

# OPPORTUNITY

## AND CHALLENGE ON THE THRESHOLD OF ASEAN

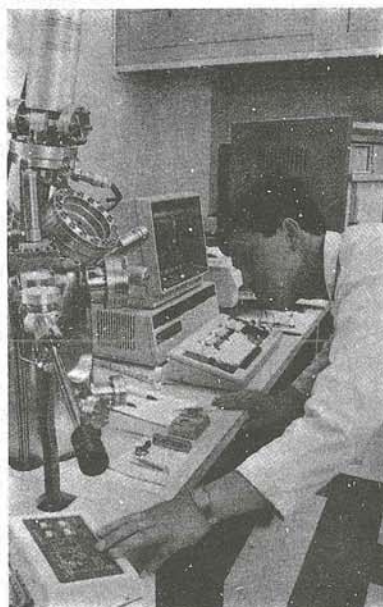
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**I**n spite of differences in level of socio-economic development, cultural and national characteristics, the Asean members (Indonesia, Singapore, Thailand, Philippines and Malaysia) targeted at becoming NICs in order to procure security, happiness and welfare for their people.

In late July, 1994, there were two coincident events affecting meaningfully our course of development. One was the conference of Asean foreign ministers in the presence of 10 ministers of foreign affairs of Southeast Asian countries, including Vietnam's. This conference discussed problems relating to regional economic and commercial development, and ways of enlarging membership. The other was the Seventh Central Conference (7th term) of VCP on "Industrializing and modernizing the country".

Studying the documents of these two conferences, we could see the close relationship between industrializing - modernizing Vietnam and Vietnam's joining Asean in the near future under the statute of AFTA. According to this statute, the preferential tariff valid from now till 2008 will reduce import duties on manufactured goods (except for unprocessed goods) to 0 to 5% in trading among Asean countries. By the way, it's necessary to mention that in the market economy under the government's management, the government uses policies on taxation, interest rate, banking, finance, price fixing, exchange rate for directing and carrying out the plan for economic development. These policies can encourage or discourage some industries in order to form the economic structure in accordance with orientation of plan.

Becoming an Asean member,



Vietnam will have to accept the common laws of AFTA and CEPT, that means we have to penetrate (foreign markets) and open (our market) by appropriate steps (this is an agreement among Asean countries) and levy import duty of 0 to 5% on manufactured goods from Asean countries from now till 2008 (*Thời báo Kinh tế Việt Nam* No 32, August 1994).

This is an opportunity and also a challenge. It's called opportunity because we could enter into the Asean market of 320 million people, not to mention other markets. However, the competition will be more keenly because our competitors are of higher level and rich in business experience. For example, Indonesia has got per capita income of 4 times higher than ours and 50% of its exports are manufactured goods. The per capita income of Malaysia is US\$ 3,000 per year (14 times higher than ours) and

60% of its exports are manufactured goods. And Thailand's per capita income is US\$ 2,000 per year... whereas in our exports, manufactured goods took only 20%. In reality, Vietnam consumers have been accustomed to motorbikes and electronics products from Asean countries.

In such a situation, if our products of the same quality, design and package are sold at prices of 5 to 10% higher than those from Asean countries, they will not be able to penetrate into their markets, while Asean products will flood our market easily because of their low selling prices, particularly of their effective policy on encouraging exports. Eventually, Vietnam can only play the role of a supplier of raw materials and labor for Asean industries.

Thus, we have nowhere to retreat to and cannot but go ahead. The wave of industrialization has spread all over the world, especially on Asean countries. To stand back from this wave is to lag behind, and standing back from Asean will be a danger. Becoming an Asean member requires that we have to try hard to bridge the gap in level of economic development, industrialization, adapting to the market economy and government's management, between us and these countries. Otherwise, we will be put at a disadvantage in doing business in Asean market and the world's markets as well. This challenge requires us to realize as soon as possible the Decision No 7 of Central Committee of VCP on "developing our industry from now till 2000 by industrialization and modernization", and at the same time, prepare preconditions for becoming Asean member. Vietnam and Asean share a common purpose of industrialization and could become a strong competitor in the world's markets ♣