

# VIETNAM'S TRADING BUSINESS IN THE PROCESS OF INTEGRATING INTO THE WORLD ECONOMY

by TẠ THỊ MỸ LINH

The *đổi mới*, or economic reform was started in Vietnam in 1986 and included the five following aspects:

- Changing the centrally-planned mechanism to the socialism-oriented market economy in which state-run companies could enjoy full autonomy and bear full responsibility for their business performance.

- Developing a mixed economy and all forms of ownership by rearranging the system of state-run companies and allowing foreign, personal and private sectors to expand.

- Diversifying and multilateralizing trading and economic relations with international organizations and foreign countries.

- Reforming the financial and monetary system and developing capital and stock markets.

- Reforming the administrative machinery with a view to facilitating economic activities.

Due to profound and continuous reforms, many achievements were realized in the past ten years.

- + The growth rate was high and stable: 8.4% in the years 1991-96 and 8.15% in 1997. Just because of natural disasters and Southeast Asian financial crisis, the growth rate reduced to 5.83% in 1998 and no sign of improvement is reported this year.

- + The inflation rate was reduced from 700% in 1986 to 400% in 1988 and under 10% in the period from 1992 till now.

Flows of foreign investment increased constantly and reached US\$33 billion in late 1998 (not including revoked and out-of-operation projects). Realized foreign investment represented some 30% of the gross investment and FDI projects accounted for some 10% of the GDP annual growth.

The diversification and multilateralization of economic relations with foreign countries is one of notable achievements of the *đổi mới* policy. Up to now, Vietnam has established trading relations with some 100 countries and territories and joined the ASEAN in 1995 and APEC in 1998. Vietnam has also taken active part in the ASEM program and is making preparations for the WTO membership.

Vietnam's foreign trade in the past decade has made good progress both quantitatively and qualitatively. In the past, Vietnam's main trading partners were the USSR and the Eastern European bloc and all everything was done according to agreements between governments and realized by state-run foreign trading companies. At present, Vietnam has become a market open to the world. In the years 1992-96, the foreign trade increased annually by 28% on average. The structure of exports, however, shows that Vietnam is a poor country. The better part (or 66% to be precise) of its exports are raw materials (farm products, minerals and crude oil) and export value per capita in 1991-95 was US\$95. From 1995 on, the proportion of manufactured goods to exports (mainly footwear and garments) has increased remarkably but the percentage of export of high added value is still small.

Up to late 1998, Southeast and Northeast Asian countries, especially Japan, are main customers of Vietnam accounting for 51% of Vietnam's export value. They were followed by the EU (24%). In this period, 68.7% of Vietnam's import value was from Asia and 13% from the EU. After the American embargo was lifted, the U.S.- Vietnam trading increased year after year: from US\$225 million in 1994 to 450 million in 1995; 935 million in 1996 and one billion in 1998. A bilateral trade agreement was worked out and announced in a joint press conference in Hà Nội. The agreement is planned to be signed by the end of August 1999 before it is submitted to the US Congress and Vietnam National Assembly. When the last procedures are fulfilled, the two governments will confer on each other the normal trade status. We hope that the agreement will come into effect by the next century.

Besides expanding the market and promoting foreign trade, the Government also reformed its trading policy and mechanism. Since 1988, the Government has adopted many policies to liberalize the trading business. In May 1997, the Vietnam National Assembly passed the Trade Law and the Government issued the Decree 57 on July 31,

1998. Those two documents are landmarks in the development of foreign trade: all companies are allowed to export and import goods and services stated in their business licenses and certain unnecessary procedures are removed (requirements of import-export licenses and of minimum working capital for example).

Many measures have been taken to reform the mechanism for controlling export and import business, such as offering incentives to export and making the exchange rate more flexible. However, many other reforms are badly needed, especially in tax and tariff systems, customs procedures and non-tariff barriers.

After joining various economic groupings, Vietnam has committed to open its domestic market and cut customs duties by 2006 as required by the ASEAN and AFTA, and by 2020 as required by the APEC. In negotiating about Vietnam's WTO membership, Vietnam also met with higher requirements as compared with other developing countries that have been granted membership some years earlier.

Apparently, the integration into the world economy brings many benefits and possibility of developing the foreign trade and attracting foreign investment, technology and managerial skills that can help Vietnam take part in the international division of labor and cooperation.

However, the integration is also a great challenge to Vietnam and in the near future a lot of things should be done with a view to ensuring good environment for the economic development: reforming the administrative machinery, developing the human resources, improving the international competitiveness, to name but a few. For the time being, the most urgent tasks are: preparing for MFN treatment extended to foreign countries; reducing customs duties and removing non-tariff barrier step by step; maintaining short-term protection for certain local goods and services; and finally ensuring the principle of fairness and openness.

We hope that our joint efforts will help bring the Vietnam's trading business into a new development stage in the coming century. ■