Open regionalism in the Asia-Pacific rim: The case of Vietnam during the 1990s

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Abstract

During the 1990s, among trading blocs which were formed around the world, APEC was a new form of regional economic integration relying on the concept of “new regionalism or practically “open regionalism” to promote international trade and foreign direct investment in the Asian-Pacific region. In this context, Vietnam as an APEC member has been opening up to its region in the early 1990s. The economic integration scheme that Vietnam got involved has consequently helped sustain high economic growth rate during the last decade.

This research work aims to investigate the regional economic integration process during the 1990s by using trade intensity and gravity approaches. Our findings suggest that APEC plays the leading role in promoting international trade and investment in the Asian-Pacific rim. In the case of Vietnam, since its reinsertion into the world economy, Vietnam has begun to affirm gradually its role in the bigger regional market.

Key words: open regionalism, new regionalism, emerging countries, economic growth, building bloc, multilateral trading system

Introduction

The phenomenon of regionalization along with globalization of markets has been a remarkable trend of contemporary world economy. The expansion of regional trading blocs was the most important concern about international economic relations in the 1990s. This phenomenon has been observed at the two levels. At one level, most of developed and developing countries have been got involved in at least one regional trade agreement. At another level, a great number of countries are members of more than one regional trade agreement. As a whole, more than one-third of world trade transactions are operated under such regional trade agreements. If Europe
was pioneer in the regionalization process, America with NAFTA and Asia-Pacific region with ASEAN and APEC reinforce the growing power of phenomenon of regionalization.

The demultiplication of the regional trading blocs has been encouraging researchers to investigate their legitimate status and motives at different angles. For several authors, the creation of regional blocs might be protectionist ones that can hurt the current liberalization of the multilateral trading system. For others, this phenomenon can help neighbor members to strengthen their cooperation and their mutual benefits without challenging the multilateral trading system. This latter concept about regionalism is called “new regionalism” or practically “open regionalism” that has been adopted as a fundamental principle of APEC from its creation attempting to liberalize international trade and investment in the 1980s and 1990s (Bergsten, 1997; Garnaud, 2004). In this context, Vietnam as an APEC member has been opening up to the Asia-Pacific region in the early 1990s. The economic integration scheme that Vietnam got involved has consequently helped sustain high economic growth rate during the last decade.

This research work aims to investigate results of efforts that Vietnam have made in order to integrate in its Asian-Pacific region and the relationship between its openness to international trade and foreign direct investment and economic growth during the 1990s and the early 2000s.

This paper is structured as follows:

The first section presents a brief literature review on new regionalism.
The second section analyzes the economic performance of APEC member countries since its foundation.
The third session investigates the natural nature of APEC as a trading bloc by using the approach of gravity and trade interdependency.

The evolving theory of regionalism

The theoretical framework of economic integration has been evolving from different constructs of regionalism depending largely on the specificities of regional arrangement schemes observed in different continents. According to Balassa (1962), regional economic integration is a process aiming to remove trade and non trade barriers among neighboring countries. Later on, Robson (1987) considers economic integration as a status or a process that helps partner countries build a common ground without obstacles or disparities. Balassa also suggests that the economic integration process has different phases of development, from preferential trade agreement to free trade area and then to the upper level as a customs union, a common market and to the highest level as an economic union. However, in reality, countries are able to choose different formats of economic integration that sometimes do not necessarily follow the steps described by Balassa. In this sense, member countries can prioritize trade relations, movements of factors, coordination of economic or policies or cooperation of projects (Cousy, Hugon, 1992). No matter what regional integration formats, the members’ objective remains similar: improving welfare for individual country members as well as for the whole region.

The old concept of regionalism is influenced by the first wave of regional agreements occurred in the 1950s and 1960s that regroup only countries at the similar level of development, North-
North or South-South agreements. The central point of this theoretical framework is the Viner’s work in 1950 on welfare consequence of a regional trade agreement based on a static approach of trade creation and trade diversion. Moreover, this theory supports the building of trading blocs aiming to improve clearly the regional community welfare. It attempts to defend regional interest when member countries have to encounter difficulties of negotiations in the framework of the multilateral trading system. Thus, the Viner’s approach makes believe regionalism is an alternative of the global free trade.

Since Viner, a large body of research develops and comes up with a common conclusion: the welfare of partner countries might be improved, depending on a great number of parameters that are incorporated in their model (Meade, 1955, 1956; Lipsey, 1968; Wonnacot, Lutz, 1989; Kemp, Wan, 1976; Cooper, Massel, 1965a, 1965b; Bhagwati, Panagariya; 1996). Until the 1980s, the theory of regional agreements has analyzed static effects in the context of one protectionist bloc while several blocs had been created in different parts of the world simultaneously. This debate had long been focusing on the debate of the regional economic integration driven by the markets forces that under certain conditions that constitute an optimum of the second best in comparison with free trade.

In the new static analysis of regional integration, the trade creation and diversion effects of a single block vis-à-vis of the rest of the world are reformulated by incorporating transport costs in new models of trading blocks. The introduction of transport costs justifies the motivation of countries which are geographically close to get involved in the regional scheme. The gravity model is commonly used by economists who attempt to explain the determinants of regional agreements (Tinbergen, 1963; Pöyhönen, 1963; Linnemann, 1966, Anderson, 1979; Berstrand, 1985; Frankel, 1992; Saxonhouse, 1992; Chwo-Ming, Dixie, 1995; Le, Nguyen, Bandarra, 1996). The proximity concept in this model includes also technological or cultural proximity between trading partners. Interestingly, by applying this model, Frankel (1992) found out a significant regional polarization of international trade exchanges for the three blocks, Europe, America, and Asia. As a result, the proximity of markets in strong growth (current or potential) reinforces the expansion of the regional market.

In order to get closer to such a reality, trade theorists apply the dynamics of geographical proximity to form regional blocks with “natural trading partners” (Krugman, 1991a, 1991b). Since then, the theory of trading blocs is initiated by Krugman and followed by Frankel, Stein, Wei, Shang-Jin (1995) and Nitsch (1996). The findings of Krugman are surprising: the global welfare would be maximized when the world was organized in just one block, corresponding to the global free trade. In contrast, it was minimized when the world was composed of three blocks. Historically, Summers (1991) demonstrates intra-regional trade of North America in 1989 was heavily influenced by geographical proximity and concludes that North America provides a good example of a “natural” trading block.

Despite these interesting findings of Krugman, the natural trading partner approach captures only one source of difference among countries, transport costs. Nonetheless, trade researchers argue that the conceptualization of trading blocs should base on all of sources of difference to get closer to the realities (Bhagwati, Panagariya, 1996; Bhagwati, 1998). In this sense, the theory of economic integration attempts to investigate the implications of a regional block on welfare and
on the legitimacy of the bloc under diverse conditions. Thus, it relies on a regional block which appears very protectionist whose objective is to improve the regional welfare without worrying too much about the global welfare. The consequences of Vinerian approach indicate only the efficiency of allocation of existing resources without providing any linkage between regionalism and multilateralism for the time when regional blocs have been growing in number. At this point, it is important to understand if this protectionist trading blocs forming in the 1990s is able to threaten the rest of the world trading system or enhance on the contrary this system.

The above questioning constitutes a new approach of regionalism in the new emerging trend of regionalism observed in the 1990s called the “second wave of regionalism” or also “the new regionalism” (De Melo, Panagariya, 1993). Nowadays, the problem of regionalization becomes more complex when the blocks are built simultaneously. Therefore, the defensive attitude of regional trading blocs toward the rest of the world must be reconsidered, taking into account the growing interdependence of the economies. Therefore, the changing context in the 1990s is the starting point of our theoretical analysis of the new regionalism. Indeed, the world trading system has been becoming more and more open. Also the conceptualization of regional integration, especially for developing countries are visibly different (Ethier, 1998a, b; Bhagwati, 1993; De Melo, Montenegro, Panagariya, 1993). Indeed, the “old regionalism” regroups countries with similar level of development. In contrast, “new regionalism” is characterized by an asymmetric level of development among members, in the context of outward policies (Ethier, 1998). Thus, the key definite difference between the new regionalism and old regionalism occurred in the 1950s and the 1960s is the policy environment. The policy framework encircling the old one in developing countries involved an inward-looking and import-substitution strategy. Meanwhile, the new regionalism is inserted into a framework of policy reform that promotes open and competitive private market-based economies in a tremendous reduction of trade barriers and liberalization of international trade around the world (De Melo, Panagariya, 1993; Ethier, 1998).

Different from the old regionalism, the new regionalism integrates developed and developing countries by transferring credibility from “strong countries” to “weak countries”. Regional economic agreements are viewed as factors of attractiveness of capital flows rather than trade creation versus trade diversion argument of Viner. The ultimate objective of regionalism is to adapt to the development of the multilateral trading system not to undermine it. It raises also the economic and political issue which seems crucial for “small” or developing countries while linked to a much more developed country. The theory of endogenous regional integration of Ethier suggests the possibility for developing countries, especially for those who are starting their economic reforms to be integrated in a trading bloc that facilitates their access to the multilateral trading system in the future. This endogenous approach has made the conceptualization of the old regionalism irrelevant. It solves the question of survival of small countries located closely to big countries in a globalized world. At this regard, the key argument to support South-South integration based on the principle of economic solidarity loses its power. On the international investor side, they tend to localize in countries that belong to a regional block, among those who are competing to attract FDI inflows (Ether, 1998).

The economic integration of APEC in the 1990s
As the initial objective of APEC founders is to promote economic growth, develop and strengthen the multilateral trading system, and increase the interdependence and prosperity of APEC members’ economy, all of its members did liberalize unilaterally their international trade and attract FDI inflows to sustain long-term economic growth rate. As a result, since its creation in 1989, except several years hit by the regional economic downturn, annual economic growth rate of APEC increases steadily. In this favorable regional environment, Vietnam has been gradually integrated into the Asia-Pacific rim while sustaining high economic growth rate with a peak in 1996 nearly 10% (Graph 1). Similarly, exports in % of GDP from Vietnam, an indicator of openness of the country, was soaring from 40% in 1991 to up to 100% in 2001 (Graph 2). Another indicator of the globalization process of APEC and Vietnam is the ratio of FDI in % of GDP up from more than 20% in 1989 to 70% in 2001. In contrast with trade openness, the pace of economic integration process in terms of foreign direct investment seems slower as its increases from 10% in 1989 to 20% in 2011 (Graph 3).

Graph 1: Evolution of annual economic growth rate (%) between 1989-2001

![Graph 1](http://statistics.apec.org)

Source: http://statistics.apec.org

Graph 2: Evolution of exports in % of GDP between 1989-2001

![Graph 2](http://statistics.apec.org)

Source: http://statistics.apec.org
Graph 3: Evolution of FDI inflows in % of GDP between 1989-2001

Source: http://statistics.apec.org

Trade intensity among APEC countries

Lower transport costs could lead to higher trade intensity which would increase the interdependency between countries. To quantify the degree of economic integration, several authors used a measure of the intensity of interdependency (or trade intensity) that characterizes the intensity of trade relationship between a pair of partners by comparison to the extent of total trade of each of these partners (Lafay, Herzog, 1989; Benzidoun, Chevalier, 1994, cited by Palmero, 2003; Kim, 1994). It refers to the geographical orientation of trade flows, controlling for total trade flows of both partners. Following these authors, we use trade intensity indicators to assess the polarization of trade flows among members of APEC in the 1990s. The two periods of time 1996 and 2001 were intentionally investigated before and after the Asian financial crisis that might have negative impact on international trade transactions in the Asia-Pacific region.

Table 1: Trade intensity indicators of member countries located in the Asia-Pacific region with South-East and North-East Asia

<table>
<thead>
<tr>
<th>TRADE RELATIONS WITH</th>
<th>ASEAN</th>
<th></th>
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<th>North-East Asia</th>
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<tbody>
<tr>
<td>Vietnam</td>
<td>3.44</td>
<td>3.97</td>
<td>2.91</td>
<td>4.49</td>
<td>2.44</td>
<td>1.92</td>
<td>2.68</td>
</tr>
<tr>
<td>Thailand</td>
<td>2.84</td>
<td>1.90</td>
<td>3.54</td>
<td>2.45</td>
<td>1.68</td>
<td>1.60</td>
<td>3.05</td>
</tr>
<tr>
<td>Lao</td>
<td>6.16</td>
<td>9.27</td>
<td>6.69</td>
<td>11.39</td>
<td>0.09</td>
<td>0.53</td>
<td>2.46</td>
</tr>
<tr>
<td>Cambodia</td>
<td>5.86</td>
<td>11.08</td>
<td>1.18</td>
<td>11.12</td>
<td>0.62</td>
<td>0.61</td>
<td>0.59</td>
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<tr>
<td>Philippines</td>
<td>1.77</td>
<td>0.85</td>
<td>2.78</td>
<td>2.25</td>
<td>1.58</td>
<td>1.53</td>
<td>2.95</td>
</tr>
<tr>
<td>Malaysia</td>
<td>3.95</td>
<td>2.80</td>
<td>4.63</td>
<td>3.38</td>
<td>1.61</td>
<td>1.58</td>
<td>3.39</td>
</tr>
<tr>
<td>Indonesia</td>
<td>1.89</td>
<td>1.65</td>
<td>3.55</td>
<td>2.91</td>
<td>2.33</td>
<td>1.35</td>
<td>3.60</td>
</tr>
<tr>
<td>Myanmar</td>
<td>3.21</td>
<td>6.39</td>
<td>7.02</td>
<td>6.50</td>
<td>1.49</td>
<td>0.92</td>
<td>3.03</td>
</tr>
<tr>
<td>Country</td>
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<td>EU</td>
<td>NAFTA</td>
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<tr>
<td>Singapore</td>
<td>2.41</td>
<td>3.58</td>
<td>2.32</td>
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<tr>
<td>Japan</td>
<td>2.83</td>
<td>2.09</td>
<td>2.77</td>
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<tr>
<td>Korea</td>
<td>1.85</td>
<td>1.25</td>
<td>2.49</td>
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<tr>
<td>China</td>
<td>1.05</td>
<td>1.13</td>
<td>1.50</td>
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<tr>
<td>Taiwan</td>
<td>2.37</td>
<td>1.57</td>
<td>2.18</td>
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<tr>
<td>Hongkong</td>
<td>0.75</td>
<td>1.65</td>
<td>0.86</td>
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<tr>
<td>Australia</td>
<td>2.18</td>
<td>1.60</td>
<td>2.44</td>
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<tr>
<td>New Zealand</td>
<td>1.25</td>
<td>0.90</td>
<td>2.00</td>
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<tr>
<td>USA</td>
<td>1.26</td>
<td>1.17</td>
<td>1.05</td>
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<tr>
<td>Canada</td>
<td>0.16</td>
<td>0.20</td>
<td>0.23</td>
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<tr>
<td>Mexico</td>
<td>0.14</td>
<td>0.14</td>
<td>0.08</td>
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<tr>
<td>Chile</td>
<td>0.85</td>
<td>0.24</td>
<td>0.31</td>
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<tr>
<td>Papua New Guinea</td>
<td>1.12</td>
<td>2.12</td>
<td>0.92</td>
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</tbody>
</table>

Source: Computed by using data of Direction of Trade Statistics Year Book. IMF, 2003

Table 2: Trade intensity indicators of countries located in the Asia-Pacific region with APEC, EU and NAFTA
In general, as Tables 1 and 2 show, before and after the Asian crisis occurred in 1997, trade relations are strong among regional regroupments located in the heart of the Asian-Pacific basin. The relative intensities range between 1 and 4, reflecting efforts of these countries to recentralize their trade relations within the region, and hence make the region the most dynamic in the world. In fact, APEC economies account 57% of GDP (about USDtrillion 19), 55% of world trade and 40% of the world’s population (2.6 billion). More importantly, trade relations are significant among sub-regions such as ASEAN North East Asia, and NAFTA with especially high trade intensity indicators (from 2 to 9).

In 1996, trade in the Asia-Pacific region seems to concentrate on imports from the region (mainly from China and Japan) for Mexico, Australia, Indonesia, Vietnam, and Canada. Trade relations are strong among NAFTA members, in particular Canada and Mexico (trade intensity indicators between 3 and 4 for imports and exports) but marginal among NAFTA non-members. In contrast with NAFTA, trade interdependency with the EU is much more important as many countries APEC procure intermediate and capital goods from EU as an important source of supply.

In 2001, important changes are made. All APEC members, especially Asian countries, accelerate their trade relations in the region. The indicators always remain above 2.5 for all of the countries studied. As a result, APEC becomes the main supplier for many developing countries located in the Asia-Pacific rim, especially Vietnam and Papua New Guinea. Vietnam represents 62% of its total exports to APEC countries and 72% of its imports. While most developed countries such as Japan, China, Taiwan, Australia, New Zealand, USA, and Canada focus their exports to APEC, emerging markets like Vietnam, Mexico, Thailand, and the Philippines procure most of its intermediate and capital goods from APEC. In contrast, APEC does not develop strong trade relations with EU, except Canada and Mexico.

In brief, this study points out strong intense trade links of countries located in the Asia-Pacific region as these countries have considerably centralized their trade flows within the region during the 1990s compared with those developed with the EU or NAFTA, except Canada and Mexico, and Chile.

Is APEC a “natural” trading block?

The 1990s witnesses a tremendous growth in intra-regional trade flows of APEC countries. Gravity models explain determinants of bilateral trade flows, mainly geographical distance and economic size of the two partner countries (Tinbergen, 1963; Pöyhönen, 1963; Linnemann, 1966, Anderson, 1979; Berstrand, 1985; Frankel, 1992; Saxonhouse, 1992; Chwo-Ming, Dixie, 1995; Le, Nguyen, Bandarra, 1996). Chwo-Ming and Dixie (1995) estimated determinants of trade relations of APEC in 1980 and 1989 by using the gravity model incorporating 14 main trading partners of APEC (in which 10 in Asia such as Japan, China, South Korea, Hong Kong, Taiwan, Singapore, Thailand, Indonesia, Malaysia, and New Zealand, Australia, Canada and the USA). Interestingly, they found out that the factors namely “size of APEC market”, “political stability”, “geographical distance”, “cultural similarities”, “adhesion in ASEAN” and “belonging to NPI group of countries” appear the most significant indicators of trade flows in the region. However,
Vietnam and other new ASEAN members were not involved in their study. In the particular case of Vietnam, its transition to the market economy and its progressive regional integration process marked a turning point to redirect its trade flows towards its Asia-Pacific region. Therefore, it is important to know if Vietnam shares the same determinants of trade flows in the region. In 1996, this hypothesis was tested by Le Quoc Phuong, Nguyen Duc Tho and Bandara with a sample of 17 countries (in which 14 are those investigated by Chwo-Ming and Dixie in 1995), and 3 new ones: Mexico, Chile and Papua New Guinea for the 2 periods of time: 1989 and 1994. Apart three basic explanatory variables: GDP, GDP per capita and geographical distance, they incorporate 5 dummy variables: Adjacent (countries which share common border), Singapore, Vietnam, AFTA and NAFTA.

In order to assess the natural trade structure of Vietnam in the Asian-Pacific region, we apply the specified gravity equation used by Le Quoc Phuong, Nguyen Duc Tho and Bandara in 1996. Due to limited trade relations held with the USA, Mexico, Australia and New Zealand in the 1990s, we investigate mainly the influence of progressive regional integration of Vietnam in the privileged commercial areas with 14 countries in the sample: 9 members of ASEAN (excluding Brunei) and 5 countries located in North East Asia (China, Hong Kong, Taiwan, Korea and Japan) in this regression. There are N= (14x13)/2=91 bilateral trade flows.

Our estimation is conducted in 10 points of time shown in Table 3. The year 1987 marked the end of the autarky policy and the adoption of the Doi moi policy. The year 1991 witnessed the collapse of the socialist bloc. In 1995, Vietnam joined ASEAN. In 1997, the Asian crisis provoked an economic downturn in the region and finally, the year 2001 witnessed the recovery of the Vietnamese economy.

Our specified equation of gravity is as follows:

\[ \log\text{TRADE} = \text{cste} + \alpha \log(\text{GDP}_i \times \text{GDP}_j) + \beta \log(\text{GDP}_i \text{ per capita} \times \text{GDP}_j \text{ per capita}) + \chi \log\text{DISTANCE}_{ij} + \varphi \text{AFTA} + \varepsilon \text{ASEAN} + \gamma \text{APEC} + \phi \text{SINGAPORE} + \delta \text{VIETNAM} + \mu \]

Results of this test are presented in Table 4.

**Table 4: Determinants of bilateral trade flows in East and Southeast Asia**

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<tr>
<td><strong>Explanatory variables</strong></td>
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</tr>
<tr>
<td>Constant</td>
<td>-6.956***</td>
<td>-4.785*</td>
<td>-4.509*</td>
<td>-2.339</td>
<td>0.165</td>
<td>-0.717</td>
<td>-0.717</td>
<td>0.165</td>
<td>-0.717</td>
<td>-0.305</td>
</tr>
<tr>
<td>Log (GDPi*GDPj)</td>
<td>0.601***</td>
<td>0.448***</td>
<td>0.501***</td>
<td>0.529***</td>
<td>0.548***</td>
<td>0.516***</td>
<td>0.502***</td>
<td>0.395***</td>
<td>0.363***</td>
<td>0.699***</td>
</tr>
<tr>
<td>Log (GDPi/GDPj)</td>
<td>0.219*</td>
<td>0.270***</td>
<td>0.199**</td>
<td>0.209***</td>
<td>0.076</td>
<td>0.116</td>
<td>0.086</td>
<td>0.037</td>
<td>0.011</td>
<td>-0.042</td>
</tr>
</tbody>
</table>
Table 3 indicates clearly that our regressions work well as the R-squared is between 0.718 and 0.890 that is very close to results found by Le Quoc Phuong, Nguyen Duc Tho and Bandara (1996). All of the coefficients of explanatory variables have the expected signs: statistically significant and positive for \((GDP_i \times GDP_j)\), positive \((GDP_i / \text{capita} \times GDP_j / \text{capita})\) before 1995 and negative for Distance\(_{ij}\). ASEAN as a regional economic regroupment scheme seems to have little impact on the structure of trade relations in the Asia-Pacific region for all of the years tested. For the two years 1997 and 1998, it is statistically significant and negative due to the Asian financial crisis that hit seriously the region. In contrast, APEC membership reinforces trade relations in the Asian-Pacific zone. These results underline the important role of APEC in the region since the last two decades recognized by Frankel (1992) as “one of the strongest regional bloc in Asia” that represents half of the world trade. This is confirmed by the coefficients of the dummy variable APEC which are statistically significant and positive (between 2.017 to 3.182). The experience of APEC reveals a new model of economic integration without being institutionalized by a rigid format. Thus, the multiple economic integration path (ASEAN, APEC, WTO) adopted by ASEAN member countries including Vietnam seems to be the right choice. If ASEAN does not have direct impact of the trade structure of the region, Singapore as an individual ASEAN member acts as a leader in the intra-regional trade flows on all of the periods studied as the dummy variable SINGAPORE is significantly positive.
Regarding Vietnam, results of the regression show that before 1991, Vietnam had not yet integrated to the regional trading system, as the dummy variable \textit{VIETNAM} is statistically significant and negative. After this year, Vietnam has become gradually integrated to the region. Thus, since 1991, the dummy \textit{VIETNAM} is not significantly different from zero except the year 2000. This suggests that Vietnam’s trade relations with ASEAN and North East Asian partners have significantly improved during the 1990s, with an exception of the period between 1998 and 2000 due to the impact of the Asian financial crisis. With the adoption of Doi moi (Open door) policy in 1986, Vietnam launched economic reforms, including the liberalization of prices, the recognition of the private sector, and the promotion of foreign trade and FDI. These reforms were successful as since then, Vietnam has registered high economic growth rate, expansion of foreign trade, and at the same time, redirected trade towards East Asian countries right after the collapse of the socialist block.

Conclusion

In the 1990s, APEC with the concept of open regionalism did favor international trade and investment not only on the regional but also on the global basis. Our findings demonstrate that APEC since its creation has been playing a leading role in promoting intra-regional trade. They also underline the important role of Singapore in the Asian-Pacific zone. They are validated by our gravity model. In addition, our econometric tests indicate the failure of ASEAN in encouraging intra-regional trade flows, particularly during the Asian financial crisis.

In this natural structure of intra-regional trade flows validated by the gravity model, Vietnam has begun to affirm gradually its role in the bigger regional market since the early 1990s. Its reinsertion in the world trading system has been one of the most remarkable traits of openness of this country.

References


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Website: http://statistics.apec.org
NOTE: The indicator of relative intensity of exports and imports of country i to country j called IDRX and IDRM respectively are calculated as follows:

\[
IDRX = \frac{X_{ij}}{X_i} \times \frac{M_j}{M_w}
\]
\[
IDRM = \frac{M_{ij}}{M_i} \times \frac{X_j}{X_w}
\]

- If Trade intensity indicators =1: bilateral flows are strictly proportional to the weight of the two partners in the total world trade.
- If Trade intensity indicators >1: countries maintain privileged commercial relations.
- If Trade intensity indicators <1: no preponderant commercial relation between the two partner countries.