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BASC News

APEC 2008 CEO Summit in Peru

Along with leaders from APEC members, **BASC Director Vinod K. Aggarwal** was invited to speak at the APEC CEO Summit in Lima, Peru on November 22, 2008. His remarks to the delegates follow:

Thank you for this opportunity to discuss my views on trade policy. I am very pleased that we have both Asia-Pacific leaders and executives of some of the largest global multinational corporations here today. I believe that understanding the links and impact of bilateral and minilateral preferential trade agreements on the World Trade Organization is an essential task for all of us as we move forward to liberalize global trade. And I think that the interaction of political and corporate leaders is essential to the success of APEC's economic cooperation and trade liberalization efforts. I would like to make 5 points in my initial remarks.

First, I strongly share the general view that free trade is beneficial to all countries, a perspective that I believe is widespread among most of the audience that is here today.

Second, I do not share the view that a bilateral free trade approach, or more accurately, the bilateral preferential trade approach, which is currently the rage in the Asia-Pacific and elsewhere, will lead us to a world with full-fledged free trade. Such an approach will not be beneficial

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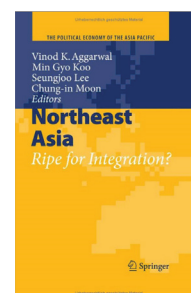
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to both consumers and producers, and will not genuinely open up markets in a lasting way.

Third, I believe that leadership does not consist of arguing: "The reason we are pursuing PTAs is that everyone else is doing it." So-called "competitive liberalization" has unwittingly encouraged what I would call "competitive preferentialism."

Fourth, I believe that APEC can play an important and decisive role in encouraging economic cooperation among its members. But I am skeptical that a Free Trade Area of the Asia Pacific will be a likely outcome in the near future or even the next 5 years.

Fifth, and finally, I believe that the central task for corporate leaders is to help strengthen the coalition for free trade, particularly in the developed countries, where broad-based trade liberalization is increasingly being met with skepticism. This issue is all the more pressing in view of the current difficult economic context.

Turning to my first point, I strongly believe that trade liberalization has increased efficiency, particularly in many countries that long pursued policies of import substitution industrialization or ISI. Although ISI policies had some beneficial effects, they soon led to growing inefficiencies, as firms that were protected by quotas and aided by subsidies became increasingly complacent about competing. They failed to deliver high quality goods to consumers and became advocates of continued protection, even though the original intent of these policies was to provide only temporary protection to these firms.

As trade liberalization leads to growing domestic and international competition, we have seen a dramatic rise of economic growth rates. Millions have been lifted out of poverty, resource use has become more efficient, and innovation has greatly accelerated.

But simply repeating the mantra of free trade when workers are displaced and factories close down does little to promote the efficient reallocation of resources. Open market proponents tell us that workers and firms will easily

transition is politically naïve and plays to the hands of protectionists.

Second, many analysts have become unduly attached to the bicycle theory of free trade. They claim that one must keep moving forward to keep from falling into a protectionist pit on the side of the road. But all trade liberalization was not created equal. Some approaches such as open sectoralism (which is the label John Ravenhill and I have attached to the Information Technology Agreement, the Basic Telecom Agreement, and the Financial Services Agreement), may indeed free up trade in the short-run. Similarly, there is little doubt that bilateral PTAs open up some trade. But unless we pay attention to the potentially deleterious

international and domestic consequences of such accords, we will find ourselves with a fragmented and highly inefficient global economy.

Internationally, bilateral PTAs have been used to work around the WTO, to put pressure on countries through the use of asymmetrical power, to find ways around the well-functioning dispute settlement mechanism of the WTO, and to create politically motivated accords. As a political economist, I recognize that trade has important foreign policy implications. But using bilateral PTAs as the key instrument of foreign policy does not serve either foreign policy interests or trade interests in the long run. And domestically, as I will discuss shortly, such a strategy has undermined the coalition for free trade.

Third, the common refrain from trade negotiators around the world is that "we are pursuing PTAs because everyone else is." The latest game of "we plan to be a hub" in a world of preferential agreements has led countries to sign agreements with multiple exceptions, long phase in periods, and accords with any country willing to sign one—just to increase the number of their partners. But top down,



adjust. Yet displaced steel workers don't immediately go to nursing school, autoworkers don't become biochemists, and rice farmers don't become software engineers. Without serious attention to handing the process of agricultural and industrial transformation, both in developed and developing countries, I fear that we will face increasing protectionism, especially in the current

“ ... I believe that the pursuit of bilateral PTAs is fragmenting the coalition for free trade, particularly in developed countries. ”

context of a global recession. Thus, while we might hope that adjustment will take place smoothly through the market, we have instead seen voluntary export restraints, quotas, health and environmental standards and other approaches to block trade—often without any real rationale besides political expediency. Simply hoping for a smooth

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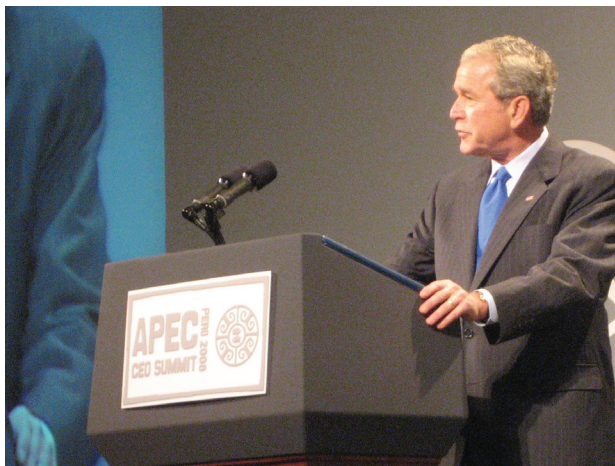
that is, government-driven regional integration efforts have not always been successful. As we have seen in the case of ASEAN, companies often do not wish to fill out the paperwork to prove rules of origin, meet certification requirements, and other procedures and are often willing to simply to pay the duty.

In this context of leadership, it is worth noting that many large members of APEC and other countries in the global trading system have become "heavy riders," continuing to pursue sectoral protection and neomercantilist policies, and free riding on the liberal trading order. Leadership consists of making political sacrifices to improve the workings of the system as a whole, not simply copying the bad behavior of others. As new countries become powerful in the global trading system, they must share responsibilities and not simply the benefits that derive from open trade.

Fourth, although free trade in the Asia-Pacific is a goal I share, particularly in the context of global trade liberalization through the WTO, a Free Trade Area of the Asia-Pacific is simply a political non-starter at this point. Key countries in the Asia-Pacific simply do not have the political support to open up trade on this basis, and their domestic politics will not support such an approach. With the U.S. running massive trade deficits with many Asian countries, and worries about agricultural liberalization in key Asian countries, the belief that there will be sufficient domestic support for an FTAAP is simply wishful thinking.

I strongly believe that APEC should continue to study a region-wide trade agreement, and its current efforts to bring the current proliferation of bilateral PTAs into some logical order and to set rules for their negotiation is a crucial step towards this objective. APEC economies could make a major contribution to undoing the negative effects of PTAs, not only by putting in place a code of best practice, but also by making a commitment that any PTA they sign will be open to other APEC members. This would be an appropriate implementation of APEC's commitment to "open regionalism". The Trans-Pacific Economic Partnership offers a possible model. In addition,

working on trade facilitation, financial cooperation, corporate social responsibility, and structural reform are all worthy goals. But choosing some priorities and ensuring that goals are met—and not simply rehashed annually



Former President Bush speaks at the APEC CEO Summit in Peru on November 22, 2008.

at APEC meetings—must be the highest priority.

Fifth, the issue of building political support for free trade, particularly in developed countries, is more pressing than ever. In recent polls conducted by PEW, the number of Americans who think that free trade is good or very good

last year. And there have been similar declines all over Europe. By contrast, support for free trade is at about 90% in India and China.

Yet even in Asia, there are countries such as Indonesia where support for free trade has fallen from 87 to 71 percent. Declining support for trade is not the only problem. Only 45% of Americans, 44% of the French, and 38% of Italians believe that foreign companies have a good impact on the U.S. And in 44 of 47 countries surveyed, majorities agreed that there should be more control of immigration in their countries.

Although there are many reasons for these trends, I believe that the pursuit of bilateral PTAs is fragmenting the coalition for free trade, particularly in developed countries. These agreements lead to competition among firms for promoting agreements in specific countries and with respect to specific sectors. The important trade offs that used to take place across industries and sectors are much more difficult to achieve with bilateral agreements. This means that companies that favor more open markets have dispersed their efforts and no longer can help national leaders to free up markets on a broad basis and to resist protectionist appeals.

In conclusion, it is fashionable to argue that countries need to pursue bilateral preferential agreements because of problems in moving forward with

the Doha Development Round of the World Trade Organization. But I think it more plausible that many countries now believe that by simply covering 80 or 90% of their export markets through bilateral accords, that they have no need for the WTO, and avoid the political pain of comprehensive liberalization. Thus, while they may pay lip service to the importance of completing the DDR, they are preoccupied with becoming a hub for trade in their region. More than one trade negotiator

has told me that they have little interest in the DDR or broader based regional agreements because having negotiated preferential access to key large markets, they do not want any agreement signed that would dilute their preferences.



Chinese President Hu Jintao greets the audience at the APEC CEO Summit on November 22, 2008.

for the United States has dropped from 78% in 2002 to 59% in 2007. I am quite sure that this number will fall further in the current economic context. In Italy, a major global exporter, support for free trade declined from 80% in 2002 to 68%

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Director's Notes

Thank you for your interest in the Berkeley APEC Study Center and our ongoing work on political, economic and business trends in the Asia-Pacific. This issue starts with an address that I recently gave on trade liberalization at the 2008 APEC CEO Summit in Lima, Peru. Also included are articles examining the economic and political development of China and Vietnam, a review of our latest book, an update on recent developments in APEC, and information on our ongoing projects.

In a speech directed at government heads and business leaders alike, I address trends in trade liberalization, admonishing the current drift toward bilateral trade agreements for weakening the coalition for free trade. Here and elsewhere, I argue that bilateral trade schemes will only obstruct the path to a multilateral trading system and lay the groundwork for a fragmented and inefficient economy. It is thus imperative that the corporate sector strongly advocate for a multilateral trading system, for the sake of all parties involved. Governments must not be allowed to become complacent toward the WTO, as they might feel after concluding a bilateral trade agreement, and they certainly must resist protectionist sentiment which will only bring more harm than good.

In her **BASC Spotlight** on the Beijing Olympics, Cindy Cheng argues that the event serves not only as an index of China's rise to the global stage, but also as a snapshot of China's continuing process of modernization. China still struggles to live up to the image it attempts to project to the world, as shown by the planning that went into preparing and hosting the games. Cheng concludes that although the positive impact of international scrutiny on China will wane as the world attention shifts elsewhere, the Olympics have demonstrated China's willingness to change its policies and be a responsible player in the global system.

Bao Kham Chau discusses Vietnam's journey towards economic liberalization after the U.S. lost the war on ideology in 1975. He likens the trend of Vietnam's economic liberalization to an economic war that the U.S. continues to fight, and he points to Vietnam's entry into ASEAN, APEC, and the WTO as battles that the U.S. has won. Despite Vietnam's economic success, Chau concludes that the war is yet to be won, especially with the Vietnamese Communist Party's monopoly on political power and the volatility and inequality within Vietnam's economy.

In the **BASC Book Review** section, Cindy Hwang examines *Northeast Asia: Ripe for Integration?*, the latest edited volume from the Berkeley APEC Study Center. The book uses an innovative institutional bargaining approach to provide theoretical and empirical analysis of the impacts of the "triple shocks"—the end of the Cold War, the 1997-1998 Asian financial crisis, and the 9/11 terrorist attacks—on the evolution of Northeast Asia's institutional architecture. The book shows that the growing autonomy in the region in the post-triple shocks period has prompted a convergence of interest amongst Northeast Asian countries, which are continuously seeking institutional solutions to cope with economic and security uncertainties.

Cindy Cheng's **APEC Update** recaps a year's worth of events culminating in the APEC Leader's Summit in November. In it, she argues that the shadow of the financial crisis has given a new impetus for international cooperation, as well as for the development of APEC itself.

Finally, in our **BASC Projects** update, Kristi Govella shares some of our latest BASC news, including information about our most recent book, an update on our recently concluded conference on *The Evolution of East Asian Regionalism*, and an introduction to *The Transatlantic Relationship in a Post-Transatlantic World*, our three-year project examining American and European responses to the rise of Russia, India, and China.

The Berkeley APEC Center would like to thank all of the generous contributors who have made its projects possible, including the Ron and Stacy Gutfleish Foundation, the Center for Global Partnership (part of the Japan Foundation), the East-West Center in Honolulu, the East Asia Foundation, the Kim Dae-jung Presidential Library Foundation, the Institute of European Studies at Berkeley, the EU Center of Excellence, and the Institute of Slavic, East European and Eurasian Studies.

Vinod Aggarwal, Director, Berkeley APEC Study Center

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Those who represent global companies know that such piecemeal liberalization impedes their efforts to successfully develop global supply chains. And the increasing complexity in the trading system created by the pursuit of bilateral PTAs harms the very Small and Medium Enterprises that APEC members would like to help.

I fear that without stronger and active participation by the corporate sector to ensure that trade is opened up on global and multilateral basis, countries will face a protectionist temptation that will hurt APEC members and other countries in the global trading system. It is time for companies to join together and actively lobby for comprehensive liberalization

in the WTO and also to stand up against protectionist lobbies that are impeding the progress of the Doha Development Round. Simply looking out for one's own sector will ultimately prove to be a dangerous strategy and allow protectionists to gain the upper hand.

Thank you very much. I look forward to the discussion. ♦

APEC Update | Overshadowed by global economic crisis, APEC 2008 makes gains

by Cindy Cheng

Peru took the APEC chairmanship this year under the theme "A New Commitment to Asia-Pacific Development," putting fresh emphasis on initiatives like structural reform and corporate social responsibility as well as reemphasizing old commitments to the completion of the Doha round and the creation of a Free Trade Area of the Asia-Pacific (FTAAP). By the end of the year, these goals turned out to be eerily appropriate in light of the deepening worldwide financial crisis, which added new impetus for APEC to pursue the concrete results that it has been long criticized for lacking.

Recognizing that the resolution of this global problem had to be undertaken collectively, government leaders used November's APEC Leader's Summit as an opportunity to demonstrate their willingness to collaborate and support each other's countries in these dire times. Notably, APEC members agreed to refrain from raising trade barriers for at least 12 months. For an organization that counts the United States, China, and Japan among its members, this was a substantial

commitment indeed.

The financial crisis has also made the importance of new pledges toward structural reform and corporate social responsibility more salient. APEC adopted its Good Practice Guide on Regulatory Reform, which is



APEC leaders dressed in Peruvian ponchos greet one another at the 2008 Summit.

designed to help member economies to develop good regulatory systems which produce good regulatory outcomes; the organization has also committed to expanding its technical capacity to support these changes. In terms of promoting corporate social responsibility, APEC encouraged businesses to follow local legislation and multilateral Corporate Social Responsibility guidelines on the subject. Other accomplishments of the

summit meeting include initiatives to strengthen food security and combat corruption, in addition to the adoption of a digital checklist to streamline communication technology and growth across the Asia-Pacific

Although APEC 2008 was to some extent overshadowed by the global economic crisis, the turmoil has also given APEC new momentum in its efforts to promote economic integration within the Asia-Pacific. The most significant development in this respect came in September, when the U.S. agreed to negotiate entrance into the Trans-Pacific Strategic Economic Partnership (P4) trading bloc. With only New Zealand, Chile, Brunei and Singapore as members, the P4 falls short of the ambitious American proposal for FTAAP, which would include 21 member economies and

constitute almost half of world trade. However, U.S. involvement in the P4 serves as positive encouragement for other countries to follow suit, and indeed they have—in November, Australia, Peru and Vietnam also expressed interest in joining the P4. Although the ultimate goal of regional integration is still far away, these are promising signs that APEC is making progress in its long journey to get there. ♦

BASC Projects | Another Exciting Year

by Kristi Elaine Govella

The Berkeley APEC Study Center is constantly working to produce insightful new research on the Asia-Pacific region. As we begin the new year, we are very excited to share the latest news about our projects with you. We would like to highlight three projects in particular:

In October, we published our latest book, *Northeast Asia: Ripe for Integration?* Part of a two-year project generously funded by the East Asian Foundation in Korea, this edited volume analyzes the effectiveness of regional and interregional mechanisms for institutionalizing economic and security relations among the region's major powers, including China, Japan, Korea, Russia, and the United States. Our unique approach to this subject provides an integrated analysis of economic and security trends within the region, and examines national responses to the "triple shocks": the end of the Cold War, the 1997-1998 Asian financial crisis, and the 9/11 terrorist attacks.

In December, BASC hosted a conference on *The Evolution of East Asian Regionalism: Ideas, Interests, and Domestic Institutions*. This was the second of two meetings bringing together regional and country experts to examine the interplay of the domestic political forces that lead countries such as Japan, China, Korea, Singapore, and the U.S. to pursue regional trade arrangements. This project attempts to open up the black box of each country's decision-making process by examining how

contingent shocks and critical junctures have affected coalition politics among different veto holders within and outside the government. We show how subnational actors such as government agencies, business groups, labor unions, and NGOs engage in lobbying, both through their own governments and through their links to others in the



The participants of "The Evolution of East Asian Regionalism" gathered in December 2008.

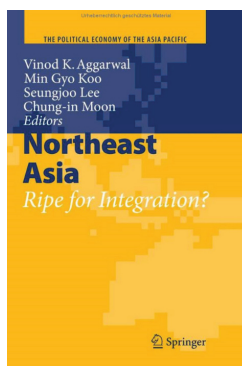
region. In addition, we trace the evolution of interests and ideas over time, thus helping us to generate a better understanding of historical trends in the region based on changing preferences. This project was sponsored by a grant from the Kim Dae-jung Presidential Library and will culminate in the publication of an edited volume this fall.

Most recently, BASC has initiated a three-year project entitled *The Transatlantic Relationship in a Post-Transatlantic World* with the support of the EU Center of Excellence. For the first time in a century, a set of large, populous and increasingly wealthy states—China,

India and Russia—are on the cusp of achieving great-power status. These powers are entering an international system still governed by a "Western" conception of order and based on the primacy of post-World War II rules, drawn from liberal models of capitalism and democracy practiced in the U.S. and in Western Europe. In this

context, the most important and most uncertain question facing the West over the next decade is this: What will be the relationship between the EU and the US vis-à-vis these rising powers? Will the transatlantic relationship hold and become stronger, faced with this new geopolitical and geo-economic challenge? Or will the US and the EU—an increasingly prominent global player—compete for economic and political advantage? We plan to address these questions through a series of three conferences focusing on Russia, India, and China respectively. The first conference, *Responding to a Resurgent Russia: Russian Policy and Responses from the EU and U.S.*, will bring together leading experts from Russia, Europe and the U.S. at UC Berkeley on Thursday, April 2, 2009. This conference will be open to the public, and we invited any of you who might be in the Bay Area to attend.

These three projects are just a few of the many exciting things we have going on at BASC. Please check our website (basc.berkeley.edu) for the latest information about these and other projects. We thank our collaborators and sponsors for their continued support and look forward to the year to come! ♦



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Northeast Asia: Ripe for Integration?

by Cindy Hwang

Like many issues during the Cold War, Northeast Asian integration has been virtually frozen under Cold War bipolarity since the end of the Second World War until the dissolution of the Soviet Empire. And unlike West European countries that actively pursued regional integration under the frameworks of European Union, Northeast Asian countries, whose integration was once stunted by ideological division, now suffers from institutional gap in face of growing economic, financial, and security needs.

In *Northeast Asia: Ripe for Integration?*, editors Vinod K. Aggarwal, Min Gyo Koo, Seungjoo Lee, and Chung-in Moon brought together scholars in the field to examine Northeast Asia's regional dynamics. In their introduction, Aggarwal and Koo develop an institutional bargaining game and focus on the impact of what they term in the post-triple shocks period, i.e. the period after the Cold War's end, the Asian financial crisis, and the terrorist attacks of September 11, 2001. This introduction seeks to provide a roadmap for the evolution of Northeast Asia's institutional architecture by analyzing how critical changes over the last two decades has transformed the institution architecture of the region. To facilitate their comparative analysis of countries in the region, Aggarwal and Koo develop an institutional bargaining game that shows how external stimuli pressure change in the provision of goods that pertain to economic or security assurance. What they found was a growing autonomy in the region in the post-triple shock period, prompting a convergence of interest amongst countries in securing inclusive club goods to address economic and security uncertainties.

In each empirical chapters of NEARI, the contributors examine one Northeast Asian country using the institutional bargaining game approach.

In South Korea, Lee and Moon find that the Asian financial crisis raised considerable interest in creating regional cooperative mechanisms, which materialized in the form of APT and FTAs under the Kim Dae-jung government. The aftermath of 9/11 saw the ambitious plan of Roh government to build a regional community with the Northeast Asian Cooperation Initiative (NEACI). But when NEACI failed to produce desired outcomes, the Roh government began pushing for KORUS FTA in hope to improve economic, diplomatic, and security ties between Seoul and Washington.

The triple shocks provided opportunities for China to establish itself as a pacifist actor in the region according to Kun-Chin Lin. Following the Asian financial crisis, an unaffected and ambitious China began promoting various regional arrangements in economic and security arenas. 9/11 further provided China with opportunity to consolidate its regional strategies under the doctrine of "peaceful rise".

In Japan, Saori Katada and Mireya Solis show how the post-Cold War challenges have been to deal with China's rise and America's declining commitment to East Asian security. These

challenges on top of difference in perception with the United States as revealed by the Asian financial crisis are the main catalyst for Japan's quest for appropriate regional economic institutions.

In North Korea, Sang-young Rhyu shows that North Korea's engagement with East Asia regionalism has been limited due to its concerns about regime survival. He considers three possible paths of North Korea integration into the region, and argues that inter-Korea economic cooperation is the most feasible one. However, Rhyu remains skeptical about the prospects of regional peace from economic integration.

Taewhan Kim argues that Russia's marginalization in Northeast Asia after regime change was inevitable. But the Asian financial crisis, which wiped out Russian oligarch's political power, allowed the Putin regime to formulate regional policies in a more centralized manner. And 9/11 allowed the Putin regime to consolidate its domestic powers by providing justifications for the Chechen war.

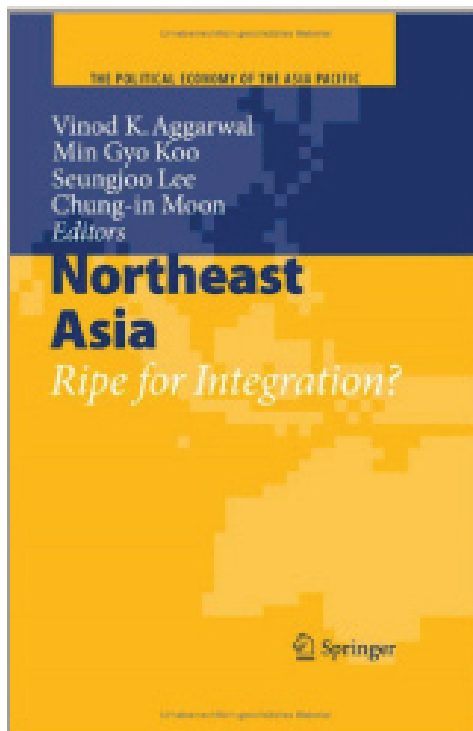
Ellen Frost and David Kang explores the security environment in Northeast Asia and the ability of existing institutions to cope with Northeast Asia's security needs. They show that the Six-Party Talks have revealed differences of opinion on the North Korean nuclear issue, as well as the need to improve Sino-Japanese relations. Although current arrangements show that bilateral consultation with the US on security issues remains to be the choice among Asians, Frost and Kang argues that given the US preoccupation with two wars and non-proliferation, the countries should try and pursue broadening and institutionalizing the SPT framework.

In conclusion, NEARI argues that the abrupt end of Cold War allowed Northeast Asian countries to institutionalize their economic and security relations; the Asian financial crisis expose the weakness of their shared regional institutions; and the American reaction to the 9/11 terrorist attacks called into question the Northeast Asian balance-of-power system. In analyzing the effects of post-triple shocks, NEARI shows that Northeast Asian countries are continuously moving towards

seeking institutional solutions to cope with economic and security uncertainties.

The institutional bargaining game approach allows the editors to construct scenarios of possible paths for institutional building in Northeast Asia. Much of the further developments in economic, financial, and security cooperation will depend on the US, China, and Japan. A political alliance between China and Japan will be necessary for the formation of a Northeast Asian Free Trade Agreement. The EU and the US's focus on their perspective regional trade will also have an impact on Northeast and Southeast Asian regional arrangements.

The authors stress that though no one can be certain of what the future holds, by systematically analyzing the causes and variables for change against the backdrop of Northeast Asian's institutional landscape, we will be able to envision more precise outcomes. ♦



Winning the Vietnam War: The Battle for Hearts and Minds

by Bao Kham Chau

Saigon, 1975. As the last US helicopter frantically took off from the US Embassy, General Graham A. Martin reportedly announced the continuation of the Vietnam War until the attainment of a US victory. Three decades later, this battle for the hearts and minds of the Vietnamese people has taken on a different form. Instead of the jungle warfare between North and South Vietnamese, the war has evolved into a cultural and economic conflict between the Socialist Republic of Vietnam and the United States of America. Culturally, the images of Barack Obama on Vietnamese t-shirts, the emulations of US TV shows, and the infiltrations of US slangs into the Vietnamese language implied an overwhelming victory for the United States. Economically, initial insights into the Vietnamese market revealed a US advantage.

First, the post Cold War Vietnamese Communist Party (VCP) had abandoned its long term commitment to Marxist ideals and implemented a series of drastic economic reform (aka Doi Moi, or renovation) that effectively ended Vietnam's experiment with a command economy. Under this new policy, instead of collectivization and corruption, privatization and economic transparency became the norm. By opening up its border to foreign investments, Vietnam became the second fastest growing economy in Asia. Indeed, "an average economic growth rate of 7.25% over the past decade has" accompanied Vietnamese implementation of Doi Moi.

Second, Vietnam had begun to join economic international institutions

dominated by US interests. In 1995, Vietnam became a full fledged member of the Association of Southeast Asian Nations (ASEAN). Vietnamese membership in ASEAN broadened Vietnam's access to foreign markets, attracted more Foreign Direct Investment (FDI) to Vietnam, and accelerated regional trade. Vietnam's ASEAN membership also allowed it to participate in the ASEAN Free Trade Area (AFTA), which aided in the growth of "Vietnam's trade with ASEAN [to] an annual average of

Vietnam's ascension to the World Trade Organization (WTO).

About a decade later, Vietnam was accepted as the 150th member of the WTO. With Vietnam's 2007 ascension into the WTO, economists predicted that Vietnam's share of FDI will outgrow many of its regional neighbors. Indeed, Intel's decision to construct the world's largest chip-making factory and Canon's choice to build the world's largest laser and bubble-jet printer factory in Vietnam marked a turning point in Vietnam's future.

Does the Vietnamese transition from a planned economy to a free market economy imply that the US had won the economic war? While it is tempting to say yes, we must not overlook the fact that the Vietnamese Communist Party (VCP) has committed a volte face with regards to economic liberalization before. According to *Asia Times*, in the early 1990's, "foreign investors were first welcomed then later run out on a regulatory rail when politicians perceived that foreign penetration into the local economy was too much, too fast." Currently, the risk of an abrupt change



The famous photo taken by Hubert van Es which shows South Vietnamese civilians scrambling to board a CIA Air America helicopter during the U.S. evacuation of Saigon.

26.9" per cent. Furthermore, by joining ASEAN, Vietnam laid the foundation for its bid to become a member of the Asia-Pacific Economic Cooperation (APEC).

In 1998, Vietnam joined APEC, which conferred many benefits to the post-Asian Financial Crisis (AFC) Vietnamese economy. According to Professor Vo Thanh Thu, "APEC members ... accounted for 80% of Vietnam's export and import values, 70% of FDI in Vietnam and 50% of ODA supplied to Vietnam." Furthermore, APEC membership normalized US-Vietnam relations, clearing the way for the US to support

in the VCP's economic policies still exists as the Vietnamese industries are reeling from the effects of competition in the global market. Furthermore, a growth in Vietnam's GDP does not imply that every Vietnamese equally shared the benefits. "According to a survey last year by the Japan External Trade Organization, Vietnam's minimum monthly wage level was about US\$50, significantly lower than India's \$74, Indonesia's \$90, the Philippines' \$135, southern China's \$92 and Thailand's \$110." In this light, perhaps the economic war is still a strategic stalemate, as yet to be won. ♦

The Beijing Olympics: A Game Well Played?

by Cindy Cheng

With the extinguishing of the Olympic flame, viewers the world over were left wheeling from two weeks of intense sports coverage. A cursory evaluation of the games paints a picture of an emotional rollercoaster in which a sense of national pride and international community were simultaneously reignited and the celebration of human achievement was the order of the day. But past Olympics have had their share of heroic moments as well and the Beijing Olympics were certainly not exceptional in this respect. What was unique about these games was the extent in which they were politicized and portrayed as politically symbolic. In the lead up to Beijing 2008, international scrutiny of China's human rights record intensified as China's involvement in the Tibetan riots and the Darfur crisis were increasingly criticized. This contradicted China's own attempts to use the Olympics as a method to symbol its arrival as a thoroughly modern nation. Now that the Olympics are all said and done, it is apt to give them a deeper look and evaluate how the games themselves have answered these challenges and if they have truly impacted China's stature in the international community or the nature of its foreign and domestic policies.

The Beijing Olympics started off with a bang with arguably the most spectacular opening ceremony to have ever lit the stage. In many ways, the ceremony set the tone for the rest of the Olympics, as criticism of China was temporarily stunned into wonder. Throughout the games, the politically sensitive issues of Tibet and Darfur were pushed into the background and focus turned to not only the athletes but also the efficiency in which the games were organized. This is not a surprise given that the Olympics are about the games after all, but given the previous clamor over China's human rights record, it was not a given either.

But that does not mean that the games were completely depoliticized. As the Olympics progressed, the obsession over the medal count rapidly took over the dialogue and its usage as a proxy measure of global power became increasingly

commonplace. Clearly, who racked up the most medals serves as a poor measure of international hegemony. What it does show is another example in which the games themselves turned the nature of the attention paid to China from criticism to awe and even trepidation. Resplendent in a flash of brilliant fireworks, intimidating logistical prowess, and awesome human achievement, the Olympics seemed to shift the discourse from China's politics to China's economic and social accomplishments.

Of course this shift in focus was dependent in part on a lull in political turmoil during the two weeks of the game. To that end, the Chinese government did not passively sit by and hope for the best but took an active approach to ensure that the games were smoothly run. Having greater control over events in Tibet and other potentially volatile domestic issues, it was able to clamp down and minimize any sign of disturbance. It did so by setting up official protest sites in which no one was allowed to protest, shipped impoverished and potentially contentious migrants out of the city and vetted out politically-minded foreigners through its visa application process. Tellingly, the portrayal of China's ethnic minorities during its opening ceremonies were all actually assumed by Han Chinese, in an effort to ensure minimal potential of political activism at the games. Some have speculated that it had even gone as far as delaying the breaking of the milk crisis story until after the Olympics.

But every country wants to be host to a perfect Olympics and China is not special in this respect. What was drastic were the lengths at which Beijing went to ensure this semblance of harmony. However it would be shallow to dismiss China as merely masking its true nature from the global public and being on the whole politically unaffected by the whole experience. What can also be taken away from China's actions are the extent to which it has yet to go in order to truly boast to becoming a modern nation, as not many country's organize days to teach its citizens how to queue up properly or to spit less excessively. But more importantly, it also shows the extent to which China is willing to go

to gain acceptance in the international community. The cleaning up of Beijing to meet the environmental, social, and economic standards accustomed by the West is a prominent demonstration of this. Furthermore, its willingness to adjust its non-interference policy in Africa, going so far as to send Sudan both peacekeepers and admonition suggests that China is especially amenable toward foreign policy, of which it has less direct control of. At home, it also allowed an easing in press restrictions, allowing foreign, though not domestic, journalists more access to China than it has ever done before. In October, the Chinese government agreed to extend these privileges indefinitely. These changes could be argued to be just a facade, but the extent at which China has gone to please suggests that at the very least, the international community can have some influence over the way China operates.

The positive media coverage that Beijing received as a result of the Olympics has had neither a universal nor permanent impact. With the milk scandal underway and conflict promising to rise up again over France's intention to meet with the Dalai Lama, the positive boost the Olympics have had on China's international image is being slowly chipped away. Just as easily reversible is the positive impact that international scrutiny has had on China. But what can be taken away from the experience is that China is not only becoming a bigger player in the global system, but that to some extent, it is willing to play by the rules of that system. While the Olympics have shown Beijing's ability to deflect away criticism of its political affairs, it has also shown that Beijing is not impervious to change either and that part of its ability to deflect criticism has been in changing, however incrementally, the very nature of its policy. The modern nation that the Olympics were supposed to showcase is still a long ways off. What the Beijing Olympics have shown is a significant step in the making of such a nation. ♦