam's membership.

- Chinese case also has its effects. Before China, WTO members didn't require a promise of market approach. After its accession, China didn't keep its promises. And as result, in all negotiations with WTO members, this problem always comes first.

As for Vietnam, the U.S. thinks Vietnam didn't carry out properly the BTA when it denied American companies their participation in goods distribution and import, and in finance-banking and telecommunication services.

- Mistakes in negotiation strategies: Vietnam followed an item-by-item, instead of a package, negotiating strategy with the result that it couldn't envisage necessary compromises and reach a final agreement. Minister of Trade has had to admit that each minister had his/her own negotiating strategy that was secret from even the leader of the delegation.

### 2. Losses when joining the WTO

If we look at each industry, it seems that the clothing is affected most severely. But data show



Photo by Huỳnh Thọ

that the export of clothing hasn't increased after the quotas were lifted by EU countries. This means that the most important one is the competitiveness and not trade barriers.

Foreign experts also have pointed out that WTO members usually posed higher requirements for prospective members as a price for the membership. According to the Oxfam, an English NGO, such requirements could cause harm for future economic growth and effort to alleviate poverty in Vietnam.

Oxfam also said that Vietnam would be denied the right to regulate import after accession although this requirement would deprive thousands of poor families, especially disadvantaged groups (such as women, the disabled, and minorities) of their jobs. Besides opening its markets, Vietnam is

also required to stop subsidizing exports after its accession although maize farmers in the U.S. still receive some US\$10 billion a year.

Many other worse days are in store for Vietnam when it tries to access quota-free markets for its staple exports. WTO members tend to ask for a long period, 10 years or more, for them to remove quotas on Vietnamese exports.

Another export from Vietnam that suffers most from the WTO membership is aquatic product. The American side keeps considering these products as harmful to local industries and imposing anti-dumping taxes on them. Vietnam could bring this dispute to an international arbitration when it is a member but realities show that only rich countries can afford these costly law suits. It is a paradox that

Vietnam can do nothing about these anti-dumping taxes when it isn't a WTO member, and it can't improve the situation when it is admitted to this organization.

However, the biggest loss that everybody is badly in need of is an unequal business climate where the public sector is always treated favorably and local authorities could set regulations at will and for their own interests.

### 3. Losses when missing the boat

The first thing to lose when missing the boat is a chance to develop a perfect market when all individuals and organizations can get market access, that is, enter any markets, both domestic and foreign ones. When the US-Vietnamese BAT was signed, the American side didn't consider Vietnam as a poten-



tial rival. But the Vietnam's export value at present amounts to some US\$20 billion equaling some 50% of its GDP, and many WTO members start thinking of Vietnam as a worrying competitor.

The act of holding Vietnam in high regard (with some exaggeration) by foreign parties along with too much pride by Vietnam when looking back on its recent achievements have met with warning by the Oxfam who thought that those who accept such attitude knew nothing about Vietnam's economy and poverty.

Another loss is a chance to develop an efficient market where all individuals and organizations could make predictions – a factor vital to their existence and development. When deprived of the market access, investors also lose their ability to predict, and as a result foreign investors will withdraw their capital sooner or later or Vietnam won't be able to attract more foreign investment. In Vietnam today when the public sector still dominates the economy, unpredictability is much higher because state-owned companies and corporations will put pressure on the government to help them out when they meet with difficulties or keen competition. This practice will deform or distort all laws and rules and non-public sectors hardly find chances to fight against it and compete successfully with the public one.

Finally, Vietnam will lose everything in the future when nobody wants to invest and do business here because of lack of a perfect and efficient market, and chances to make predictions and get market access.

**4. Can the law system make the business climate healthier without joining the WTO?**

Many people have thought so but in fact, laws can't change the business climate very much. Nobody dare think that the Anti-corruption Law can put an end to this evil.

The business climate isn't limited to the country border as before but it has close relations with the global one. This requires a level playing ground for all and calls for an end to all forms of discrimination. A better business climate will benefit not only companies but also the poor.

The business climate also connects with the change from a legalistic government in which the State uses laws to regulate behavior of citizens, to the rule of law in which everybody, including officials or members of the ruling party, are subject to law.

#### **5. Not joining at any price**

The Vietnamese government, when trying to join the WTO, is ready to make its greatest effort but refuses to agree on what it can't carry out or accept requirements that could make the economy collapse. This policy is supported by people and many foreign experts. However, persons in charge of nego-

tiation put too much stress on the second half of this statement. They are ready to refuse requirements and don't set the time for Vietnam to meet these requirements while the time is always a target that should be taken into account when measuring effects of a policy.

The public are provided with only little information and a few answers about reasons why Vietnam couldn't joint the WTO as planned and expected. Vietnamese negotiators also talked about the danger of a collapse of the economy. It seems to me that this reason is very vague but it is the easiest way to explain why Vietnam missed the boat. Is the Vietnamese facing such a danger? This view is exaggerated and contrary to what international organization reported on, and even what authorities said about, the Vietnamese economy.

The WB and WEF have appreciated the economic growth and stability of Vietnam in 1998-2004. In 2004, the WEF ranked Vietnam 15 among 104 surveyed countries in terms of the implementation of the monetary pol-

icy; 58/104 in terms of macroeconomic climate; 68/104 in national financial creditworthiness; and 38/104 in exchange control. Comparing with the very low rank given to Vietnam in terms of the struggle against corruption, 97/104, these standings are encouraging and prove that Vietnam is good in the international community.

Then what is the real reason? Everybody seems to know the answer even if no answer is given: the danger of a collapse comes from the public sector. The delay will benefit government monopolies in oil, power supply, telecommunications and state-owned commercial banks, not the poorest 45% of the peasant population that is usually used as the reason for refusing foreign requirements. Who are responsible for being slow to restructure monopolies and the financial system. In 2003, the PM affirmed many state-owned commercial banks would be privatized and by the end of 2005, nothing has happened to them. The more Vietnam delays its accession, the more it indulges the public sector, and especially some monopolies. Of course, Vietnam won't join the WTO at any price, but it's unwise to maintain that Vietnam only joins it when foreign negotiators accept its requirements instead of reaching a compromise between requirements by two sides. This philosophy means that Vietnam has no chance in sight to join the biggest trade organization.

However, failure to get admission to the WTO is also an opportunity for Vietnam to make better preparations for the next negotiations. And the best preparation is to reform basically the public sector and banking system in order to avoid serial collapses and bankruptcies after joining this organization. ■

