

CHAPTER I

INTRODUCTION

A. Background

Globalization has created a new global economic architecture where numerous countries are increasingly depended on each other as a result of the growing scale in cross-border trade comprising of commodities, services, and capital (Shangquan, 2000). This situation creates a sustainable market integration which has been rapidly supported by the advancement of science and technology aimed to reduce the cost of transportation and communication for all of the countries in conducting the trade activities. As a result, it has given a significant access to penetrate the market across national boundaries through the way of free trade activities which is relatively cheaper, easier, and faster. However, economic globalization is a process both interaction and integration among people, companies, and governments in the entire world that is strongly connected by the framework of economic interdependence both international trade and foreign investment aimed to pursue the mutual interest.

Furthermore, the wave of economic globalization has an enormous influence in encouraging all of the government's policy in order to eliminate the trade barriers both tariff which refers to import tax and non-tariff which refers to import quota in the context of the mutual exchange of goods, services and capitals. In essence, the formation of trade agreements is an alternative way for all of the countries in order to ensure the operation of free trade activities based on the mutual agreement. Therefore, the significance of international trade in maximizing the economic growth become increasingly the spotlight for all of governments in the world, so that it has been inspiring many countries in order to implement the concept of free trade which is usually conducted in three ways namely; *First*, multilateral model which is operated under international trade regime such as World Trade Organization (WTO). *Second*, a regional model

which tends to be conducted by several countries in the formation of Regional Trade Agreements (RTAs) based on similar geography such as European Union (EU), Association Southeast Asian Nations (ASEAN), etc. *Third*, a bilateral model which is supported by the establishment of Free Trade Agreements (FTAs) between one country and another country (Sutton, 2007). However, it has indirectly affected in the change of government's view particularly developing countries which dedicate to conduct the significance of economic and political reform, so that those countries will automatically access the dynamic of global political economy aimed to utilize the trade liberalization and to enhance the economic integration as a trigger in improving their economic growth.

One of prominent example that shows the implication of economic and political reform toward international trade can be seen in the efforts of government which is applied by the Socialist Republic of Vietnam. Historically, after declaring the reunification of Vietnam in 1975, the Vietnamese Communist Party (VCP) as the most significant actor in Vietnamese government initially committed to operate the economic model of protectionism followed by the promotion of nationalism such as high tariffs on imported goods, restrictive quotas, and a variety of other restrictive government regulations which is appointed to prevent the local markets and companies from the foreign expansion (Fouda, 2012). However, this policy is produced by the dynamic of government programs covered in every five years.

In the First Five-Year Plan (1960-1965), the effort of Vietnamese government is to synchronize the agenda of sustainable economic development based on the communism model, especially for the North Vietnam region. In the Second Five-Year Plan (1976-1980) devised by the Fourth Congress of VCP, the optimism of Vietnamese leaders is to prioritize the advancement of the heavy industry followed by the development of agriculture and light industry under the centrally planned economy (Cima, 1989). Unfortunately, the

outcome of this policy contains a new paradox of economic development in Vietnam which is characterized by the presence of economic distortion such as stagnation, hyperinflation, and rising foreign debts.

In responding these problems, the central committee of VCP initiated and approved resolutions on orientations tasks and objectives related to economic and social development. In the Third Five-Year Plan (1981-1985), this agenda concluded the temporary retention of private capitalist activities based on the small-scale industry in order to boost the local production in maintaining the economic and political stability. As matter of fact, the real outcome does not work effectively toward the performance of economic development in Vietnam, so that it is directly addressed to change the policy direction of Vietnamese government in determining the strategic planning in order to solve the economic crisis. Therefore, the Sixth Party Congress of VCP in 1986 covered in the Fourth Five-Year Plan (1986-1990) introduced the innovative approach of an economic model that is Doi Moi policy (Renovation) both politically and economically (Tran, 2003). This planning concluded the importance of economic policy reform aimed to ensure macroeconomic stability, to accelerate economic growth and even to improve all economic instruments (price, wages, fiscal and monetary policies). In addition, Vietnamese government abolished the system of bureaucratic centralized management based on state subsidies and accommodated market-oriented economy in utilizing the private sector to be converted towards three main objectives, namely the improvement of the agricultural sector, the empowerment of consumer goods production and the involvement of trade and foreign investment relations.

After the enforcement of Doi Moi policy at the end of the 1980s, Vietnam strongly emphasized that economic reform is extremely important in reviewing the significance of free trade which is actualized by the gradual removal of various trade barriers both tariff and non-tariff as a condition to accessing the

international economic integration. Since then, the implementation of the open-door policy that is progressively addressed to international trade and foreign investment over the last two decade has led to the outstanding economic development in Vietnam. (Dung, 2011). However, the successful economic performance is a major indication which steers the aggressive policy of Vietnam to participate actively in conducting the FTAs with various partners from the entire world. In the early of 1990s, Vietnam has accelerated in conducting toward several FTAs with other countries, but the participation of Vietnam regarding regional and multilateral trade agreement has been under negotiation or discussion. In this case, the efforts of Vietnamese government started in 1995 when Vietnam is enrolled as an official member of ASEAN along with an informal application in World Trade Organization (WTO) in 1995. As a member of ASEAN, Vietnam has participated in ASEAN Plus Three (APT) which is a forum that functions as a coordinator of cooperation in establishing the FTAs between ASEAN and the three East Asia nations consisting of China, Japan, and South Korea. Immediately, it was then followed by Asia-Pacific Economic Cooperation (APEC) membership in 1998 (Dung, 2011). Therefore, this phenomena is a real action of Vietnam to pursue broader and deeper international economic cooperation.

In the other hand, Vietnam successfully signed a bilateral trade agreement (BTA) with the superpower country that is United States (U.S.) in 2000. Although the BTA was seen as a stepping-stone toward WTO accession, the U.S. proved a tough counterpart during bilateral negotiations for Permanent Normal Trade Relation (PNTR) status. From 2001 to 2006, Vietnam relied on the successful performance of ASEAN in order to boost rapidly the economic growth. In 2007, Vietnam formally becomes the 150th member of WTO and it is a form of appreciation for the exhibition of economic transformation in Vietnam which is categorized by the emergence of new economic power in Southeast Asia (Vu, 2013). According to World Bank, Vietnam's Gross Domestic Product (GDP) per

capita growth has been among the fastest in the world, averaging 6.4 percent a year in the 2000s (World Bank, 2017). This situation becomes the main instrument which caused Vietnam more active in the participation of international economic forum and more selective in determining the countries to work together. However, the existence of Trans-Pacific Partnership (TPP) has attracted a big concern for APEC member countries, including Vietnam which openly articulated its interest as an associate member of TPP negotiations during the APEC Summit on November 2008 in Lima, Peru.

Basically, the establishment of TPP is considered as a new model for regional cooperation and comprehensive agreement in the 21st century which produce 30 chapters, not only traditional areas such as commodities, services, and investment, but also new strategic areas such as e-commerce, supply chains, and State Owned Enterprises (SOEs). In this case. TPP draws much attention and gains huge expectations from official governments to civic organizations, from businessmen to workers in Vietnam As a result, Nguyễn Minh Triết as the Vietnam President officially announced its participation as an official member in the negotiation of TPP agreement on November 2010. He confirmed that:

“Vietnam would work together with other members aimed to lead the TPP into a new and dynamic regional economic integration for member countries so that it would stimulate the economic growth and prosperity in the region” (Pham, 2016).

Regarding the statement, it is also supported by various official documents of the VCP that have stressed the significance of international integration as a tool to develop the country. Most recently, in April 2013, the Central Committee of the CPV passed Resolution No. 22-NQ/TW on international integration, confirming that:

“proactive and active international integration is a major strategic orientation of the Party aimed to successfully implement the task of building and protecting the socialist Fatherland of Vietnam” (Hiep, 2015).

Finally, after five years of negotiations, Vietnam and 11 other Asian-Pacific countries which consist of Australia, Brunei, Canada, Chile, Japan, Malaysia, Mexico, New Zealand, Peru, Singapore and the United States announced the successful conclusion of the TPP on October 5th, 2015. In this case, TPP members collectively contribute almost half of global output and about 40 percent of global GDP of the world and approximately 30% of global trade turnover (Ritter, 2016). However, the TPP is one of biggest economic cooperation which is geographically occurred as a new pathway to trade liberalization in Asia-Pacific region, so that it will bring the opportunities and challenges for economic development in Vietnam.

B. Research Question

According to background explanation, in order to have more understanding in advance about the participation of Vietnam in the Trans-Pacific Partnership (TPP), the author put a research question as follows:

Why did Vietnam decide to join in the Trans-Pacific Partnership (TPP)?

C. Theoretical Framework

The theory basically is a form of a statement aimed to describe what phenomenon is happened, to explain why the phenomenon happens and to predict how phenomenon will happen in the future. The statement is contained by a set of generalization which consists of concepts, so that theory can be defined as a statement which connects various concepts logically and comprehensively. As a tool of explanation, the theory can help to organize the facts which are being researched (Mas'oed, 1990). Therefore, the theory is defined as a tool of simplification in understanding the various issues or phenomena addressed to all of the researchers in the academic world.

As international relations student who is researching in the case of Vietnam's interest joined Trans-Pacific Partnership (TPP), the author choose the theory of foreign policy as a significant instrument to analyze the direction of foreign policy in a state. In general, foreign policy is a planned course of action developed by the decision makers of state in conducting the relationship with other states as well as international political units in order to achieve specific goals defined in term of the national interest (Plano, 1999). In this case, foreign policy is formulated in a process well-known as the decision-making process where decision makers of state on the basis of several considerations select and choose the best alternatives over various available alternatives, but it is very difficult to define the best alternative due to it could be just the best alternative for

the national interest, the leader of organization, bureaucracy, and others. Therefore, we have to see how the process of selecting appropriate alternatives in order to be able in defining the best alternative of national interest through the decision-making process.

However, in order to justify the analysis of this undergraduate thesis, the writer provides an appropriate model related to the background of study case in order to support the research. Thus, the writer decides to choose Model of Decision Making Process by Graham Tillet Allison which proposes three models in analyzing the decision making the process of foreign policy (Graham Allison & Philip Zelikow, 1999). This model consists of Rational Model Actor (RAM), Organizational Process Model (OPM) and Governmental Bargaining Model (GBM) which is explained clearly as follows:

1. Rational Model Actor (RAM)

In this model, foreign policy is seen as a result of the actions based on the rational actor where the best alternatives are taken in accordance with strategic thought or considerations (costs and benefits) of each alternative. Because the decision makers may consider cost-benefit over each alternative, these models assume that decision makers have sufficient information to do the considerations. Other assumptions of the rational actor model are that other governments are monoliths or disunity and the government has a clear objective which becomes a consideration in choosing these alternatives. Therefore, Foreign Political Analysis should focus attention on the review of national interests and the goals of a nation-state, the direction of alternatives in the wisdom that could be taken by the government, and the cost-benefit calculation on each alternative.

2. Organizational Process Model (OPM)

In this model, foreign policy is made based on the mechanism of large organizations or government agencies that

work in accordance with Standard Operating Procedure (SOP). In this case, the decision-making process is mechanically exercised by referring to the decisions that have been made in the past through precedent on a routine procedure or on the role that is assigned to the bureaucracy units. Therefore, Foreign Policy Analysis should focus attention on the output of governmental organization and it can be done if we can identify which government institutions involved and demonstrate organizational behavioral patterns that think out to the action of foreign policy.

3. Governmental Bargaining Model (GBM)

In this model, foreign policy is the result of a process of interaction, conformity, and the primaries among the various actors and organizations involving various bargaining games among actors in the arena of national politics and bureaucracy. This model describes a process in which each player such as Presidents, Ministers, Advisors, Generals, members of Parliament, and others, see a problem differently, risking something different, and certainly take a different stance is also a problem. This is because each player trying to act rationally, so no player who can get all you want in the bargaining process. Therefore, we should know that who will join to play, who had an important influence on government decisions and actions, what determines the attitude of each actor or what determines the perception and interests that underlie his attitude and how the attitudes of actors to be aggregated so it produces decisions and government actions.

However, there are major differences in the units of analysis each model considers. Regarding all of the discussion about Model of Decision Making Process I, II and III, there are several different approaches to these model, so the table below distinguishes these differences in brief.

Table 1.1: The differences of Model of Decision Making Process by Graham Tillet Allison

Models	Rational Actor	Organizational Behaviour	Governmental Politics
Theme	The national government is a monolithic block: the single actor that act rationally in maximizing the cost and benefit.	The national government is a combination of Organization: Not a monolithic block that acts based on Standard Operating Procedure (SOP).	The national government is composed of key players: Not a monolithic block that acts referred to a result of bargaining position among actors.
Unit of Analysis	Governmental action as a choice taken from all available options.	Governmental action as an organizational output.	Governmental action seen as a political “resultant” final result of bargaining is compromised.
Key Concept	Governmental action as a choice taken from all available options.	Standard operating procedures (SOPs) follows show-case and guiding principles; factored problems; bounded rationality.	Stakeholders; power; position in “game”; action channels; excess of pulling and hauling.
Pattern of Interference	Forecasts organization’s goals based on observed, supposedly rational actions	Predict organizations’ actions based on their existing SOPs.	Stakeholders; power; position in “game”; action channels: the struggle for power and more power, huge influence.

Source: Allison, Graham & Zelikow, Phillip (1999). *The essence of Decision: Explaining the Cuban Missile Crisis, 2ed. Longman.*

Through the three models described in the above, the authors argue that the Rational Actor Model (RAM) is the most appropriate model to be used in analyzing this case.

In writing the undergraduate thesis, the author will use a comparison about two regional economic cooperation in Asia-Pacific which becomes the main concern for Vietnam in the advance of free trade and investment, namely;

Asia-Pacific Economic Cooperation (APEC) is defined as a regional economic forum established in 1989. Basically, the fundamental goal of APEC is to promote sustainable economic growth in improving the welfare state which is comprehensively supported by encouraging and facilitating free trade and investment, as well as enhancing cooperation in the development of economic capacity toward APEC members in Asia-Pacific Region. As a consultative forum, APEC members negotiate through formal discussion under the principles of equity, equality and mutual benefit. As matter of fact, APEC members are heterogeneous in terms of socio-economic development and government systems which is reflected by the different domestic regulations and constraints. In this sense, the decisions undertaken in APEC are non-binding and actions are applied on a voluntary basis. Following this concept of voluntary actions, APEC has not constituted any regional enforcement mechanism. However, APEC members encourage others to implement their actions by using peer pressure.

Trans-Pacific Partnership (TPP) is classified as a regional free trade agreement initiated in 2005 by Pacific Four (P4) consisting of Singapore, Brunei Darussalam, New Zealand and Chile. Basically, the basic objective of TPP is to further the trade liberalization in eliminating tariffs and lowering non-tariff barriers which are collectively negotiated by TPP members in Asia-Pacific region. Thus, the scope of TPP is a high standard partnership referred to a huge contribution about 40% Gross Domestic Products (GDP) in the world and approximately 30% of global trade turnover with over 800 million people. In this case, the nature of TPP is an agreement with potential for expansion due to it is opened in accession for other APEC members which follow to the terms to be agreed among the parties involved. The agreed provisions covered in the TPSEP

are binding, which means that the signatory parties must fulfill all the obligations under the agreement unless otherwise stated (Kuriyama, 2011). However, if one of the parties considers that another party has implemented any action that is inconsistent with the agreement, the affected party has the right to invoke the mechanisms established in the agreement for dispute settlement.

This comparison concluded that all of the regional trade agreements, including TPP, is established in achieving the particular objectives which rationally encourage the Vietnamese government as the main actor in the decision-making process by using the appropriate calculation between profit and loss to be gained in various free trade agreement.

Table 1.2: The profits and losses of Vietnam’s participation in Trans-Pacific Partnership.

Options	Advantages	Disadvantages
Vietnam joins into Trans-Pacific Partnership.	<ol style="list-style-type: none"> 1. Strengthening intensive relationship with TPP members in Asia-Pacific region (binding). 2. Conducting comprehensive free trade in boosting Vietnam’s featured commodities. 	<ol style="list-style-type: none"> 1. Increasing vertical relationship with TPP members addressed to the level of development. 2. Increasing pressure market competition in weakening some local productions.
Vietnam relies on Asia-Pacific Economic Cooperation.	<ol style="list-style-type: none"> 1. Enhancing pragmatic relationship with APEC members based on the development of economic capacity (non-binding) 2. Promoting “fair trade” in prioritizing the mutual benefit among parties through formal discussion. 	<ol style="list-style-type: none"> 1. The lack of implementation toward trade liberalization due to APEC has not constituted any regional enforcement mechanism. 2. The clash of economic interest for TPP members which are heterogeneous in terms of socio-economic development.

Regarding the table above, Vietnam’s decision either join or not in TPP will provide benefits and losses at each side, so that the position of Vietnam faces the dilemmatic situation. However, Vietnam needs widely global market in accordance

with export-orientation strategy in order to achieve the national interest for Vietnam.

D. Hypothesis

Based on the theoretical framework, then the writer composed the following hypothesis of this research that the decision of The Socialist Republic of Vietnam joined into Trans-Pacific Partnership (TPP) due to:

Trans-Pacific Partnership is a comprehensive free trade which will improve and enhance the performance of Vietnam's domestic economy through penetrating the export market for the economic growth, attracting foreign investment for the economic development, and restructuring the economic reform for the competitiveness.

E. Purpose of Research

The main purpose which wants to be achieved by this research is to explain the interest of Vietnamese government joined in Trans-Pacific Partnership (TPP) and to elaborate various factors which affected the decision of Vietnamese government to participate in TPP.

F. Methodology of Research

Type of this research is descriptive research case study that is the author gives a clear and concrete description of a case or event in which this case is the foreign policy of Vietnam to join into the economic integration in Asia-Pacific region particularly Trans-Pacific Partnership (TPP). Types of data used by the author in this research are secondary data that is data obtained through a review of the literature by collecting data from books, newspapers, television, internet or important notes about things that related to the issues being researched by the author. The technique of data analysis used by the author is qualitative analysis.

G. Scope of Research

In order to keep this undergraduate thesis focus on themes that have elaborated, the limitation on the scope of the problem is very important to specify the area of writing and it makes easier for authors in doing research so that the writer can focus with the problem researched on this undergraduate thesis. Therefore, the data of writing in this research begin from the history of the establishment of Trans-Pacific Partnership is formed up to the year 2015-2016.

H. Organization of Writing

To ease in writing an undergraduate thesis with the title “Vietnam’s interest joins into the Trans-Pacific Partnership” so that the system of the writing of this research is arranged as follow:

Chapter I

This chapter describes Introduction which consists of Background of the Topic, Research Question, Theoretical Framework, Hypothesis, Purpose of Research, Methodology of Research, Scope of Research, and Organization of Writing.

Chapter II

This chapter describes The Performance of Economic Development in Vietnam.

Chapter III

This chapter describes the Establishment of Trans-Pacific Partnership (TPP).

Chapter IV

This chapter explains Vietnam’s interest join in the Trans-Pacific Partnership (TPP).

Chapter V

This chapter conduct of summary and conclusion of the research, also the last chapter in this research.