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Export of Aquatic Products after Vietnam's Accession to The WTO

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1. Achievements

According to the Ministry of Trade, aquatic product was one of four staple exports (crude oil, clothing, footwear and aquatic product) that earned more than one million dollars in the first four month of 2007 (US\$230 million in January; 220 million in February; and 250 million in March). Since the 1990s, the aquatic product has been one of staple exports from Vietnam, after crude oil, clothing and footwear; and the leading one in terms of real income. Its export earnings rose steadily over years.

Table 1: Aquatic product export earnings

Year	Aquatic product export earnings (US\$ mn.)	Growth rate (%)	Total export earnings (US\$mn.)	As % of the total
1990	205.0	-	2,404.0	8.5
1991	262.2	27.9	2,087.1	12.6
1992	305.0	16.4	2,580.7	11.8
1993	368.4	20.7	2,985.2	12.3
1994	556.3	51.0	4,054.3	13.7
1995	621.4	11.7	5,448.9	11.4
1996	696.5	12.1	7,255.9	9.6
1997	782.0	12.3	9,185.0	8.5
1998	858.0	9.7	9,360.3	9.2
1999	973.6	13.5	11,541.4	8.4
2000	1,478.5	51.9	14,482.7	10.2
2001	1,816.4	22.9	15,027.0	12.1
2002	2,021.7	11.3	16,705.8	12.1
2003	2,278.6	12.6	20,149.3	11.3
2004	2,400.8	5.5	26,485.0	9.1
2005	2,739.0	14.1	32,419.9	8.4
2006	3,364.0	22.8	39,605.0	8.5

Source: General Bureau of Statistics, Ministry of Trade, VASEP

The Table 1 shows that the aquatic product export earnings rose by 16 times in the years 1990-2006. From 2000 on, the earnings passed the US\$1- billion mark and stayed there since. Its record peak was reached in 2006 when it passed the US\$3-million mark. It's estimated that it will reach US\$4.5 billion by 2010. Its export value accounts for 8-12% of the total export earnings representing some 4% of the GDP. This business supplied jobs for some 1.5 million laborers.

However, Vietnam only ranks eighth or ninth among the world's biggest exporters of aquatic products (and rose to the seventh position in 2002). Its aquatic product export earnings equal only 50% of those earned by China and Thailand – the two leading ones.

Table 2: Ten leading exporters of aquatic products in the world (US\$1,000)

Country	2001	2002	2003
China	3,999,274	4,485,274	5,243,459
Thailand	4,039,127	3,676,427	4,506,384
Norway	3,363,955	3,569,243	3,624,193
The U.S.	3,316,056	3,269,168	3,398,939
Canada	2,797,933	3,044,403	3,300,313
Denmark	2,660,563	2,872,438	3,213,465
Spain	1,844,257	1,899,541	2,226,523
Vietnam	1,816,400	2,081,700	2,275,600
The Netherlands	1,420,513	1,802,893	2,182,588
Chile	1,939,295	1,869,123	2,134,382

Source: www.fao.org

With a long coastal line, large territorial waters

and sea-farming areas, Vietnam has great potentials for export of aquatic products. The export earnings of over US\$3 billion were an encouraging result but they didn't match such potentials

What is more worrying is the fact that the aquatic product export implies signs of unsustainable development as recognized by the Ministry of Fisheries in its reports. In integrating into the world market, this industry contains a contradiction between a scattered and small-scale production and requirements posed by the world market for high-quality goods, especially in terms of food hygiene and safety and protection for the environment. The unsustainable development shows itself in the structure of exported items and export market.

a. Exported items: Vietnam can export a wide range of saleable aquatic products but up till now, for various reasons, it keeps selling raw materials and semi-finished goods: such as frozen shrimp (50%), frozen fish (25%), dried sea food (5%), mollusk (7%) and others (13%), which have low added values.

b. Export market: Up to December 2006, aquatic products from Vietnam are sold to 127 countries. Its main export markets are Japan (accounting for 29.7% of the export value), the U.S. (23.1%), the EU (15.9%), China and Hong Kong (4.9%) and ASEAN (4.5%). In 2006, Japan still ranked first but its share reduced to 25.3%, EU rose to 21.6% and the U.S. 19.9%. The strategy suggested by the Ministry of Fisheries aims at maintaining main markets and entering new ones with the following structure: Japan 25%; the U.S. 23-30%; the EU 20-22%; South Korea 8%; and China and Hong Kong 7-9%.

The hot development of this business in recent years has led to the shortage of raw materials for processing factories, especially catfish whose price in the first quarter of 2007 rose to VND16.800 per kilo, and many farmers have sold their output before the fish reached a standard of one kilogram. Many factories could only operate at 50% of their installed capacity and some other had to import raw materials from neighboring countries in March 2007. This shotgun approach is a worrying sign because imported raw materials could lead to poor quality of exports, low standard of food hygiene and safety, with the result that Vietnam's aquatic product exports could be returned by foreign importers.

Export markets today set high standards for aquatic products imported from foreign countries. Foreign importers usually require exporters to ensure food hygiene and safety and meet standards in terms

of environmental protection social responsibility and clear origin of products. In the past, Vietnam has lost its Canadian market, and received warnings from the EU and its exports have been rejected by importers. In late 2006 and early 2007, Japan many times warned of surplus of antibiotic substances in shrimps and cuttlefish from Vietnam. Russian and Polish authorities also gave the same opinions about the quality of Vietnam's aquatic products. This means that Vietnam may lose some export markets because of its poor standards.

2. A SWOT analysis

a. Opportunities:

- Favorable conditions for the sea farming and fisheries may be fully tapped in the coming years.
- Increasing demand for aquatic products on the world market.
- More foreign investment in the Vietnamese fisheries and lower duties on Vietnam's exports.
- The government adopts many policies to support the sea farming and export of aquatic products.

b. Threats:

- Higher standards will be set by demanding markets.
- Competition will become keener when Vietnam has to cut duties as required by the WTO.
- Commercial disputes becomes widespread, especially lawsuits on dumping.

c. Strengths:

- Export markets expand and export earnings are on the increase.
- Fishing and sea farming are improved and balanced creating preconditions for sustainable export of aquatic products.
- The labor for the business is abundant.
- Technologies employed in the industry are enhanced and perfected to reach regional standards.
- Support from the Ministry of Fisheries and trade association is better.

d. Weaknesses:

- Poor competitiveness because of poor quality.
- Development is not sustainable: there is no reliable of eco-friendly and high-quality of raw materials.
- No attention is paid to export promotion, brand development and publicity.
- There is no vertical cooperation between concerns in various stages of production.
- Technology transfer and quality control fail to produce intended results ■