

# INNOVATING TO WELCOME ASEAN ECONOMIC COMMUNITY (AEC)

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## **Abstract:**

The ASEAN Economic Community (AEC) is founded on a vision of a single market and production base for ASEAN member states to promote free movement of goods, services, investment, and skilled labor across the ASEAN region. AEC aims to foster equitable economic development across the region and the creation of highly competitive economic region that will be fully integrated into the global economy (*Introduction to ASEAN Economic Community in AEC Handbook for Business*). AEC, therefore, has opened its door for Vietnam to enter into a very potential but challenging market. As the suppliers of intellectual labor force for the whole country and even for the ASEAN community in the future, with what should Vietnam universities and colleges equip themselves and their students for the next coming chance and challenge? The paper would state some general background information about AEC, discuss the present problems of higher education institutions in Vietnam in terms of the perception and preparation for AEC and suggest some innovative solutions to be ready for the integration and competition in this new market.

*Key words: AEC, innovation, perception, preparation, competition*

## **1. Introduction**

### **1.1. AEC & its historical missions:**

In 2003, ASEAN leaders decided to establish the ASEAN Economic Community (AEC) by 2020 (Bali Declaration II). In 2007, the leaders affirmed their strong commitment to accelerate the establishment of AEC to 2015 (Cebu Declaration on the Acceleration of the Establishment of ASEAN Community by 2015). According to the AEC blueprint, the establishment of AEC aims to achieve:

- 1) A Single Market and Production Base
- 2) A Highly Competitive Economic Region
- 3) A Region of Equitable Economic Development
- 4) A Region Fully Integrated into the Global Economy

An ASEAN single market and production base shall comprise five core elements:

- 1) Free flow of goods
- 2) Free flow of services
- 3) Free flow of investment
- 4) Free flow of capital
- 5) Free flow of skilled labor

### **1.2. Vietnam's contribution to AEC:**

According to the Minister of Industry and Trade Vu Huy Hoang (*Vietnam plus*), for Vietnam, ASEAN is one of important pillars in implementing the foreign policy of independence, self-reliance, diversification and multilateralism with active regional and international integration. Although having a lower level of development in comparison to other regional countries, Vietnam is one of four ASEAN countries with a high proportion of fulfilling commitments in the master roadmap to implement the AEC. In 2010, Vietnam successfully assumed the role of ASEAN

Chair, and focused on accelerating the implementation of the AEC. At the 16th ASEAN Summit in Hanoi under the chairmanship of Vietnam, ASEAN leaders issued the “Statement on sustainable recovery and development”, affirming the determination to strengthen and build the ASEAN Economic Community by 2015.

## **2. Possible impacts of AEC to Vietnam after joining AEC by 2015**

### **2.1. Opportunities**

The establishment of AEC will mix the economy of 10 ASEAN members (Brunei, Cambodia, Indonesia, Laos, Malaysia, Myanmar, Philippines, Singapore, Thailand, Vietnam) to create the regional economic market with the population of 600 million and the total national income (GDP) up to 3,000 billion USD. This process of integration will bring Vietnam opportunities to fully exploit comparative advantages and use available resources more efficiently. The common market created by AEC will not only be confined in the region but also expanded to six counterparts of ASEAN members including China, Japan, Korea, Australia, New Zealand, and India. This creates big opportunities for developing the production and attracting more foreign investors.

The establishment of AEC will create favorable conditions to attract high-quality labors from other countries. On the contrary, Vietnam labor will have more chances to find jobs. Rector of University of Economic and Business (Hanoi National University), Mr. Nguyen Hong Son said that joining AEC was an important factor to promote the country's reform, especially in terms of improvement of economic institutions and international trade policies to improve Vietnam business environment. This is also a great occasion for Vietnam enterprises, under the pressure of the international competition, to make technological innovation, enhance management skills of high quality human resource.

### **2.2. Challenges and problems of Vietnam enterprises and Higher Education Institutions when Vietnam joins AEC:**

Besides golden opportunities, AEC will also create many big challenges, in which the biggest challenge comes from the comprehensive competitiveness in both domestic and international markets. Vietnamese enterprises have to compete with other enterprises not only from ASEAN region, but also from other countries in the world such as Korea, Japan, and China, etc. The competition is also not only confined in commodities but also in other aspects like services, investments or the movement of labors in the region.

Chairman of Hanoi Young Business Association said that although the Government made careful preparations for the integration process, nonetheless, many Vietnam enterprises were not yet carefully invested, provided knowledge, and prepared themselves for the new challenges. A great number of enterprises are indifferent, not interested, or have not yet recognized the importance of the integration. Small and medium enterprises will be most affected when they are not capable of reaching out internationally. Not only that, these enterprises can meet difficulties in the domestic market when big international enterprises entering the market.

It is really worrying that though AEC would have big impacts on the society and national economy, the awareness of Vietnamese people and businesses about AEC remains limited (Vietnam net, 18/11/2013). A report released recently by the ASEAN Network Forum in Singapore showed that less than 20 percent of businesses in ASEAN countries know how they should prepare for the community.

In Thailand, small and medium enterprises have begun receiving the government's support to prepare for joining AEC. Thai trade ministry has announced the plan on assisting small and medium enterprises to boost exports to ASEAN markets, and help solve the difficulties when Thai do business in neighboring countries.

The government of Indonesia has been stepping up its communication campaign to explain the benefits and opportunities that AEC can bring to enterprises, so that Indonesian businesses can best prepare to grab the opportunities.

In Vietnam, only big enterprises, which have been exporting products to ASEAN markets, or have been running investment projects in ASEAN countries, can say they understand the ASEAN market well. Meanwhile, small and medium enterprises still don't have any knowledge about it.

How about the perception and preparation for AEC in Vietnam Higher Education Institutions?  
What problems have existed in the nursery gardens for the future intellectual labor force?

Firstly, there is a big gap in the students' perception about AEC. A survey recently carried out in the College of Business in Danang City revealed that 57/100 of the students have no ideas about AEC; 30/100 know the phrase AEC but have vague knowledge about it; only 13/100 have preliminary understanding about AEC but have not much interest in the community. In their research about the young's attitude towards the labor market of AEC carried out in a numbers of Vietnam universities and colleges, the writers (*Cong Nhat & Dieu Nguyen, Tuoi Tre online, 08 June, 2015*) state that most of the students have the same answers when being asked about their perception and preparation for AEC: "This is the first time I have heard of AEC", "I have heard of AEC somewhere, but actually have no ideas about it", "No need to worry since only students majored in economy will be influenced", "I know there will be more competition on the job market, but I don't know what to prepare", "There will be no "gate" for foreign candidates to enter into our state companies, which have not been well- prepared adequately to recruit international employees" and so on.

Therefore, where will the future position of Vietnam be located in AEC if our future labor force has no correct and comprehensive view on AEC?

Secondly, to make the matter worse, Vietnam students are extremely lacking soft skills, which are always emphasized in most of higher education institutions in developed countries. In the recent years, soft skills have been included in curricula of most of universities and colleges, the quality and quantity, however, have not met the target since soft skill courses are not invested seriously.

Thirdly, low English proficiency is another challenge for Vietnam students. As the grammar-translation and teacher- centered methods have been applied to English teaching for a long time, Vietnam students' English level, especially, communication skill, lags far behind other ASEAN countries like Singapore, Malaysia and Philippines. This indicates that Vietnam students need to improve their English skills to compete with other countries or many will lose their jobs or find it hard to work when the AEC takes effect.

Fourthly, investment in Education is not adequate in most of Higher Education Institutions. The teaching curricula are not updated regularly to catch up with the practical development. Although the teaching and learning methods have been improved, it still takes a long time to reach the expected target.

Fifthly, the lack of teaching staff well- qualified in English is really an obstacle for the education. With the National Foreign languages 2020 Project , the Ministry of Education and Training has made a great effort to upgrade the English proficiency for Vietnam teaching staff. However, the implementing method has not proved to be efficient enough since learning a foreign language cannot be successful in one day.

The last problem mentioned in this paper is the students' consciousness. If they continue ignore the future of the country and of themselves, no one and no way can assist them. In this event, students must put themselves in the position of the insiders so that they will be more aware of their importance and responsibilities.

### **3. Solutions to the mentioned problems**

At the end of 2015, whether we like it or not, the doors of AEC will open. Obviously, a lot of measures have to be implemented in various fields such as focusing on the training of high-quality human resources and skilled workers, quickly renovating science and technologies, raising labour productivity, strengthening supporting industries, increasing the role of Associations in awarding professional certification within ASEAN, moving towards free flow of investment, and so on. The paper particularly focuses on the solutions for universities and colleges in Vietnam to overcome the challenges so that they are able to complete the mission of providing a well- qualified labour force for Vietnam to compete in the market of AEC. These solutions, however, will merely promote their effect when being carried out intensively and comprehensively in all of the relating parties.

**3.1 For the higher education Institutions:** In order to enable the students to have correct and comprehensive views on AEC, the following tasks should be carried out:

### ***3.1.1 Propagandizing:***

Information about AEC must be updated and informed to students regularly, attractively and comprehensively through various channels such as seminars, posters, bulletin boards, game shows, competitions, etc. to help students be aware of the history, missions, opportunities and challenges when Vietnam join AEC, so that they can be cognisant of what to prepare for themselves to be confident in this regional market. In order to be successful, however, the propaganda must be implemented creatively to avoid the dogmatism.

### ***3.1.2. Upgrading education quality through reforming the management policy and the teaching and learning method***

The management policy should be open to be suitable with the internationally oriented education. More investment should be carried out to upgrade education quality as well as the infrastructure. Schools, libraries should be modernized in accordance with the international standards. Additionally, more international training courses should be added to provide the students with adequate hard skills and soft skills. English and soft skills must be emphasized as English is the business language in AEC and better English means more opportunities. In addition to the major knowledge, the following understanding and skills must be part of the training programs:

- Knowledge of integration
- Knowledge of the civil life including the traditions, customs, cultures, etc. of the countries in the region
- Knowledge of the environment
- Skill of creating and innovating
- Skill of criticizing and problem- solving
- Skill of information exchanging and co-operating
- Skill of collecting and processing information
- Skill of communicating
- Skill of using information technology
- Skill of living and working
- Adaptability

- Interpersonal skill
- Research skill, and so on.

### **3.2. For the instructors:**

In order to confidently compete in single universities when Vietnam joins AEC at the end of 2015, instructors must equip themselves with profound knowledge about the majors they are teaching and soft skills as well. There will be free flow of teaching staff from other countries in the community such as the Philippines, Singapore, Malaysia, which have the advantage of English-speaking countries. Vietnamese instructors, therefore, have to be well-prepared to work and compete with the regional colleagues through self-learning, training courses, seminars, workshops. With the support of the institutions, the instructors need to obtain the necessary international degrees and certificates such as TOEFL, TOEIC, IELTS so as to facilitate the integration. Besides, they also need to improve the teaching method towards the learner-centered and design the curricula close to the practical demands.

### **3.3. For the students:**

Students need to equip themselves with comprehensive knowledge of AEC and be aware of the difficulties as well as chances that AEC brings back for them and their country in the future. Besides mastering well the major knowledge, students must focus on the soft skills and upgrade their English proficiency. They cannot look on with indifference, as far as world developments are concerned, and they are part of the movement whether they like it or not.

## **4. Conclusion**

The paper has drawn out some aspects of AEC, in which the concept, opportunities as well as challenges when Vietnam join AEC are mentioned. Within the limit of a paper, only the perception and preparation in the field of education is focused. It is expected that the solutions suggested from the paper will be useful for those who are interested in the upcoming event of the region and ready to welcome opportunities as well as encounter difficulties. In a word, AEC will bring back golden chances for those who are well-prepared for it.

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