

OPPORTUNITIES AND CHALLENGES FOR VIETNAM IN WTO ACCESSION

Prof. Dr. Do Hoai Nam

Director, National Center for Social Science & Humanity

It is imperative to explain the opportunities and challenges faced by Vietnam in its WTO accession. In principle, opportunities and challenges in integration for Vietnam now are affected by two major factors. The first is the complex and fast changing international context. The second is Vietnam's specific issues in its own development. To come up with an appropriate approach, the study on opportunities and challenges for Vietnam in WTO accession should clarify these factors.

1. New international context, opportunities and challenges in development for Vietnam

In recent period, the world situation changed rapidly and profoundly as never before. The impact of globalization and the knowledge-based economy forces developing countries to join the world economy system, and the situation for them is much more difficult than before.

In general, the level of development in the modern world is measured by the following indicators:

First, high speed of change and the faster pace of shortening in the production and technology cycle.

Second, the global network structure and the complex nexus of the world economy.

Third, conditions for economic development become unstable and unpredictable.

Fourth, the balance of power is profoundly changing and driving the world economy, with power concentrating in a few nations and transnational corporations.

These new developments entail great challenges to the late comers as follows:

First, the reaction by governments and firms should be prompt and effective in a high-speed global game.

Second, the cost of integrating into the global economy is high, especially to the poor countries.

Third, competition at the global scale becomes vigorous. The traditional comparative advantage based on natural resources and low labor cost is diminishing in importance. Knowledge

and skill become determinants of competitiveness. The big challenge to late comer countries is how to continuously improve their comparative advantage and dynamic competitiveness, created by human being in an integrated environment, under the impact of economic globalization.

In addition to these challenges, of course, there are great opportunities for development. Potentially, late comer countries can have quick access to capital, modern technology, and global market to accelerate their development. However, in reality, translating these potential opportunities into development benefit is not easy, especially when protectionism tends to grow in the developed world.

1. Accessing opportunities and challenges of Vietnam in the new conditions

Vietnam strongly committed to participate into the regional and international economic integration for the past many years. So far Vietnam has set up trade relations with 165 countries, signed bilateral trade agreements with 72 countries, and more recently the one with the United States. Vietnam has been member of the ASEAN Free Trade Area (AFTA). The government of Vietnam also applied for WTO accession in early 1995 and currently is observer of this organization.

The lessons of success in the reform and development process and the active integration of Vietnam indicate the great social and economic benefit of this process. Robust and sustainable export growth contributes to high and sustainable GDP growth over many years, strengthening the balance of payment, accumulating savings, and attracting foreign investment. Opening up to external economic relations also contributes to job creation, especially in the export-oriented and labor-intensive processing industries. This further boosts the industrialization of the country with socialist orientation.

These outcomes also strengthen the public confidence in the policy and strategy of the Party and the government. This proves the correct path of market economy with socialist orientation, linking integration with sovereignty, and self-reliance of the past 20 years of reform.

However, the new condition of development requires new thinking in development.

The overall target of Vietnam now is to successfully implement the transition and development. The first task is to transform the centrally-planned economy into a market economy with socialist orientation. The second is to transform the traditional peasant economy into a modern industrialized economy, moving from extensive to intensive development, with improved competitiveness and higher quality of economic growth. These two tasks contain both challenges

and opportunities in economic integration, and become a component of the short-cut development and modernization in Vietnam.

Active international economic integration means a more active participation into international economic processes, with cooperation in development, with competition under the conditions and requirements of the more globalized world economy. This means that **the key of integration today is to accept fair competition**, and thereby achieve development benefit.

Vietnam now is disadvantaged in competition for the following reasons:

- Most of competitors of Vietnamese firms are stronger and at the higher development level;
- Vietnam is a new transition economy that has to integrate into a big playing ground with new rules of the game;
- Despite the huge opportunities brought by integration, Vietnam is a poor country, with limited capacity, it is not easy to translate opportunities into development benefits; some challenges are even looming large.

It is important to bear in mind that challenges of WTO accession is not just the efforts in negotiation that help Vietnam soon become member of this organization. The biggest and most important challenge of this process is to create best conditions in the country for Vietnam to effectively participate into the international labor division and successfully compete in the world market within WTO.

It is the daunting task for Vietnam to access the WTO. Vietnam has to meet the challenging commitments of accession to become WTO member. On the other hand, Vietnam has to well prepare in terms of domestic conditions for the implementation of international commitment, especially in terms of improving the competitiveness of the economy, firms, and products. It is necessary to strengthen the economic and social institutions, to ensure stability in front of potentially negative impact of integration.

Given that situation, the active participation of the public at large, the government and the firms into the integration is essential for successful integration.

2. Taking advantage and rising to the challenges to soon become WTO member

WTO accession entails both opportunities and challenges that are intertwined. This requires a clear understanding of both opportunities and challenges in their political, economic, social, cultural, and environmental aspects. Solutions are needed to take advantage of the opportunities, to determine

an effective mechanism to coordinate between instruments and solutions to achieve the objectives of integration and development.

We have now come to a consensus about the integration policy and have learned a lot from the experience in integration of the past 20 years of reform in other countries, especially China. The achievement of socio-economic development lays ground for the government to deal with poverty problem, to build foundation for economic growth and social development in the future, and to further the policy of international integration.

However, it is necessary to be aware of the great challenges of WTO accession. First of all, challenges are in trade. The competitive pressure will increase when protection of domestic production is reduced while the country implements the international commitments. This forces firms to restructure to improve their competitiveness, and to create new competitive capacity. Many regulations in trade in services, and rules of intellectual property right are new to Vietnam.

WTO accession also requires a strengthening of legal institutions and transparency to be in line with the international practices. Building market-oriented economic institutions, creating a fair competitive environment for all firms are key steps to be taken, based on the international principle, if we are to access the WTO soon.

Improving the capacity of different local governments is also an important component of successfully integration of Vietnam. WTO accession requires an assessment of impact of this process on social issues and poverty. For that reason, active international economic integration is not simply to reduce protection of domestic production, but also an overall and concerted campaign of the whole country in all fronts, political, economic, cultural, social, and environmental alike.

For Vietnam now, the awareness of integration and WTO by the public at large, the firms, and other players is limited. The international experience suggested that limited awareness can be a big hindrance to the integration process. The situation of integration in many countries around the world indicates that different understanding may exist in different sectors, levels, enterprises, and the public at large about the benefits and obligations of the stakeholders in implementing WTO commitments. Vietnam needs to clearly understand this potential threat, otherwise it would be hard to come up with timely measures to cope with challenges, and may slow down the WTO accession.

To succeed in WTO accession, Vietnam is improving its competitiveness at the national and firm levels, and of its products. According to the assessment of many international organizations, Vietnam's competitiveness is very weak and slow to be improved. This is the key in the whole integration process of Vietnam in the coming period.

To cope with this challenge, Vietnam has to consistently solve a whole range of problems, such as acceleration of state-owned enterprise reform, more effective fiscal expenditure, and enhancing the capacity of the banking system, development of real estate market, labor market, and capital market. These tasks should be put in the overall context of reform program to fully develop appropriate and modern market economy institutions. This is very important premises to change the mechanism and the orientation in resource allocation, especially the public investment, to better tap on the comparative advantage and competitiveness of Vietnam.

For enterprises, which are the most important stakeholders of integration, it is imperative to develop their competitiveness to compete in the more integrated environment. The time to implement this task is counted down, while there are many problems to be solved, and this should be done in a consistent way, from the vision, to business strategy, and training to enhance capacity in all components of enterprises, especially state-owned enterprises.

Though the development focus of the Doha round makes trade negotiation more human for developing countries, the impact of WTO accession on poverty reduction and social issues is huge for Vietnam, for both opportunities and challenges. To cope with this situation, it is necessary to create opportunities and enhance capacity in choosing opportunities for all people, especially the poor, in development and WTO accession. There also need to be effective measures to minimize the vulnerability, with focus on the effect on the labor market and the social safety net. At the same time, the development orientation should be maintained to protect people and national cultural values; these are all urgent tasks.