

Measures to Develop Domestic Trade in Vietnam

by Ass. Prof., Dr. ĐÀO DUY HUÂN

According to the Ministry of Trade, the retail sales of goods and services in 2005 reached VND475,381 billion increasing by 20.5%. The retail sales for the first two months of 2006 increased by 19.2% compared with the corresponding period of 2005. On the retail market, many professional players, such as chain supermarkets, have made their appearance but they are still in pilot stages.

The domestic trade, however, reveals many shortcomings:

Domestic networks of distribution are narrow and unable to meet the need for faster development.

Infrastructure for trading activities is poor and unable to create favorable conditions for traders.

Fair competition and trading freedom are not ensured. Governmental intervention affects unfavorably market laws, which makes goods and services offered fail to reflect the development.

Struggles against commercial fraud and violations of intellectual property didn't achieve good results.

Measures to promote the domestic trade, a factor that affects greatly the economic growth, in my opinion, are as follows:

+ A better distribution system: When Vietnam joins the WTO and all trade barriers are lifted, many economic

concerns face the danger of closure because of their poor competitiveness. In addition, the distribution network also affects the export business, so a new policy on capital accumulation and land stock for distribution centers is much needed.

+ Better policies on foreign investment in the retail market: Generally, these policies may aim at discouraging foreign investment in this market, or at least, preventing it from occupying favorable sites in the inner cities in order to give grace time to local retailers and wholesalers.

In parallel with these policies, other measures must be taken to encourage local producers to build their brand names, make goods and services of international standards and establish good relations with distributors. However, this is the biggest shortcoming of local companies because distributors don't believe producers when they want to buy the whole output. Many distributors complain that producers usually fail to ensure delivery terms and product quality.

+ The role of traditional network of distribution: In Vietnam where the majority of population still lives below the poverty line, people in rural areas and many groups in big cities still depend on the traditional network of distribution that includes small market-

places and even flea markets. A survey suggests that this segment of population accounts for 80% of the retail market. When encouraging development of modern distribution networks, it's necessary to refrain from causing harm for the traditional network and take measures to develop standardized retail outlets. To develop evenly this network means developing trading centers, wholesale and retail centers; and establishing relations between them. An overall strategy to develop this network should include every part of this model.

The system of traditional outlets have produced a considerable share in the GDP and provided jobs for some five million laborers while trading centers and supermarkets in big cities only represent a small percentage in the total retail sales. Generally, in all developing countries, those two networks always exist in parallel. In the next decade, however, the modern retail network will develop at the expense of the traditional one. For the time being, the Government could take certain measures to support the traditional network, such as:

- Giving training courses to small traders and retailers in modern retail business in order to help them modernize their business and survive the competition after Vietnam joins the WTO.

- Giving tax incentives and preferential treatment to their new investment.

- Ensuring them opportunities to engage in the modern networks of distribution, such as buying or leasing shops in new trading centers or supermarkets.

- Helping them get access to sources of official credit needed for the modernization of their businesses.

By various measures, the Ministry of Trade could ensure a reasonable share in the total retail sales for local trading concerns. To encourage them to modernize their businesses, the Government could raise a fund for developing infrastructure of trading business from retailers, trading companies and national budget. This fund can connect producers and distributors, make retailers more attached to the economic development and save producers from energy and costs spent on building their own distribution networks.

In short, developing the domestic trade when integrating into the world market is an urgent task because it helps with supplying goods and services to consumers in both cities and rural areas, improving the competitiveness of local trading companies, and saving small enterprises and family businesses from the danger of closure, an origin of social unrest and evils. ■