MEASURES TO MAINTAIN AND PROMOTE VIETNAM'S EXPORT DURING THE GLOBAL FINANCIAL CRISIS

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1. Economic crisis and its consequences for international trade

The year 2008 is the one of global crises: in the realty market, prices of houses and real estates in many countries fell by 60% or 70%; in the food market, the prices skyrocketed; the power crisis made prices of oil and gas rose and fell unprecedentedly, from US$140 to 50 per barrel within 2008; the financial crisis led to bankruptcies of many American, European and Japanese banks, many insurance companies became default and many hard currencies depreciated by 30% or 40%, international stock exchanges fell drastically and many stock brokerage firms were closed; and in the labor market, unemployment got widespread and million laborers got jobless.

Crises took place not only in developed countries that play leading roles in the world economy but also in developing and underdeveloped ones. The crisis is assumed to prolong and affect badly the world economy up to the end of 2010 regardless of package stimuli of some US$5,000 billion equaling from 5% to 30% of the GDP of many countries: US$2,500 billion in the U.S., 850 billion in the UK, 586 billion in China, 200 billion in the EU, 127.5 billion in Taiwan, and 141 billion in South Korea, etc. [2; 78]

The global crisis led to falls in international trade (see table 1), which was very serious in many countries in the first quarter of 2009 as compared with the corresponding period of the previous year: export fell by 50% in Japan; 30% in the U.S., 25.7% in China; and 30% in Singapore.

In this quarter, however, Vietnam's export value reached US$13.479 billion increasing by 2.4% over the same period last year. This increase is mainly due to re-export of gold and precious stone, which brought about US$850 million increasing by 49 times over the corresponding period of 2008. The Vietnamese export in 2009 is expected to be from US$5 to 7 billion lower in comparison with 2008. At present (up to April 2009) export from the foreign sector fell by 8.3% over the same period last year; and more worrying was the fact that 12 out of 13 staple exports from Vietnam experienced some falls, from 10% to 48.6%, such as electronic appliances and computer, footwear, coal, aquatic products, coffee and cashew nut. Particularly, oil revenue fell by 48.6% (because the price on the world market fell and part of the output is transported to Dung Quất); electric wire and cable 47.3%; and rubber 43.9%. Many exporting companies had to stop operating and thousands of laborers got unemployed.

Generally, idle foreign trade of many countries makes Vietnam production and trade go from bad to worse [1]

Table 1: Growth of the international trade in 2000 – 2009 (%)

Indicator	2000 – 2009 average	2000	2004	2006	2007	2008	2009
1 Trade in goods and services	6.5	12.3	10.7	9.3	7.2	4.9	4.1
2 Export from:							
a. Developed countries	4.8	11.9	9.1	8.4	5.9	4.3	2.5
b. Developing countries	9.2	13.8	13.9	11.0	9.5	6.3	7.3
3 Import to:							
a. Developed countries	4.8	11.9	9.4	7.5	4.5	1.9	1.1
b. Developing countries	11.2	13.8	16.0	14.7	14.2	11.7	10.5

Source: [3]

2. Opportunities and challenges to Vietnam's export

a. Relations between Vietnam's export and the global economic crisis:

- Vietnam's export grows fast (of the world's fastest growing group) as shown in the Table 2.

Table 2: Growth of the Vietnam's export

Year	Growth rate (%)	Compared with the GDP growth rate (time)
2001	3.8	0.55
2002	11.2	1.58
2003	20.5	2.81
2004	31.4	4.03
2005	22.5	2.67
2006	22.7	2.76
2007	21.9	2.58
2008	29.5	4.74

Source: [2; 45]

- Ratio of export value to the GDP is increasingly high.

Table 3: Ratios of export, import, and export plus import values to the GDP

Year	Export/ GDP (%)	Import/ GDP (%)	Export + import / GDP (%)
2001	46.3	49.9	96.2
2002	47.6	56.3	103.9
2003	50.6	63.5	114.1
2004	58.4	70.5	128.9
2005	61.1	69.2	30.3
2006	65.3	73.6	138.9
2007	68.2	88.0	156.2
2008	71.3	91.1	162.4

Source: [2, 73]

The Table 3 shows that the Vietnam's economy is wide open: In 2008, the export- import value equaled 162.4% of the GDP (the world average was 46.7%; Asia: 48.8% and ASEAN 132.4%). When the openness of the economy is wide it becomes much vulnerable to changes in the regional and international markets.

- Vietnam's export market is very limited: Although Vietnam's exports are found in over 210 countries and territories, some 50% of its export value comes from the U.S., the EU and Japan, and those three economies are suffering severe crises, which certainly affect badly the Vietnam's export.

- Foreign-invested companies plan an important role in the Vietnam's export. In 2008, the foreign sector accounted for 55.5% of the export value and 35.6% of the import one. The global economic crisis made many holding companies go bankrupt or suffer enormous difficulties in terms of financial strength and market, which produced negative effects on their subsidiaries operating in Vietnam: the Nike plant in Vietnam laid off some 6,000 Vietnamese laborers, while many others had to reduce their output. The export from the foreign sector fell by 8% in the first quarter as compared with the same period last year.

- Many staple exports, such as garments, footwear, electronic appliances, computer and software, are made according to subcontracts from foreign companies. Production of such exports is much dependent on foreign partners. When they suffer difficulties caused by the global crisis and stop offering subcontracts, local companies can hardly find a way to survival because brand names, designs and markets, etc. are all held by foreign partners.

- Production of many staple exports (clothing, footwear, wooden furniture, computer, electronic equipment and plastic products) relies totally on imported raw materials (from 70% to 90%) because supporting industries in Vietnam haven't developed yet.

In addition, Vietnam spends some US$2 billion on imported animal feed and milk powder although it is an agricultural country.

With such features, the global crisis will affect badly both output and input of the exports making industries. In short, the Vietnam's export suffers direct effects of the global economic crisis.

b. Opportunities for the Vietnam's export from the global crisis:

- Opportunities for the Government:

+ Forcing the Government to adopt new policies on export with the aim of facilitating it.

+ Allowing the Government an opportunity to subsidize the export, such as lower interest rate, tax cuts, or financing the export promotion without violating the WTO rules.

+ Encouraging the Government to take measures to develop the domestic market and agricultural production as a basis for a stable development of export.

In short, the global crisis makes the Government as a captain more mature and experienced in steering the export ship in a storm.

- Opportunities for companies:

+ Restructuring the businesses and adopting new export strategy.

+ Replacing technologies and machines when their prices get lower because many foreign companies have to sell out their facilities because of their bankruptcies (at present, many Chinese companies are looking machines or companies for sale in foreign countries).

+ Getting access to low-interest loans offered by the Government, and trade promotion campaigns launched by both national and foreign governments.

+ Enjoying some tax exemption or delay offered by the Government who want to help them deal with present difficulties.

+ Increased number of the unemployed and falls in living standards in foreign countries allow local companies to export cheap farm products.

+ Bankruptcies help get rid of former competitors in export and bring about new opportunities for companies that can maintain their operation.

c. Challenges from the crisis:

- At macroeconomic level:

+ Falls in the export and export earnings, higher unemployment rate, and more serious social problems.

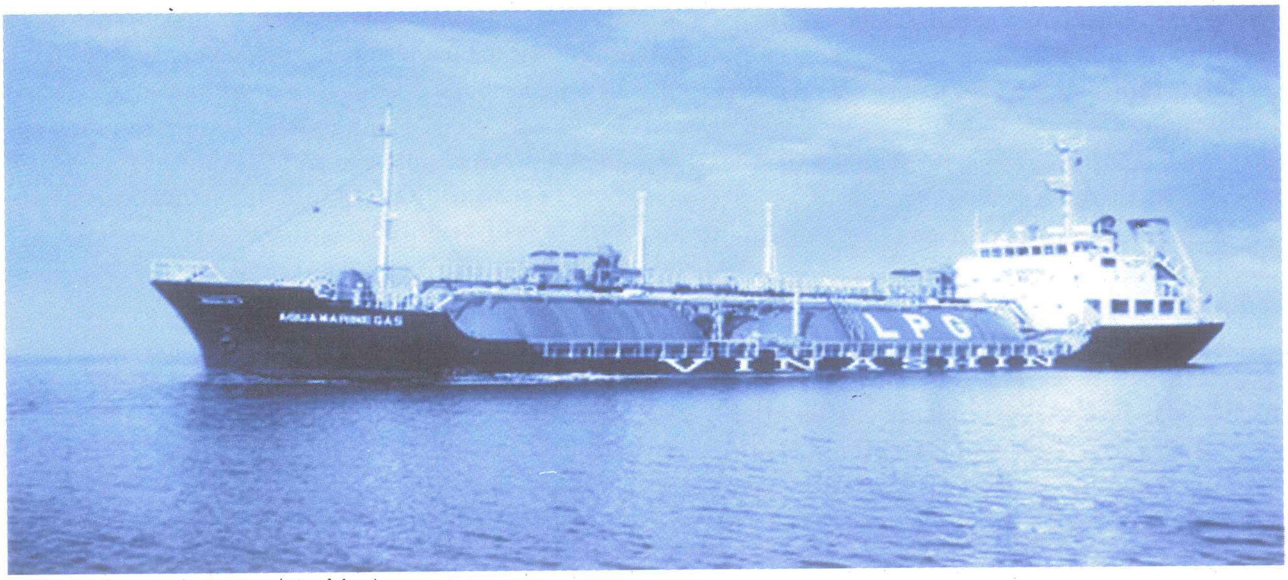
+ If the program to deal with economic crisis, maintain the growth rate and ensure social welfare is not carried well be the Government, source of financial support won't come to its intended destination and will lead to more serious corruption, waste, bribe and red tape.

+ The national reserves may fall, budget deficit bigger, the balance of payments gets adverse, which becomes obstacles to the long-term development and cause worries for international sponsors.

+ Prolonged and excessive subsidies for exporters may make them less competitive and get more dependent on the official support.

- At microeconomic level:

+ In 2009, all major export markets are in re-



Vietnam has to import a lot of fuel

cession and their spending power was lower. Many of them may adopt protectionist policies (financial support for purchase of locally-made goods is offered by many governments). This means that the export will be more difficult as orders placed in 2008 were cancelled in 2009.

+ Many countries, including the U.S., take elaborate measures to protect local producers, such as anti-dumping and anti-subsidy taxes, higher technical and sanitary standards, and stricter regulations on brand names of exports, etc.

+ The economic crisis makes prices of exports fall drastically: farm products by 10% - 35%, and subcontract prices also fall while prices of many input rise instead of falling (fuel, electricity and water supply), which causes huge losses for exporters.

+ Even low-interest loans from the Government can become burdens if they are not used effectively.

3. Suggested measures to maintain and promote the export

a. For the Government:

- Procedures relating to the export business must be reformed more strongly, such as procedures from granting licenses, customs formalities, granting of the C/O, tax payment and tax refund, etc. This can be considered as indirect support that helps exporters save time and costs.

- Export- supporting mechanism must be perfected by aiming at: offering more indirect than direct subsidies; and making export-supporting policies simple and transparent to ensure a fair and equal treatment for companies of all size and sectors, including the foreign one because it plays an important role in the export and job creation in Vietnam.

- Reducing the export tariff to 0% as a way of supporting the export.

- Making more investment in the supply of market information and predictions as a form of indirect support without violating the WTO rules.

- The trade promotion must be carried out more effectively to help all companies get access to publicly- financed campaigns of this kind.

- The Government and related ministries must beef up their diplomatic activities to expand the export markets.

- Inspecting certain commercial banks engaging in the program to supply soft loans to exporters as soon as possible is very urgent now. Moreover, a national conference on this task must be held to draw experience and work out measures to deal with shortcomings in order to ensure timely financial support for exporters.

b. For companies:

- Restructuring the companies by downsizing the management machinery and concentrating on exports with stable markets.

- Using low-interest loans from the Government to replace technologies and production lines when their prices fall by 10% - 50% compared with the previous year.

- Diversifying the export markets by paying more attention to the new ones, such as Russia, Arabian bloc and Africa.

- Reducing subcontract- based operations and starting producing branded goods by developing the brand strategies and seeking actively for new buyers.

- Paying more attention to the domestic market of 87 million people and 350,000 companies.

- The global crisis may make many buyers become default and commercial frauds become widespread. Exporters must be alert to this situation and check the creditworthiness of customers before signing the contracts and take necessary measures to prevent risks in the international trade.

- As from April 2009, the Government carries out the program to supply low-interest loans to new investments, the exporters had better work out feasible business plan to develop new products based on support from this program.

"Every cloud has its silver lining," as the saying goes, which allow us to believe that if we know how to turn challenges into opportunities, the future is still bright ■

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