

# FACTS OF AND SOLUTIONS FOR VIETNAMESE ENTERPRISES TO OVERCOME INTERNATIONAL TRADE BARRIER

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Entering the WTO, Vietnamese export enterprises obviously would enjoy WTO's achievements in their 60 years of operation with a view to reducing international trade barrier in order to come to a worldwide free trade. This means that tax barrier to export would be cut but Vietnamese export will yet face lots of difficulties confronting new and sophisticated trade barriers from import markets. International trade barrier is a broad issue and this paper will only mention the current barriers met by Vietnamese exports, evaluate both negative and positive effects on Vietnamese exports from other countries' trade barriers, and propose measures for Vietnamese enterprises to promote exportation as well.

## 1. Trade barrier situation of Vietnam exportation

Vietnam exports are available in some 200 countries and territories. On each market Vietnam exports face with many different kinds of trade barrier to each line of product. However the trade barriers that Vietnam export frequently face with are the following: firstly, special customs duties such as antidumping duty, safeguard anti-import duty, countervailing duty, and secondly, barriers on technicalities and on food hygiene and safety.

### a. Special customs measures:

The special customs measures causing great negative effect on Vietnamese exports are antidumping lawsuits in import markets. Vietnam export enterprises have experienced this sort of barrier since 1994. Up until now (2008) every year Vietnam export enterprises have to face with antidumping lawsuits which are increasing annually. According to the Office for Competition Management (Ministry of Industry and Trade) up to July 2009, Vietnam has been subject to investigation on antidumping cases for more than 35 times

Table 1: Antidumping cases concerning Vietnam

Year	Total of cases	Commodities	Suit-filing countries
2009	34	Air-conditioner	Turkey
	33	DVD recording disc	India
	32	PE plastic bag	USA
	31	Shoes and rubber soles	Canada
	30	Shoes	Brazil
2008	29	Cloth fiber	India
	28	Uncovered inner-springs	USA
	27	Oil cloth	Turkey
2007	26	Recording disc	India
	25	Compact fluorescent lamps	India
	24	Gas lighter	Turkey
2006	23	Cloth-upper shoes	Peru
	22	Steel wire	Turkey
2005	21	Bicycle and motor-bike spoke	Argentina
	20	Compact fluorescent lamps	Egypt
	19	Leather shoes	EU
2004	18	Surf board	Peru
	17	Compact fluorescent lamps	EU
	16	Stainless steel fasteners	EU
	15	Pipe fittings	EU
	14	Bicycle	EU
	13	Tires	Turkey
	12	Ring binder	EU
	11	Shrimp	USA
2003	10	Zinc oxide	EU
	9	Catfish fillet	USA
2002	8	Gas lighter	Korea
	7	Gas lighter	EU
	6	Waterproof rubber footwear	Canada
2001	5	Garlic	Canada
2000	4	Gas lighter	Poland
1998	3	Footwear	EU
	2	Glutamate	EU
1994	1	Rice	Columbia

Source: Office for Competition Management-Ministry of Industry and Trade

When studying antidumping cases concerning Vietnam export, the author has found out some problems that export enterprises and relating agencies and offices of the government need to pay attention to. Firstly, the number of antidumping investigation cases concerning Vietnam is on the increase. Secondly suit-filing countries suing Vietnam for export antidumping are usually Vietnam's important markets. Thirdly, the range of commodities sued for antidumping has been widened and sued commodities are usually those that have comparative advantages in exporting. That means that investigation on antidumping carried out by foreign countries contains great risks of losing important markets for Vietnam and would be able to seriously affect Vietnam's staple exports in the future if enterprises and relating agencies and offices do not have efficient policies to cope with it. Recently Vietnamese enterprises are worried about the effect of foreign countries' safeguard measures on Vietnam exports. Compared with antidumping cases the number of safeguard - related cases is rather small. However, safeguard tax measures greatly influence Vietnam exports if Vietnamese enterprises are subject to safeguard tax from import markets. Currently Vietnam export growth is speeding up but Vietnam export associations are not strong enough to regulate production, provide adequate information about import markets and promptly foretell reactions from import markets.

Besides, enterprises and relating governmental agencies and offices have not had enough experience in coping with this kind of barrier. Table 2 shows that Vietnam has had few barriers of this kind, but enterprises and export associations and government agencies and offices could not afford to ignore these safeguard measures against imports on account of its great effect on export and local production.

**Table 2: Foreign safeguard cases versus Vietnam commodities {up to May 2009}**

Year	Commodities	Investigating countries
2009	Steel roll, steel sheet, hot-rolled steel	India
2006	STPP chemical	The Philippines
2005	Bicycles	Canada
2004	Tapioca	India
2003	Float glass	The Philippines
2001	Tiles	The Philippines

*Source:* Office for Competition Management - Ministry of Industry and Trade

In addition to the above-mentioned antidumping and safeguard barriers, Vietnamese enterprises have yet to confront with countervailing duty which is also a trade barrier definitely affecting other countries' trade. According to statistics of the Office for Competition Management, so far Vietnam has only faced with a case brought by the United States of America. However, while Vietnam is a transitional economy from a subsidized one, while there still is a comparatively great density of state-owned enterprises in the export business, while some supporting and encouraging measures from the government are still not definite, and while the task of cross-checking and preserving accounting documents of enterprises is still not carried out properly... these barriers could be the measures which foreign countries take to sue Vietnam export, especially in times of economic recession.

b. Technical barrier and food hygiene and safety:

In addition to special customs duties, Vietnam also has to face with more complex and sophisticated non-tariff barriers in import markets. This paper is only about SPS and TBT barriers.

Being a low-level developing country with its science and technology still underdeveloped, with low quality in production and producing process systems, and with low product quality, Vietnam has numerous difficulties in exporting goods to other countries - especially those having high import requirements - which usually require strict TBT standards, thus limiting the market - access capability of Vietnam export. This is shown by the number of TBT notifications that Vietnam re-

ceives monthly from WTO member countries concerning Vietnam exports. Because of the scantiness of the documents, the author presents only the statistics figures of June 2009 to show the frequency of TBT barriers toward Vietnam exports in some markets.

**Table 3: TBT Notification to Vietnam from other countries in June 2009**

Countries	Number of Notifications
Bahrain	6
Canada	10
China	24
EU	5
Israel	12
Kenya	14
Trinidad and Tobago	11
Ukraine	15
USA	14
Others	26
Total	137

Source: Vietnam TBT Office

It can be seen that in June 2009 only, 24 partners have sent to Vietnam 137 notifications on the violation of TBT barriers in other countries. According to Vietnam TBT Office, in the previous months the number of notifications was almost equal to that of this month. This shows that this is a popular barrier which Vietnamese enterprises should overcome in order to find footholds in foreign markets. This becomes more important as other countries now have the trend of tightening TBT barriers.

Vietnam is also a country currently having great advantages in exporting agricultural and aquatic products, the commodities governed by barriers of food hygiene and safety, in sanitary and phytosanitary measures according to the SPS agreement approved by WTO. After its accession to the WTO, Vietnam has already set up SPS offices in governmental ministries and agencies and in local authorities from then on Vietnam SPS Office has received 57 notifications from other countries, the majority of which is from EU, a big market for Vietnam aquatic products, a staple export of Vietnam.

**Table 4: SPS barrier to Vietnam from WTO member countries**

Year	Number of notifications received
2008	23
2009	34
Total	57

Source: Vietnam SPS Office

**Table 5: SPS notifications to Vietnam from WTO member countries (up to August 2009)**

Number of notifications received	
UK	4
Germany	7
Serbia	2
Egypt	9
Italy	5
Poland	1
EU	20
Norway	3
Spain	6
Total	57

Source: Vietnam SPS Office

Though the number of notifications on SPS barrier to Vietnam export is not as numerous as that on TBT barrier, this is a measure that both developed and developing countries are taking widely to manage their import activities. So, enterprises and governmental agencies should pay much attention to these kinds of barriers when exporting goods to other countries' markets.

## 2. Effect of foreign countries' trade barrier on Vietnam exportation

In studying foreign countries' trade barrier to Vietnam exports, the author remarks that after entering the WTO, Vietnam export has enjoyed preferential tariffs but the level of protectionist tariff in their markets are still high and protective measures are changing from protectionist tariff measures to non-tariff and special customs ones whose impact on Vietnam export is very great on both positive and negative sides.

a. Negative effect of foreign countries' trade barrier to Vietnam exports:

*Firstly*, customs or non-tariff barriers are likely to raise production, management, and con-

formity justification costs. Trade barriers often set up regulations on production and on raw materials for production and for packaging; they also set up the limit on toxic content and pesticide residue... So in order to overcome this barrier Vietnamese export enterprises have to increase fixed investment on machinery and equipment, and on technology and management aimed at raising product quality, as well as to increase expenses in experiment, control, survey, recognition, and acknowledgement certificate. All in all, Vietnamese enterprises have to pay these expenses. This will specially affect Vietnamese export enterprises for most of them still remain small and medium-sized enterprises (accounting for over 95% - General Statistics Offices- 2008) and will have investment difficulty in overcoming trade barrier from import markets.

Besides those aforesaid expenses, Vietnamese economy and export enterprises also have to cover other trade-related costs. Here we can see in the catfish case of the USA vs. Vietnam the cost of commercially conforming is not a small amount not to say the enormous fee of the trial, "... After the verdict on the catfish case, Vietnamese enterprises had to re-register their trade marks (cost about US\$450) as well as to re-make packaging and trade brands which was very costly. The task of re-marketing and re-presenting the product also adds to the increase of the end product price. Moreover, according to VASEP experts, the change of the name of the product sold on the US market will affect the quantity of the product to be consumed because buyers are not yet familiar to the name of the new product [1]

**Secondly**, other countries' trade barriers also consist of management, verification, control recognition and acknowledgement procedures which are relatively complicated... for Vietnam exports both in Vietnam and in import markets. Digby Gascoine, an international expert of multilateral trade support project MUTRAP III (Ministry of Industry and Trade) confirms that trade barriers from EU are mainly very harsh. "But export countries have to adopt them in order to gain access to this market." Therefore, for better or for worse, enterprises have to observe regulations given by foreign countries. The task of carrying out many parts and steps in controlling and evaluating while there is still no acknowledgement of control and evalua-

tion results between Vietnam and its import partners will cause delay in delivery which contains risks of products, especially aquatic products and fruit, being damaged... not to mention the possibility of products being confiscated or destroyed at ports of the import countries. This is what makes Vietnamese export enterprises worry most. Many lots of Vietnamese exports have experienced this risk, such as "canned litchi having metal content, pineapple having acid lactic content, frozen vegetables exported to Japan were found to have strange things (buttons, hair)", etc. Some import markets such as Japan, Korea, the USA, Taiwan ... do not allow import of fresh vegetables and fruits from Vietnam on account of the problem of "fly-chiseled fruit". [2]

**Thirdly**, an impact of international trade barriers which cannot be ignored is that it creates a trade deviation from free trade. A practice of Vietnam exportation has justified that point: in 2001, the USA imposed an antidumping tax on Vietnamese shrimps and at once export turnover of Vietnamese shrimps decreased enormously but export turnover in other markets and total export turnover of Vietnamese shrimps were nevertheless increasing. This proves that this temporary U.S. trade barrier has caused Vietnamese goods to change its course to other markets. The change of direction to new markets contains risks and expenses as well as affects production in export countries and causes shake-up in the life of the producers and in the business of enterprises. The leader of a frozen aquatic product export company has explained the reason why his company had stopped exporting shrimps to EU market as follows, "Profit in exporting goods to EU is only about 1-2%, but risk could amount to 100%". [3]

b. Positive effect of trade barrier on Vietnam exportation:

Though international trade barriers cause bad effect on Vietnam exportation they also have positive, systematic and thorough impact on enterprises, associations, and Vietnamese government agencies in the long run. This is shown as follows:

**First**, foreign countries' trade barriers will help Vietnamese leadership in all levels, trade associations, and export enterprises to be more aware of international trade barrier. In the beginning, Vietnam export enterprises, Vietnam government agencies, and trade associations were



worried and had negative reactions toward foreign countries' trade barrier but now they all have much more information and their reactions are more positive toward trade barrier in import markets. This is why Mr. Trương Đình Hòa, general secretary of the Vietnam Aquatic Product Processing and Exporting Association, has stated, "EU's regulations are imposed on a global scale, not only on Vietnam; so the problem is to rapidly re-organize production and trade to meet their requirements and in this there is no other way."

**Second**, foreign countries' trade barrier impels enterprises to promote investment to overcome trade barrier in import markets. From the point of view of accepting trade barrier as an existing and popular status quo in the current stage, enterprises have transformed themselves to co-exist with trade barrier by promoting investment so as to overcome the trade barrier and to conquer foreign markets. This is shown in the number of enterprises that have promoted investment in equipment in order to respond to product standards in such fastidious markets as the USA, EU, and Japan, etc. A clear-cut example of enhancing enterprise and producer capability to overcome trade barrier is found in the field of exporting Vietnam frozen aquatic products: according to statistics figures, the number of Vietnam enterprises exporting to EU, a market considered to be one of the most fastidious markets regarding aquatic products, is increasing steadily every year. This has happened because enterprises had promoted investment for fishing, breeding, and preserving in an effort to receive safe product certificates issued by EU as well as by other key markets for Vietnam aquatic products.

**Table 6: Number of enterprises having export license**

Market	2005	2006	2007	2008
EU, Norway, Switzerland	171	209	269	303
South Korea	251	320	379	415
USA	292	350	370	370
China	260	290	381	417
Canada	264	298	221	224
Russia	-	-	25	34
Total	264	319	386	415

[71 Meeting line of product standard]

Source: Nguyễn Tự Cường, Hand-out Vietnam SPS Office Seminar, April 2009

\* Total of enterprises in 2008: 444

Third, foreign countries' trade barrier also impels the activation of Vietnam government agencies to cope with trade barrier in import markets. Recently, especially after entering the WTO, Vietnam has made great efforts to establish, perfect, and put into operation Vietnam SPS and TBT offices. The next step is to perfect the law system concerning product standard and quality, upgrade the capability of laboratories, of control and recognition offices, take active part in regional and global standard organizations... which will help enterprises to get good access to information and law systematically, and to create conditions to upgrade product quality in order to overcome trade barrier.

Fourth, the efforts of enterprises, trade associations, and government agencies and authorities have made enterprises become used to and co-exist well with foreign countries' harsh trade barriers and hence to enhance the strength of the economy and of lines of exports. We all understand that trade barrier implies both challenges and risks, but if Vietnam government and enterprises put more emphasis on investment and on good preparation to cope with trade barriers, those challenges and risks would turn into good opportunities for Vietnam to promote its image and to positively build up a firm foundation for production responsible to the community, to the environment and to current social issues. This will help Vietnam to position its products on international markets where Vietnam will surely become a goods and service supplier held in high esteem in the series of global values. Being able to meet with regulations, technical specifications of other countries is a firm commitment of export enterprises on product quality, thus insuring outlet on markets.

**Table 7: Markets responding to Vietnam aquatic product**

Year	Markets importing Vietnam aquatic product
2001	71
2002	78
2003	85
2004	90
2005	106
2006	116
2007	134
2008	140

Source: Hand-out Vietnam TBT Office-Seminar-April 2009.

### 3. Solution for Vietnam enterprises to overcome foreign countries' trade barrier and to speed up exportation

#### a. Solution of the government:

The government should concentrate on perfecting the law system especially in the following fields: labor, product standard and quality, and environment, etc. It also needs to speed up checking and to gradually transfer allowances, export incentive policies into enterprise – supporting forms in accordance with WTO's regulations.

The government should compose and put into use Vietnam standards in line with the trend of integration and with new situations. Thus the government should actively take part in regional and global standard organizations in order to seek support and reference information for the task of building Vietnam modern, appropriate, and scientific standards.

The government should promulgate policies supporting and encouraging enterprises to adopt clean production and breeding processes aimed at gaining ecological trade marks to cope with and overcome environment – related barriers chiefly in developed countries.

The government should collect and rapidly provide enterprises with adequate information, trade policies, situation of import partners, and trade barriers at import markets.

The mass media and research and training agencies need to disseminate effective counter measures against trade barriers along with guidance to cope with them. The government should promote the role of Vietnam trade representative offices in foreign countries, enhance effective com-

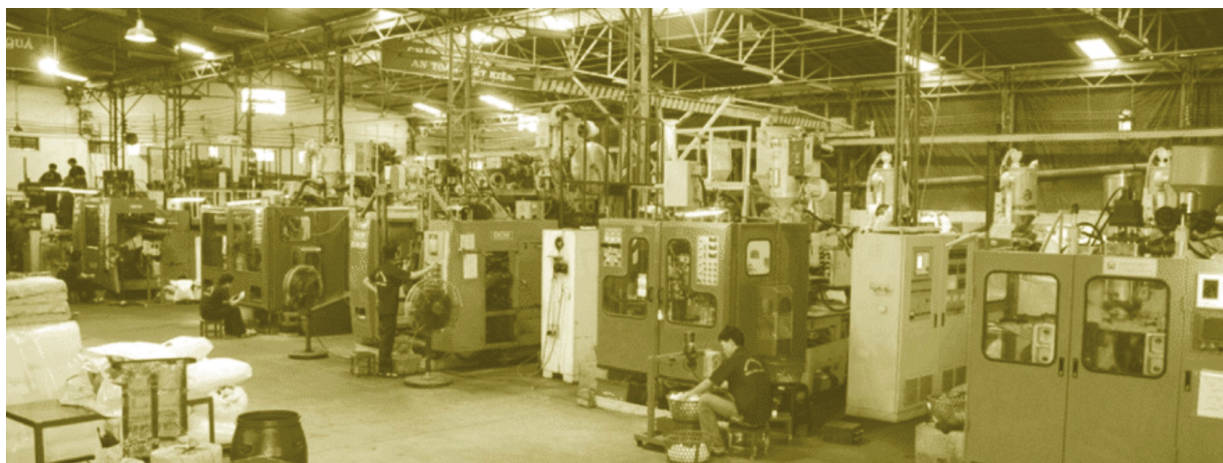
munication between its ministries and agencies and Ministry of Industry and Trade departments should frequently provide enterprises with adequate information. The government should also promote the ability of Vietnam trade counselors in other countries in collecting and supplying information on trade barrier at import markets and coordinate to handle arising issues relating to trade barrier in foreign countries.

The government should promote operative quality of the system of Vietnam SPS and TBT offices by investing in man power and funds for perfecting the capability of collecting and processing data. The government should also promptly promulgate timely warnings to trade associations and export enterprises.

The government should foresee well the state of Vietnam exports in other countries and foresee in good time the possibility of imposing trade barriers in overseas markets so that agencies, enterprises, and associations can actively handle any problems within their capability and authority.

The government should establish communication channels and maintain well and effectively communication between enterprises, associations, and interested agencies. Government's offices should frequently hold meetings in order to grasp developments of markets.

The government should invest in and perfect the system of laboratories, of evaluation and control offices so that they can have good quality. The government should also strongly invest in building systems of laboratories, upgrade quality control offices to attain high dependability by which to proceed negotiations with other countries so that it could soon have agreements on multilateral recog-



nition, standards, and procurement in controlling product quality, food hygiene and safety, and pharmaceutical products... in the purpose of reducing expenses for enterprises when they have to face with this kind of trade barrier.

### b. Trade associations

Trade associations should improve quality of its activities in handling issues relating to trade barrier. Trade associations should also invest in upgrading its capability by investing in man power and perfect service supporting network for enterprises. Associations should establish or consolidate its information department in order to collect and process professional information about key export markets especially information on trade barrier.

Trade associations should furthermore promote the role of regulating the scale of production, exportation price, and product quality in order to limit risks of having antidumping cases. They need to initiatively calculate and discuss with their counterpart enterprises so as to regulate export production with appropriate scale in each branch of commodity in the purpose of avoiding protective barrier and antidumping cases in other countries.

Trade associations should study and publish lots of guiding publications, market handbooks by co-operating with good experts in each line of product, leading scientists at home and abroad in order to compose documents about facts and information on overseas markets, and on line of ex-

ports of the associations.

The associations should compose and publish handbooks about trade barriers in other countries' markets to provide enterprises with information about markets that enterprises are dealing with. Publishing handbooks about lines of products in easily understandable languages so that enterprises can make use of them in their operation is also much necessary. The associations should co-operate with SBT, SPS offices to translate, publish and disseminate publications written in foreign languages relating to trade barriers.

The associations should frequently exchange information with enterprises in order to handle arising problems. They should, via different channels, try to figure out issues relating to the task of facing with trade barriers of enterprises, thus together with enterprises and offices and agencies to solve difficulties for export enterprises.

The associations should set up and maintain well relations with SPS, TBT offices in order to timely grasp warning information from partner countries so that they can make plans to have available solutions for member enterprises.

The associations should, on behalf of themselves, handle all issues in order to protect their member enterprises. The associations need to grasp, foretell, and react promptly with developments in each market so that they can actively have plans in trials and appeals.

### c. Enterprises:

Enterprises need to positively take part in gov-





ernment activities and trade associations dealing with problems concerning enterprises' lines of products. Moreover, enterprises should positively take part in forums, seminars held by governmental agencies in order to exchange information, and propose solutions about the state of ever-changing trade barriers in export markets and to seek support and guidance from relating agencies.

Enterprises should frequently maintain communication with the Office for Competition Management (Ministry of Industry and Commerce), Vietnam SPS and TBT Offices, and Vietnam trade counselors in foreign countries in order to always update the ever-changing developments of trade barriers in export markets.

Enterprises should invest in modernizing technology and equipment aimed at raising competitive capability of enterprises and of exports. Vietnam's export markets spread over 200 countries and territories and these markets require different kinds and packaging of goods with high product quality because standards of living are rising and consumers are more and more interested in product quality. So in order to overcome trade barriers, enterprises should initiatively build and bring in to use international quality management systems such as ISO 9000, HACCP, ISO 14000, and SA 8000... These certificates granted to export enterprises are considered as passports to infiltrate into major markets requiring high product standards.

Enterprises should improve the ability of man-

agement staff in order to have good knowledge of international trade barrier system. Enterprises should try to gain financial support sources from the government and international organizations for the task of training; and moreover, enterprises should allocate expenses to train good experts who will be able to meet the requirements of enterprises.

In order to actively deal with and overcome trade barriers, enterprises need to speed up market research operations to better understand foreign markets and for import enterprises to know more about their commodities.

Enterprises should positively expand forms of joint ventures, links within state economy in general and with other sectors of the economy in particular, especially with foreign invested enterprises and multinational companies or big economic groups. From the reality of international trading we can see that if there is foreign element in enterprises the verdicts from the partners tend to be in favor of the Vietnamese side in the process of solving disputes.

#### 4. Conclusion

Being a WTO member, Vietnam export business has good opportunities to speed up exporting to other countries. The fact that customs barriers and quantitative limit measures are considerably reducing is the most advantageous opportunity and condition for export enterprises. However, because of the influence of the WTO, of the needs of life, and of the protection of the environment...





other countries are setting up new trade barriers which are more difficult to cope with.

In the process of infiltrating into foreign markets, Vietnamese enterprises usually face with the following trade barriers: antidumping tax, countervailing duty, safeguard measures...in addition to technical barrier or food hygiene and safety barrier. These barriers have great impact on Vietnam exports both on the positive and negative sides. The important thing is that enterprises, government offices and agencies, and export associations need to have effective counter-measures against these barriers.

This paper has partly mentioned a certain level of the state of trade barrier to Vietnam exports and its impact. However, trade barrier is a broad issue but data and documents about this issue are not numerous. So the paper has only clarified the content of a basic part of this issue. Therefore in order to firmly grasp this complicated issue, profound studies for each market and line of products are needed to supply enterprises with more useful data in facing with trade barriers in important markets and to contribute to the task of speeding up and strongly promoting Vietnam exports after WTO period■

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Notes:

- [1] [http://info.mqiz.net/news/Print Friendly/?1899](http://info.mqiz.net/news/Print%20Friendly/?1899)
- [2] *CAND* (People Police Weekly), No 03, July 2009
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- [4] *Tuổi trẻ* (Youth Daily), No 06, August 2009

## TOPICS FOR 2010

January	Vietnamese Economy – 2009 in retrospect and orientation of development for 2010.
February	Economic stimulus & Financial – monetary solutions to post-recession period in Vietnam
March	Restructuring the Vietnamese economy
April	Sustainably economic development and poverty-alleviating strategy in Vietnam
May	Business management in the context of international integration Development of capital market: Situation and solutions
June	Agricultural and rural development
July	Development of industrial and high-tech parks and environmental issues
August	Development of human resource and modernization- industrialization in Vietnam
September	Vietnamese accounting and international accounting standards
October	Vietnam's insurance market and international integration
November	Foreign trade control viewed from companies and the state standpoints
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