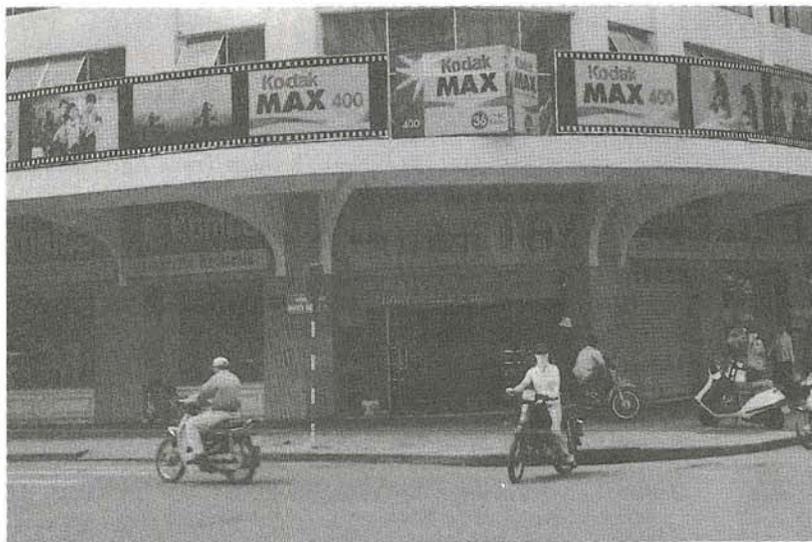


PREDICTIONS OF ENTRY OF SOME VIETNAMESE PRODUCTS INTO AMERICAN MARKET AFTER THE U.S.- VIETNAM TRADE AGREEMENT

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As a big market, the U.S. imports a lot from the rest of the world and suffers trade gap every year (US\$276 billion in 1999 for example). The U.S imports goods from Asia (40%), Canada and Mexico (30%) and the rest of the world (30%). American producers have decided to make and export

high-tech goods with high profitability and they are ready to import raw materials and labor-intensive products from other countries, especially developing ones. Vietnam, however, hasn't been given the NTR status with the result that its exports to this market are of small value.

Table 1: Vietnam's exports to the U.S. and its market share

Item	American imports (US\$ billion)	Imports from Vietnam (US\$ million)	Vietnam's market share (%)
Clothing	59.55	34.7	0.05
Footwear	11.87	102.6	0.86
Seafood	5.91	125.6	2.10
Coffee	2.81	59.2	2.10
Rubber	7.80	3.5	0.04
Fresh vegetable	3.37	3.2	0.09
Crude oil	50.5	99.6	0.19

Source: the U.S Customs and Vietnamese Ministry of Trade

Thus, the value of Vietnam's exports to the U.S. didn't match up to its potentials. After the U.S.- Vietnam Trade Agreement comes into effect, the tariffs on Vietnamese exports will fall from some 40% on average to some 3% and the export earnings will rise. The following are our analyses and predictions of possibility of promoting some exports to the American market.

1. Farm products: Export of these products won't rise remarkably because of low tax rates imposed by the U.S. on these products. The only solution is to increase the quantity. This business will face difficulties caused by unstable output, bad weather and fluctuations in prices. The U.S. also produces and exports farm products in large quantities. It can buy some coffee, cashew nut and black pepper for its domestic market and some rice from Vietnam for re-export. As for tea, coffee and spices, their export value has increased in recent years because tariffs are cut and the community of expatriate Vietnamese in the U.S. prefers these products from Vietnam. Export of coffee to the U.S. rose from US\$29.96 million in 1994 to US\$125.26 million in 1999. To promote the export of coffee, its quality should be improved.

The tariff on Vietnamese cashew nut is now reduced to 0.05 cent per kilo so the trade agreement can hardly have any significant effect. What the Vietnamese cashew exporters want is to trade directly with American buyers instead of middle persons. At present, Vietnam supplies only one sixth of cashew consumed in the U.S. while it ranks third in cashew output and second in cashew export. It's planned that Vietnam will export 45,000 tonnes of cashew nut by 2005. The problem to this business is to ensure reliable supply of nut and its stable quality. Processing factories and exporting

companies should cooperate to deal with this problem before thinking of long-term contracts with American importers.

The export of aquatic products to the U.S. rose quickly in the last two years, from US\$125.50 million in 1999 to US\$304.36 million in 2000 and the U.S. became the second biggest buyer of Vietnamese aquatic products. The main product bought by Americans is shrimp, because Vietnamese shrimp are usually kept in natural environment and Vietnamese farmers haven't got into the habit of using chemicals in raising or catching shrimp. The American tax

(2.1% as compared with 29.4%). To increase the export of wooden goods to the U.S., a well-devised marketing campaign is needed. The Government had better make plan to increase the forest area and control the exploitation of forests in order to ensure the supply of materials and protect the environment.

2. Crude oil: According to the Ministry of Trade, Vietnam exported only small quantities of oil to the U.S. Its export earnings from oil exported to the U.S. rose from US\$80.6 million in 1996 to 99.6 million in 1999 while Japan bought US\$706 million worth of oil in 1996. Causes



rate on aquatic products is very low and the NTR status can help reduce it from 3.9% to 0.4%. This is one of farm products Vietnam could export in larger quantities in the coming years.

The shrimp output and processing capacity in Vietnam is on the increase. Local governments had better zone areas for shrimp farming, provide farmers with good strains and new farming techniques. In addition, Vietnam could export other aquatic products, such as crab and other shellfish, swordfish, etc.

It's estimated that the U.S. needs one million tonnes of rubber a year and Vietnam covers only a small part of this demand and natural rubber is imported tax-free to the U.S. The trade authorities and rubber companies should run marketing campaigns to gain a bigger market share.

The U.S. imports some US\$15 billion worth of wood and the tariff is low if exporters enjoy the NTR status

of this situation are high transport costs when exporting to the U.S.; and priority given to Japan as a traditional buyer. It's estimated that the export of oil from Vietnam to the U.S. won't increase after the trade agreement although the American tariff on oil is low (0.2% under the NTR status and 0.6% without) unless American oil companies gain better positions in Vietnam.

3. As for clothing, Vietnam will enjoy considerable tariff cuts when the trade agreement comes into effect (from 55.1% to 10.3% for textiles and from 68.9% to 13.4% for garments) and sell more clothing to the biggest market for this line of product (Americans buy some US\$60 billion worth of textiles and garments from other countries every year). It's estimated that the American import of clothing will keep increasing in the coming years provided that recession is avoided.

In 1999, Vietnam sold only US\$21.1 million worth of clothing to the U.S. because of high tariffs. In this market, Vietnam faces keen competition from other Asian and South American rivals. Vietnam clothing companies should try its best to increase their export to the U.S. before the trade agreement comes into force in order to gain an increasing bigger quota from the American government

4. Vietnam started exporting footwear to the U.S. after the embargo was lifted but most of these exports were made according to orders placed by subsidiaries of American companies. Vietnam can sell more footwear to this market because the U.S. imports some US\$10 billion worth of footwear while Vietnam could only earn some US\$100 million of this sum every year. To increase the export of this product, Vietnamese companies should improve their production capacity and competitiveness to ensure that at least 35% of components are made locally with a view to winning preferential treatment for this product from the U.S. government.

5. Vietnam enjoys comparative advantages in producing and exporting handicrafts, however, the export earnings from this line of product wasn't high in the past few years. In 2000, Vietnam exported only US\$13 million worth of handicraft to the U.S. because this product is taxed heavily (60% if it isn't given the NTR treatment). The trade agreement, therefore, can help increase the export of handicrafts considerably if they meet taste and requirements of American buyers.

Thus, the trade agreement will allow Vietnam to export goods in larger quantities to the U.S., especially clothing, footwear, wooden articles, handicrafts which are taxed heavily when importing without the NTR status. Although many analysts think that the American economy will experience a recession in the coming years, Vietnam will enjoy an increase in its exports to this market because its market share is still small and its products are new to the American buyers. That is why all companies should work out a strategy to enter the American market as soon as possible in order to limit risks and losses and take all possible opportunities offered by the bilateral trade agreement. ■