

Impacts of ASEAN Economic Community on Integration of Vietnamese Industry

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Abstract: The regional and international economic integration, especially through Free Trade Agreements (FTAs) as well as initiatives of bilateral and multilateral integration, have been leaving great impacts on the integration of the Vietnamese industry in particular and the whole economy in general. In this paper, the author focuses on analysing the influence of the ASEAN Economic Community (AEC) on the integration of the Vietnamese industry, thereby giving some related indications to make contributions to promoting the development of the industry in the time to come. The paper also evaluates the impacts of the AEC on the Vietnamese industry through trade and investment channels between Vietnam and countries within the AEC.

Keywords: ASEAN Economic Community (AEC), Vietnamese industry, impacts, integration.

Subject classification: Economics

1. Introduction

After Vietnam was reunified in 1975, the country continued to implement industrial policies to create a new economic structure, based on the revitalisation of agriculture and development of industrial production. The main goal at that time was to meet the needs of equipment and consumer goods, especially food and foodstuffs. Over time, the development of regional and international integration trends through FTAs has been leaving great impacts,

which leads to improvement and creates more integration opportunities for the Vietnamese industry in particular and the whole economy in general. The establishment of the ASEAN Community and the AEC pillar is one of the most important developments, strongly affecting the process of reaching out to the world. This article³ assesses impacts of the AEC on the integration of the Vietnamese industry. The structure of the paper is as follows: After this introduction, the status of the integration process of Vietnam's industry is

elaborated in Section 2, which is followed by an analysis and discussion of the opportunities and challenges for the integration in Section 3. Section 4 is set to discuss the impacts of the AEC on the country's industry, and the concluding remark is placed in Section 5.

2. Status of the integration process of Vietnam's industry

In the late 1980s, economic and social difficulties inside the country in combination with serious economic crises in socialist states were key factors leading to Vietnam's economic renovation process. In the industrial sector, in 1991, Vietnam developed the concept of "industrialisation and modernisation" with the core contents of promoting the economy's diversity, reducing the large dependence on heavy industries and combining the industrialisation of traditional industries with the development of advanced ones to meet requirements of the globalisation process and knowledge-based economy [4].

In 1996, Vietnam set out the "strategy of industrialisation and modernisation promotion", in order to advance to an industrialised country with modern infrastructure by 2020. In the first years, sectors given with development priorities included agricultural processing, consumer goods production, and export-oriented ones. The strategy also emphasised the development of electronics, information technology and mechanical engineering, construction of industrial parks, priority processing zones, and hi-tech areas, as well as the development of small and medium-sized enterprises. In

2001, Vietnam developed the "strategy of industrialisation and modernisation promotion with the socialist orientation for the fundamental development of a newly industrialised country by 2020", in which sectors given with development priorities comprise agricultural processing, textile, footwear and leather, electronics, information technology, and some mechanical industries. The strategy placed special priorities on the development of hi-tech industries and chose to develop some projects in petroleum, machine manufacturing, basic chemicals, and building materials. Vietnam also made a plan for dividing industrial development areas through the development of big industrial clusters with the focus on open economic zones.

In addition, the first decade of the 21st century witnessed crucial changes which had great effects on the structure of Vietnam's industry. Firstly, the country has become the official member of the World Trade Organisation (WTO), while taking part in the negotiation and signing of many trade agreements with important partners such as the US, the European Union (EU), and Japan. Secondly, the Government and National Assembly decided to pass the Laws on Enterprises of 2000 and 2005 to create a shared playground which is more competitive and equitable for all enterprises (private, state-owned, and FDI enterprises) [8].

In 2011, Vietnam launched the programme of industrialisation and modernisation promotion intending to advance the country to become a modern industrialised one by the middle of the 21st century. The programme's main contents are restructuring the manufacturing industry by industrial sectors, regions and production values;

developing machine and heavy industries; selecting to develop spearhead manufacturing, hi-tech, energy and mining industries; prioritising the development of products with good competitiveness and the ability to join in the production network and global value chain; strongly developing supporting industries, and promoting the manufacturing industry through the development of industrial clusters [5].

In 2014, Vietnam's Prime Minister approved the "industry development strategy of Vietnam to 2025 with a vision to 2035". Main contents of the strategy are "to effectively mobilise all resources from domestic economic sectors and external resources to develop and restructure the industrial sector towards modernity; focus on training a skilled, disciplined, and innovative workforce for the industrial sector; prioritise the development and transfer of technologies in the industrial sub-sectors and fields with competitive advantages and modern and advanced technologies such as agricultural, forestry and fishery product processing, electronics, telecommunications, new and renewable energy, mechanical engineering, and pharmaceutical chemistry; rearrange the allocation of industrial space in order to promote the combined strength of sub-sectors, regions and localities for profound participation into the global value chain". Groups of industries prioritised for development include processing and manufacturing (mainly mechanical engineering and metallurgy); chemistry; agricultural, forestry and fishery product processing; textile, footwear and leather; electronics and telecommunications and new and renewable energy [12].

The goal is that, by 2025, Vietnam's industry will have developed with an appropriate structure by sectors and regions, great competitiveness for integration, modern technologies, active participation in the global value chain in some specialisations and fields, adequate competence to basically satisfy requirements of the economy and export and a qualified workforce to meet the needs of a modern production sector. By 2035, the country's industry will have developed with the majority of sectors applying advanced technologies, generating internationally-recognised products, participating profoundly in the global value chain, using energies in an economical and efficient manner, and competing equally in the international integration, as well as a workforce which is professional, well-disciplined, highly-productive, and active in research, design, and manufacturing [12].

Changes in the industrial policy to meet requirements within the country as well as rapidly-changing regional and international economic environments have brought positive results to Vietnam. The country is currently a highly-open and rapidly-growing economy in Asia. The average growth rate of the past decade reached 6.1%. In addition, the proportion of the population living in extreme poverty fell sharply from approx. 50% in the early 1990s to just below 5% in 2012 [15] and 2% in 2016 [16]. In particular, Vietnam has developed from the low-income to the middle-low-income status since 2008 in accordance with the World Bank's standards when its GDP per capita reached USD 1,070⁴. Industrial development, especially in the manufacturing sector, is an important contributor to the above success. Specifically, the industrial

sector accounted for 33% of the country's gross domestic product (GDP) in 2015 and 36.6% in 2018; attracted 21% of the total employment in 2013 and 26% of the total employment in 2018 [15]. Manufactured and processed products occupied more than half of Vietnam's total exports in 2003 and have been constantly increasing since then.

Vietnam has also emerged as a favourite destination for many international investors, with the total foreign direct investment (FDI) registered in Vietnam for the period of 2011-2015 amounting to over USD 88 billion, in which the implemented capital reached USD 58.5 billion. FDI inflows into Vietnam have continued to increase recently and set a record in 2017 with the registered FDI (including new registrations and additional adjustments) amounting to USD 35.8 billion (implemented capital: USD 17.5 billion), which was 44% in comparison to 2016. Specifically, the processing and manufacturing industry accounted for 44.2% of total registered FDI of Vietnam, followed by the electricity production and distribution field (23.3%), and real estate business (8.5%). According to partners, there are 115 countries and territories having investment projects in Vietnam, among which Japan ranks first with 25.4% of the total investment capital and is followed by the Republic of Korea (23.7%) and Singapore (14.8%) [9]. However, in the integration process, the development of Vietnam's industry still has many shortcomings. In particular, the biggest limitation lies in the fact that the competitiveness and added values of industrial products remain low. Moreover, production and trade activities with industrial products are mainly undertaken by FDI enterprises, while the participation and

contribution of domestic enterprises to the value chain of production and distribution of industrial goods do not show much significant improvement.

3. Opportunities and challenges for the integration of Vietnam's industry

Theoretically, the AEC will apply a tax rate of 0% on goods originating from its member countries; therefore, Vietnamese manufacturing and exporting enterprises, especially in the industrial sector, have many opportunities to access to a huge consumer market and the continuously growing middle class of Southeast Asia. On the other hand, most of the Vietnamese manufacturing enterprises have to import machinery and equipment from ASEAN member countries. Therefore, when the AEC is founded, import costs are expected to be lower. In terms of investment, with its favourable position and strengths such as stable politics and abundant labour force, the AEC is expected to promote external investment flows, not only from ASEAN countries but also from countries outside the region, especially advanced ones such as Japan, the Republic of Korea, the US and the EU, into Vietnam. At the same time, along with attracting investments, the technology transfer process has also taken place more drastically and positively, making contributions to the improvement of quality and competitiveness of Vietnam's industrial products in the regional and international markets.

The potential benefits that the AEC may offer Vietnamese industrial enterprises are also manifested through the formation of

regional production and supply chains, in which Vietnam can play a more significant role. Internationally, as a unified production market, the overall competitiveness of the ASEAN's industrial production will be strengthened, thereby creating benefits for enterprises of member countries, including Vietnam. Under the pressure of integration, Vietnamese manufacturing enterprises must increase their investments in technological innovation, adjust strategies to adapt to the competition and optimise costs, benefits, and the market scale, innovate products, and reorganise domestic and regional distribution and consumption networks in a more efficient manner. In addition, the reduction or elimination of transaction costs and the business environment aligned with the Southeast Asian region are also favourable conditions for Vietnamese enterprises to penetrate more deeply into the markets of ASEAN's member countries [1].

In the field of human resources, the participation in the AEC is expected to have positive impacts, including an increased number of jobs in the industry, especially for some manufacturing and processing sectors such as textile, footwear and leather, and food processing, and the development of a screening process for unskilled workers, thereby creating necessary pressure for education and training institutions and enterprises operating in the industrial sector to invest more in training programmes to improve skills for learners and workers. It can be said that the competition in the skilled labour market, both from supply and demand sides is a positive factor affecting the process of improving the labour productivity and employment quality of Vietnamese industrial enterprises.

Besides opportunities, the AEC also creates significant challenges for the industry and Vietnam's overall economy. The biggest challenge is the disparity in production and business levels between the industries of Vietnam and more-developed countries in the ASEAN such as Thailand, Malaysia or Singapore. Certainly, once the AEC is formed, the competitive pressure on Vietnamese young and small-scale manufacturing enterprises will increase, as well as that Vietnam itself shall bear external risks. When becoming a member of the AEC, in the face of fierce competition from the AEC members, some sectors of Vietnam will experience some time of difficulties, possibly at the first stage. Many people commented that the sectors facing the most difficulties were mainly sub-sectors and products in the agricultural area such as animal husbandry, food processing, sugar, fresh and processed fruits and forestry, wood processing and some service industries [3]. The similarity in producing such goods between Vietnam and other ASEAN countries is relatively strong, while the competitiveness in price and quality of Vietnamese goods are lower than products in the same category of ASEAN members. If enterprises do not renovate themselves, investing in production equipment and modern management methods, they may be acquired, cornered and merged with foreign enterprises or even go bankrupt.

Another major challenge is that by participating in the AEC, Vietnam must increase its capital reserves to upgrade its infrastructure, machinery production systems and corporate governance in order to promote the competitiveness of industrial goods not only in the Vietnamese market

but also in regional and international markets in the medium and long terms. In addition, the fiercer competition in the labour market may cause negative impacts on Vietnam's industrial production sector because the labour force level remains low, mainly operating in the agricultural sector. As a consequence, many workers are at risk of losing their jobs or being forced to shift to other industries that require a lower level of technology, but their incomes and benefits will be reduced.

4. Impacts of the ASEAN Economic Community on Vietnam's industry

The AEC's actual impacts on Vietnam's industry are mainly analysed through trade and investment channels between Vietnam and ASEAN.

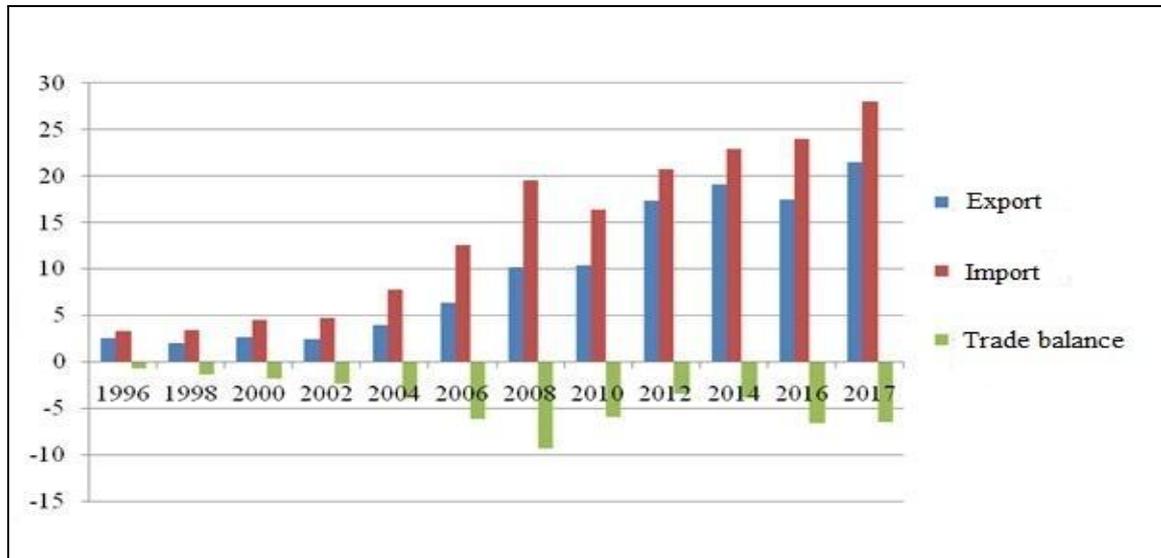
In terms of trade, Figure 1 shows that the total Vietnam - ASEAN trade of goods has increased sharply, from nearly USD 6 billion in 1996 to USD 18.9 billion, USD 41.5 billion and USD 49.7 billion in 2006, 2016, and 2017 respectively. Notably, the period of 2006-2017 witnessed the strong growth of trade in goods between the two parties. Vietnam's most important trading partners in the ASEAN are Thailand, Malaysia and Singapore, accounting for around 70% of the total trade between Vietnam and the ASEAN. Going into import and export activities, in the period of 1996-2017, the export from Vietnam to the ASEAN increased sharply from USD 2.58 billion to USD 21.5 billion. As a result, the ASEAN is currently the fourth largest export market of Vietnam, ranked only after the EU, the US and China. Meanwhile, in

the same period, Vietnam's import value from the ASEAN also increased from USD 3.33 billion to USD 28.02 billion, and the latter is currently the third-largest supplier of goods to the former, ranked only after China and the Republic of Korea.

In terms of trade balance, in trade relations with the ASEAN, Vietnam has always been the deficit bearer, with deficit values tending to increase since 2012 up until now (see Figure 1). In particular, the market that Vietnam experiences the highest trade deficit of up to USD 5.85 billion is Thailand, followed by Singapore and Malaysia, with deficit values of USD 2.34 billion and USD 1.65 billion, respectively. On the converse side, Cambodia and the Philippines are the two markets that Vietnam experiences the largest trade surplus, reaching USD 1.76 billion and USD 1.68 billion respectively.

Regarding the structure of goods, according to the report of the General Department of Customs in 2017, Vietnam mainly exports to ASEAN manufactured products, such as phones and components, computers, electronic products and components, iron and steel, machinery equipment and spare parts, and means of transport and spare parts. Meanwhile, Vietnam has strongly reduced its dependence on the export of products from natural resources, especially crude oil, from 42% in 2006 to 15.2% and 3.3% respectively in 2010 and 2017. Thus, the structure of Vietnam's export to the ASEAN in the past decade made clear changes, with the increasing focus on the group of processing and manufacturing products, thereby showing the improvement of Vietnam's industrial production sector in the integration process into the AEC.

Figure 1: Vietnam's Merchandise Trade with ASEAN Countries in Period of 1996-2017

Unit: billion USD

Source: General Department of Customs.

However, the contributions to production activities and added values of products of domestic enterprises in Vietnam remain limited. Vietnamese domestic enterprises mainly engage in assembly and processing activities, which belong to the lowest segment of the value chain, while other stages with higher added values such as parts and accessories production, advertisement and branding are still majorly undertaken by foreign companies. The increasing share of higher-tech exports to the ASEAN in Vietnam is generally in line with the expanding trend of foreign investment inflows into the manufacturing sector, especially the electronic industry of Vietnam. This fact shows that changes in Vietnam's structure of industrial production and trade with the ASEAN since 2000 up until now are largely due to external factors. In the long term, such dependence can create

adverse impacts on Vietnam's industrial production and foreign trade with the ASEAN as well as other countries. Because multinational enterprises operate based on profits, they are likely to switch to other markets to maintain or seek higher profits once the advantages of investment incentive policies and labour cost of the Vietnamese market are finished. As a result, Vietnam's manufacturing sector is significantly affected by great impacts on the overall competitiveness of the export sector and economy in the AEC. Generally, in the future, the advantages of cheap labour cost in Vietnam will be continuously disappearing. Therefore, if Vietnam's industries and export sector do not shift to higher production chains, it will directly impact the revenue growth and added values of exports to the ASEAN market.

With regard to import, in previous years, Vietnam mainly imported from the ASEAN essential goods, input materials, and capital goods, such as petroleum of all kinds, textile and footwear materials, plastic materials, chemicals, machinery, equipment, tools and spare parts. However, in 2017, besides petroleum products and goods imported from the ASEAN, Vietnam focused on goods for processing and export as well as consumer goods such as computers, electronic products and components, phones and accessories, and CBU cars. Thus, the structure of Vietnam's imports from ASEAN market at present includes mainly industrial goods. On the one hand, it satisfies the demand for input imports for industrial production; on the other hand, the heavy reliance on intermediate inputs from the ASEAN for a long time has exposed the weaknesses of Vietnam's supporting industries. At the same time, it also shows that Vietnam has not yet successfully taken advantage of many benefits brought about by the growth of investments from multinational companies, including enterprises from the ASEAN to improve the production capacity of domestic industrial sectors. In addition, Vietnam's imports from the ASEAN still comprise many luxuriuos (especially cars) and low-tech goods, which often create negative impacts on the environment and society.

In the field of investment, according to data from the Foreign Investment Agency, by October 2017, eight ASEAN countries, including Singapore, Malaysia, Thailand, Brunei, Indonesia, Philippines, Laos, and Cambodia, had invested in Vietnam. ASEAN investors have invested in 18/18 sectors of the national economic classification system, with 3,362 valid projects and cumulative total

investment capital of USD 64.5 billion, accounting for 20.61% of the total registered investment capital of the whole country. In terms of scale, while the average project size in Vietnam is about USD 14 million/project, the size of capital in an ASEAN project is about USD 20 million/project. This is encouraging because many large-scale projects from ASEAN countries have made their presence visible in Vietnam [10]. Specifically, the investment capital is focused on the processing and manufacturing industry with 1,020 projects and the total investment capital of USD 22.32 billion, accounting for 37.7% of the total projects and 39.2% of the ASEAN's total investments in Vietnam. This industry is followed by the real estate sector with 104 projects and the total investment capital of USD 16.9 billion, accounting for 29.7% of the total investment capital and the construction sector with 175 projects and the investment capital of USD 3.34 billion, accounting for 5.8% of the total investment capital.

Among ASEAN members, Singapore is always the biggest investor in Vietnam, with the accumulated FDI capital of USD 41.7 billion by October 2017, followed by Malaysia (USD 12.1 billion) and Thailand (USD 8.4 billion). These are also three among the top ten countries investing in Vietnam.

Although Vietnam has achieved many praise-worthy results in attracting investments of ASEAN countries, the results are still not commensurate with the potential of Vietnam and ASEAN countries. Vietnam has not fully exploited the advantages of ASEAN countries, including the geographical proximity, customs as well as cultures with many similarities, tax and investment incentive policies in the process of developing the AEC.

Table 1: FDI Capital (Implemented) from ASEAN and World into Vietnam in Period of 2010-2017

Unit: million USD

Country	2010	2011	2012	2013	2014	2015	2016	2017
Brunei	13.24	40.67	5.20	34.15	36.85	78.58	162.43	18.44
Cambodia	0	0.62	0.34	0.41	0.84	0	8.02	2.53
Indonesia	0.71	14.84	29.64	16.43	22.38	11.22	12.36	18.01
Laos	34.06	0.38	0	0	0	1.30	7.16	0.17
Malaysia	131.13	232.00	122.07	59.39	163.75	1285.01	472.53	114.46
The Philippines	4.24	1.28	11.22	0.15	5.60	2.83	28.27	11.80
Singapore	1078.31	1129.81	992.02	1801.09	1219.52	638.48	1250.60	2085.64
Thailand	39.18	97.73	102.07	166.96	98.13	136.05	365.24	280.12
ASEAN	1300.88	1517.34	1262.55	2078.59	1547.08	2153.46	2306.61	2531.17
The world	8000.00	7519.00	8368.00	8900.00	9200.08	11800.00	12600.00	14099.98
ASEAN/ World (%)	0.16	0.20	0.15	0.23	0.17	0.18	0.18	0.18

Source: Author's compilation and calculations from the ASEAN Database.

In terms of investments in foreign countries, Table 2 illustrates the flow of direct investments in ASEAN countries of Vietnamese enterprises. It can be seen that in comparison to the implemented capital of ASEAN countries in Vietnam, the implemented capital of Vietnam in the ASEAN market is much lower. In terms of market structure, in 2010, most of the investment capital of Vietnam implemented in the ASEAN focused mainly on the Cambodian, Singapore and Malaysian markets. In 2017, Cambodia and Myanmar were the two largest foreign investment markets of Vietnamese enterprises. Investment projects of Vietnamese enterprises are mainly focused on the fields of agriculture, forestry, energy, mining, real estate and finance, of which Vietnam has advantages and potential

in cooperating with the regional countries. However, investment activities in ASEAN countries of Vietnamese enterprises remain limited and difficult, stemming from the enterprises themselves as well as the host countries. In particular, the biggest limitation lies in the fact that the project implementation progress remains slow, and the implemented investment capital is still low such as less than 40% in Laos [7]. Simultaneously, the flow of investment capital for implementation has grown unevenly, indicating the instability in investment activities of Vietnamese enterprises in the markets of ASEAN member countries. In addition, the foreign investment activities of Vietnamese enterprises are not highly linked to one another, and enterprises have not paid adequate attention to environmental issues during the investment process.

Table 2: FDI from Vietnam (Implemented) in ASEAN Countries
in Period of 2010-2017

Unit: million USD

Country	2010	2011	2012	2013	2014	2015	2016	2017
Cambodia	198.50	91.69	211.47	54.31	179.65	168.71	184.48	127.15
Indonesia	0.92	1.51	2.68	5.41	9.05	6.30	11.28	23.17
Laos	17.43	48.97	0	0	10.82	100.62	21.67	7.74
Malaysia	76.48	79.96	116.82	144.22	34.79	21.13	-57.94	77.90
Myanmar	2.50	0	7.10	16.40	22.75	117.95	8.94	210.62
The Philippines	0.35	-0.18	0	0	0.04	1.84	-0.07	0.43
Singapore	117.40	65.10	87.00	118.40	68.80	-19.60	138.10	21.70
Thailand	-0.01	1.24	5.59	0.99	1.24	0.55	-0.77	0.59
ASEAN	413.57	288.29	430.65	339.72	327.14	397.49	305.69	469.31

Source: Author's compilation from the ASEAN's Database, <https://data.aseanstats.org/>.

Shortcomings in the industrial development, expressed through trade and investment activities between Vietnam and ASEAN countries in the process of forming the AEC, mainly stem from the limitations of competitiveness of Vietnamese industrial production enterprises in general and enterprises having relations of goods exchange and trading with the ASEAN in particular. The limitations are clearly exposed in the science and technology level, governance capacity and the connectivity among enterprises and associations in sectors, which are still weak. Vietnamese enterprises have not prioritised the investment in research and development (R&D) or the link of this activity with educational institutions, especially at the higher education level. Meanwhile, because the horizontal or vertical links between enterprises and trade associations are weak, they cannot create the pervasiveness and

overall competitiveness of Vietnam's industrial products exported to ASEAN countries. In addition, the enhancement of interaction between ministries and branches of the Government and enterprises, especially through trade promotion activities in the ASEAN, is insufficient and weak.

Another important reason is that despite improvement in the business environment, business and investment attraction policies and infrastructure system of Vietnam, there remain many downsides. According to the World Bank's Global Business Environment Report 2018, Vietnam's business environment has made encouraging progress and been ranked 68th out of 190 surveyed countries, up by 14 places in comparison to the 2017 Report. Nevertheless, there is still quite a big gap between Vietnam and regional countries such as Thailand (26th), Malaysia (24th) and Singapore (2nd). In particular, the lowest indicators are retail investor protection

(81st); tax payment (86th); cross-border trade (94th); startups (123rd) and addressing the insolvency status (129th) [13]. Similarly, according to the World Bank's Logistics Performance Index (LPI) 2016, Vietnam was ranked 64th out of 160 economies surveyed, which is still far from many other countries such as Singapore (2nd), the Republic of Korea (24th), China (27th), Malaysia (32nd) and Thailand (45th) [14].

5. Conclusion

The AEC is not the endpoint and the ASEAN countries will continue the process of economic connectivity. This is reflected in the adoption of the ASEAN Economic Community Blueprint 2025 by the member states. The prospect of developing a more cohesive and competitive ASEAN by 2025 also helps its members, including Vietnam, improve their competitiveness. At the same time, Vietnam will be a link in the production network of the whole region, thereby directly impacting the country's industrial production, commercial and investment activities with the ASEAN and its neighbouring countries. Therefore, the development of industry, trade and investment between Vietnam and the ASEAN is not just limited within the Southeast Asian region but should be taken into consideration in the bloc's trend of economic connection with other countries.

In order to efficiently develop the industry and promote foreign trade and investment activities between Vietnam and the ASEAN, Vietnam needs to fundamentally and comprehensively transform the modalities of production and export of goods towards

increasing the contributions of scientific and technical factors and skilled workforce, improving the institutional framework, business investment environment, developing the infrastructure and logistic services, as well as formulating policies to orient the import and export of goods. In addition, diversifying production and export activities, especially for industrial goods with high added values, effectively exploiting advantages from the AEC and beyond-AEC period, developing prioritised supporting industries, strengthening the attraction of FDI, technology transfer and industrial cooperation between Vietnam and the ASEAN, are measures that need to be implemented with focus in order to promote the industrial integration and enhance the efficiency of trade and investment activities between the two sides in the years to come.

Notes

^{1, 2} The paper was published in Vietnamese in: *Nghiên cứu Đông Nam Á*, số 11, 2018. Translated by Vu Xuan Nuoc, edited by Etienne Mahler.

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⁴ Every year, the World Bank classifies member countries into groups based on their per capita incomes. Income threshold for country grouping is based on 2012 data as follows: Low income (less than USD 1,035 per person); middle-low income (USD 1,036 - USD 4,085); middle-high income (USD 4,086 - USD 12,615); and high income (from USD 12,616 or higher). It means that countries with per capita incomes of about USD 1,000 will develop from the low-income to middle-low income status.

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