

INTERNATIONAL ECONOMIC AGREEMENTS AMONG DEVELOPING NATIONS IN ASIA: CASES OF VIETNAM AND MALAYSIA

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This comprehensive research explores the intricate dynamics of international economic agreements among Southeast Asian nations, with a primary focus on the economies of Vietnam and Malaysia. Through a meticulous examination of historical trajectories and contemporary trends, the study provides valuable insights into the evolution of economic cooperation within the ASEAN framework and its impact on regional development. By employing a comparative analysis, the research elucidates the distinct economic profiles of Vietnam and Malaysia, highlighting their roles as key drivers of economic growth and integration in Southeast Asia. The study further investigates the efficacy of major trade agreements such as the ASEAN Free Trade Area (AFTA) and the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) in promoting trade liberalization and enhancing market access. Moreover, the research endeavors to unravel the complex causal relationships between international economic agreements and the socioeconomic development of the ASEAN region, thereby contributing to a deeper understanding of regional dynamics and facilitating evidence-based policymaking. Through its comprehensive approach and rigorous analysis, this study aims to advance scholarly discourse on regional integration, economic cooperation, and sustainable development in Southeast Asia.

Keywords: international economic law, international organization, international economic agreement, treaty, free trade association, economic cooperation, ASEAN, Southeast Asia.

Introduction

International economic agreements among Southeast Asian nations are pivotal instruments fostering economic cooperation and development in the region. These agreements, exemplified by initiatives like the ASEAN Free Trade Area (AFTA) and the ASEAN Economic Community (AEC), aim to enhance trade relations, promote investment, and facilitate economic growth across member states. The economies of Southeast Asian nations are deeply interconnected through trade, investment, and regional integration initiatives such as the ASEAN Economic Community. Each country's economic performance significantly impacts the overall economic health of ASEAN due to the region's high level of intra-regional trade and investment. For example, Malaysia's role as a financial hub and trading center amplifies its influence on the ASEAN economy. Similarly, the manufacturing process of countries like Indonesia and Vietnam contributes to the region's supply chain resilience and competitiveness. Economic policies and developments in major economies like Indonesia and Malaysia have far-reaching implications for the stability and growth of the ASEAN region as a whole. Overall, the interconnectedness of Southeast Asian economies underscores the importance of regional cooperation and coordination to promote sustainable economic development and prosperity.

Issues and purpose of the research

This study endeavors to undertake a comprehensive retrospective analysis concerning

the developmental trajectories of distinct economies within the Southeast Asian region and their collective repercussions on the broader regional landscape. Additionally, it seeks to elucidate the causal nexus between ratified international accords and the efficacy of multilateral trade dynamics within the region. Finally, the research aspires to discern the correlation, if any, between the establishment of free trade zones and the pace of economic advancement within the region.

Analysis and results

Vietnam is a nation experiencing steady and fast economic growth. However, Vietnam's economy has slowed down recently as a result of the global economic recession and the effects of the public debt crisis in Europe, the US, and China, which are thought to be significant export markets for Vietnam.

To avoid hurting the nation's exports and economy, the Vietnamese government has managed the fluctuation of the dong's exchange rate against the US dollar to a level of 1 USD for every 20,800–21,000 dong, even with the implementation of stimulus measures. Periodically, the Vietnamese government implements measures to entice foreign investors to conduct business there, through enhancing and changing restrictions. To make it easier for foreigners to start a trading company by permitting able to register a trading corporation with 100% ownership [1].

With the sixth-largest economy in ASEAN right now, Vietnam plays a significant role in the Greater Mekong Subregional Economic Corridor, an alliance of six nations that also includes Thailand and Myanmar. China, Vietnam, Cambodia, Laos, and the southern region to encourage commercial expansion of investment and development in a range of sectors, including the environment, telecommunications, electrical systems, and transportation routes, among others.

Vietnam boasts a population of over 90 million, making it a good supply of labor as well as a market for goods and services. It also offers an abundance of natural resources for the manufacturing and tourism sectors. Vietnam is ideally situated geographically as well. Vietnam has great potential for economic growth as it

is well-connected by road, has connections to other ASEAN nations, and serves as Laos' and China's Yunnan Province's seaport. It also attracts foreign investors' attention. The following industries are of interest: processing of agricultural crops, and fisheries. The following industries are developing now: building of accommodation and producing supplies, fabrics and ready-made apparel, travel, etc. [2].

In comparison to other ASEAN members, Vietnam's business start-up index is at a satisfactory level as a consequence of ongoing improvements to investment-related regulations. Additionally, the country has started banking sector reforms that will make it easier for investors to obtain funding sources for business operations. Nonetheless, Vietnam's energy infrastructure continues to face issues, in the area of electrical energy specifically, and tax system issues that are still intricate and unique to each region. As a result, investors should research, prepare, and take appropriate action to avoid and resolve these issues.

As a member of the ASEAN Economic Community, Vietnam benefits from tax advantages in trade with other members of the AEC as well as the right to treat 89 nations (including 25 members of the European Union) as most-favored nations. In addition, Vietnam receives preferential tariffs from the US, the EU, Japan, and Australia when export goods are not eligible for tax breaks. Including the generalized system of preferential taxes (GSP) from those nations. Furthermore, Vietnam has established thirteen free trade agreements with fifty-three significant nations and territories, such as the Regional Economic Partnership Agreement and the Eurasian Economic Union (EAEU). EU-Vietnam FTA 40 and the Pacific (Comprehensive and Progressive Trans-Pacific Partnership, or CPTPP). Vietnam can compete in significant international marketplaces since it has a sizable international market and the lowest import taxes in the group [3]. Consequently, the worth of global trade has consistently grown, rising from US\$428,126 million in 2017 to US\$45,355 million in 2020. Over the course of that time, it grew by 11.8 percent year on average and experienced a trade surplus. At the end of 2020, there will be 94.8 billion US dollars in international reserves, which can

cover imports for 3.7 months. This represents an increase from 2,112 million US dollars in 2017 to 19,955 million US dollars in 2020, or an average annual growth of 96.1 percent. [4] This demonstrates Vietnam's economic situation, which is one of the things luring foreign investors seeking out production sources with solid economic foundations due to its steady and robust expansion. steady and offers investment opportunities.

Vietnam continues to place a high value on ASEAN integration for a number of reasons. First off, given Vietnam's comparatively low level of development, ASEAN was the first region to liberalize trade and investment through the ASEAN trade in goods agreement and the ASEAN investments protection agreements. The slow pace of ASEAN integration also makes it possible to make less expensive adjustments to the economic and regulatory facets. Second, the scope of ASEAN integration has expanded, encompassing not just trade and investment but also foreign policy, socioeconomic concerns, security cooperation, and even non-traditional security issues. Thirdly, the Member States of ASEAN have been collaborating to lessen the disparity in intra-regional development, specifically between Vietnam, Burma, Viet Nam, Lao PDR, and Cambodia. For instance, the ASEAN Declaration of Human Rights plays a crucial role in fostering economic development across the ASEAN region by promoting social stability and inclusivity, which are essential for attracting investments and fostering business confidence. By upholding human rights principles such as non-discrimination, fair labor practices, and access to education and healthcare [5].

Lastly, ASEAN as a whole has gained prominence in global and regional projects like the Asia-Europe Meeting and the East Asia Summit. As a result, Vietnam has been able to participate in a number of regional initiatives and discussions that support increased economic integration and sustainable development in Southeast Asia as a result of its membership in ASEAN.

There are other strategic advantages for Vietnam's growth in addition to the apparent ones of promoting trade with other nations and improving its appeal as an investment location for importers and exporters. With the support

of free trade agreements, Vietnam's economy will be able to export more sophisticated high-tech commodities including electronics, machinery, automobiles, and medical equipment rather than mostly low-tech manufacturing products and basic goods.

First, the nation can increase its export competitiveness by expanding its trade networks and importing cheaper intermediate goods from partner nations, thereby diversifying its sourcing partners.

By forming alliances with overseas companies that can provide the technology and know-how required to transition to higher value-added production. Although Vietnam is known for its low-cost manufacturing, the industry leader Vingroup has collaborated with multinational corporations (MNCs) to develop high technology products by using technology and know-how transfer may help Vietnam produce its own goods. The utilization of advanced business techniques and technology has the potential to enhance labor productivity in Vietnam and increase the nation's export potential.

Vietnam's participation in these trade agreements will also guarantee compliance with national laws protecting the environment and labor rights, among other things. Vietnam will be able to develop into a manufacturing hub and increase its export base thanks to the standards of product quality, manufacturing, and employee rights provided by these accords. Additionally, Vietnam is a party to the ASEAN Economic Community Blueprint, which outlines measures to create a single market and production base, further enhancing economic cooperation and growth within ASEAN.

On the other hand, Malaysia which is being studied in the context of this research has a more diversified economy than Vietnam, with a strong focus on manufacturing, services, and natural resources. The country is one of the world's largest producers of palm oil and rubber, and it also has a well-developed manufacturing sector, particularly in electronics, automotive, and petroleum products. Malaysia has also invested heavily in infrastructure and technology, contributing to its economic development. It is situated on a major maritime waterway that links the Pacific and Indian oceans to the east and west, giving it a strategic location

along the Straits of Malacca. Malaysia acknowledges the significance of global trade and relationships for the advancement and prosperity of the country. Its gross exports of products and services show this.

Due to its reliance on foreign trade, Malaysia has liberalized its trade laws and placed a strong priority on bilateral and regional trade agreements. Malaysia was a founder member of the World Trade Organization which superseded the General Agreement on Trade and Tariffs, having joined the GATT in 1957.

Malaysia participates in the ASEAN Trade-In Goods Agreement (ATIGA) and has regional free trade agreements (FTAs) with China, Japan, Korea, India, Australia, and New Zealand through ASEAN. The Developing Eight (D-8) Preferential Tariff accords (PTA) and the Trade Preferential System-Organization of Islamic Conference (TPS-OIC) are two more completed trade accords. In June 2019, the ASEAN-Hong Kong, China Free Trade Agreement (AHKFTA) came into effect. As per the terms of the agreement, 10% of tariff lines would be eliminated by Malaysia within 14 years, and customs charges on 85% of products traded with Hong Kong will be eliminated within 10 years [6].

On February 4, 2016, the Trans-Pacific Partnership Agreement (TPPA) was signed. The remaining TPP members developed the Comprehensive and Progressive Agreement for the Trans-Pacific Partnership (CPTPP) following the formal withdrawal of the United States from the TPP in 2017. All eleven of the participating nations—Australia, Brunei Darussalam, Canada, Chile, Japan, Malaysia, Mexico, New Zealand, Peru, Singapore, and Vietnam—signed the CPTPP on March 8, 2018. The CPTPP, which was accepted by the Malaysian government on October 5, 2022, is anticipated to give Malaysia greater access to markets that it has not previously had through other free trade agreements, including Canada, Mexico, and Peru [7].

On March 18, 2022, the Regional Comprehensive Economic Partnership (RCEP) became operative for Malaysia. With 29 percent of global commerce, the RCEP is the largest free trade agreement and is between China, South Korea, Australia, Japan, New Zealand, and the

ten ASEAN members. Creating a more thorough regional economic integration among its members is the aim of the RCEP. The member nations' individual bilateral free trade agreements are also to be streamlined and unified by the RCEP.

Malaysia got the main impact from the trade agreement with non-tariff measures become more crucial in a low-tariff environment. NTMs can be employed as a tool for protectionist trade regulations. Malaysian traders and manufacturers understand the significance of NTMs in this regard since they have an impact on the import of finished goods, intermediate inputs, and raw materials. If NTMs are utilized adversely, a variety of justifications, such as those related to health, safety, or sanitation, may be invoked to impede trade. This particularly applies to SMEs.

The ramifications of these problems for Malaysian SMEs are dire. Malaysia aspires to grow its total demand, mostly through domestic demand, hence the development of its SMEs is more important than ever. SMEs are crucial to this scheme's success. NTMs must be lowered in order to promote SMEs' expansion and enable them to focus more on exports. Thus, the AEC's objectives of lowering NTMs align with Malaysia's own objective of promoting the expansion of SMEs [8].

A list of NTMs can be found in the Royal Malaysian Customs (Prohibition of Import) Order. This list has four schedules that categorize imports according to the NTM's objective. The products for which imports are strictly forbidden are listed in the first schedule. The second schedule enumerates imports that are prohibited without import licenses for the protection of intellectual property, the environment, public health, and security. The third schedule lists imports that require licenses in order to safeguard regional industries, and the fourth schedule lists products for which imports are only permitted in accordance with the stated importation method.

Non-tariff protection for autos and parts has been preserved or even expanded throughout time. According to the World Trade Organization (2006), the import licensing system and substantial import taxes protect the automobile sector. One of the main obstacles to the import

of automobiles made in other countries is the high excise tax structure. This effectively operates as a barrier for foreign cars, especially when combined with the tax concessions granted to local autos based on local content [9].

While there are still problems with NTMs, there are also places where there has been substantial improvement. The creation of sound standards and testing procedures is one such example. Good facilities are available at the Standards and Industrial Research Institute of Malaysia to guarantee that standards are measured in accordance with global benchmarks. SME interviews indicate that more work has to be done to streamline processes and paperwork. Furthermore, delays in clearance are attributed to the Standards and Industrial Research Institute of Malaysia's shortage of skilled staff.

Another aspect of trade agreement with Malaysia is the policy towards liberalization. Although Malaysia's ASEAN Comprehensive Investment Agreement (ACIA) reservation list for products is somewhat lengthy, the country has been aggressively working to liberalize its services sector [10]. It has given local automakers preferential treatment, but it is selectively loosening regulations on energy-efficient cars. This shows how a national champion is prioritized while simultaneously trying to include strategic industrial aims.

The government has consistently maintained that it wants to liberalize investment. 2009 saw the announcement of several measures by Prime Minister Najib Razak in his 2009 Budget Speech, marking a significant step in this direction. One of the actions made was the rationalization of the Foreign Investment Committee's investment standards, which made it possible for foreign investment to be more liberally accepted. The announcement to liberalize 27 services-related subsectors was even more groundbreaking. The government said that certain sectors will not be subject to the 30% Bumiputera equity criteria, thereby relaxing the equity condition. The business, tourism, transportation, computer and associated goods, health and service, and sports and other recreational services sectors were among the exempted industries [11].

The government's seriousness about liberalizing investment is evident from the available data. It has made significant progress toward investment liberalization, especially in the services industry. In light of Malaysia's expansion and the numerous economic corridors that have been established, this is essential. Second, Malaysia seeks to promote the expansion of the services sector as a means of promoting national economic growth. Lastly, the nation is pursuing a number of free trade agreements that won't be possible without investment liberalization. Without a question, the government is committed to achieving its goal of liberalizing investment, but more needs to be done. This comprises benchmarking practices, international standard-compliant policies, and uniform rules and regulations.

Conclusion

In conclusion, this study has shed light on the intricate interplay between international economic agreements and the economic development of Southeast Asian nations. Through a retrospective analysis, it has been elucidated that these agreements have played a significant role in shaping the economic landscape of the region, facilitating trade, investment, and growth. Additionally, trade agreements have fulfilled a number of its promises on regional integration. But the liberalization of the merchandise trade has seen the greatest advancements. There is still plenty of space to support additional liberalization in other sectors, like trade in services and investments. Experiences from the past in ASEAN have demonstrated that more liberalized business environments do not always translate into stronger economic growth and more sophisticated economy. Therefore, institutional shortcomings, the wide disparities across ASEAN Member States, or the introduction of new concerns, such as non-traditional security issues, may provide a hurdle to future attempts at ASEAN integration and common international undertakings in a form of multilateral agreements.

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МІЖНАРОДНІ ЕКОНОМІЧНІ ДОГОВОРИ ДЕРЖАВ, ЩО РОЗВИВАЮТЬСЯ, У АЗІЇ: ДОСВІД В'ЄТНАМУ ТА МАЛАЙЗІЇ

У дослідженні вивчається взаємозв'язок міжнародних економічних договорів між державами країнами Південно-Східної Азії з головною увагою на досвід В'єтнаму та Малайзії. Дослідження визначає еволюцію економічної співпраці в рамках АСЕАН і її вплив на регіональний розвиток. За допомогою порівняльного аналізу з'ясовано відмінні економічні профілі В'єтнаму та Малайзії, підкреслена їхня роль як ключових рушійних сил економічного зростання та інтеграції в Південно-Східній Азії. Порівняна ефективність основних торговельних угод, таких як Зона вільної торгівлі АСЕАН і Всеохоплююча та прогресивна угода про транстихоокеанське партнерство, у сприянні лібералізації торгівлі та розширенні доступу до ринку. Крім того, з'ясовані причинно-наслідкові зв'язки між міжнародними економічними договорами та соціально-економічним розвитком регіону АСЕАН, що сприяє глибшому розумінню регіональної динаміки та виробленню політики на основі фактичних даних. Дослідження спрямоване на розвиток наукового дискурсу щодо регіональної інтеграції, економічного співробітництва та сталого розвитку в Південно-Східній Азії.

Ключові слова: міжнародне економічне право, міжнародна організація, міжнародна економічна угода, міжнародний договір, зона вільної торгівлі, економічне співробітництво, АСЕАН, Південно-Східна Азія.