

# Cần Thơ City Based Businesses' Export in the First Years of Vietnam's WTO Accession and AFTA Implementation

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**C**ần Thơ is a modest city in terms of area and population (1,401 km<sup>2</sup> and 1.147 million persons in 2006), but it is the unique city directly under the central government in the Mekong Delta and a political, socio-economic, and cultural center of 13 southwestern provinces.

Cần Thơ is bestowed with favorable geographical conditions, so it acts as a commercial hub between 13 southwestern provinces and HCMC and other provinces and regional countries.

Knowing what it ought to do and be, especially after it was separated from Cần Thơ province, its Party, Government and people has made great efforts to attain significant achievements in socioeconomic and political areas over the past years. Nevertheless, a comprehensive consideration reveals that its performance is not compatible with its function as a dynamic center of the whole Mekong Delta. Given that condition, under the effects of Vietnam's commitments to the AFTA and WTO, Cần Thơ city, on the whole, and its businesses in particular, must cope with big challenges in export unless it undertakes appropriate development strategies.

Based on that view, we would like shed light on Cần Thơ businesses' export, opportunities and challenges as well as map out some strategic solutions to their boosting export activities in the first years of Vietnam's WTO accession.

## 1. Export performance of Cần Thơ city-based businesses

### • General situation

Recent years have seen busy export activities of Cần Thơ

businesses in implementation of local government's decisions on increasing investment, encouraging production for export and boosting trade promotion. For example, the number and size of export businesses are on the sharp rise, and export markets steadily expanded. So far, Cần Thơ businesses have established trading relations with more than 80 nations and territories, including potential markets such as China, Japan, South Korea, ASEAN, the EU and the US. Their export value grows fast over years with rice and seafood taking the lead among the country's provinces and cities. (see Table 1).

country's list of rice exporting provinces and cities. Meanwhile, the city's other products, especially manufactured goods and services stayed a very low percentage and unstable. That implies the city has not yet made a significant restructuring of export categories as compared to the years before 2000 as well as three years before the provincial separation. In the same meaning, it has not yet fulfilled the target of heightening the percentage of manufactured products, handicrafts and services. More remarkably, the export categories remain too modest in comparison

**Table 1: Cần Thơ export in comparison with the Mekong Delta and the whole country (US\$ mil.)**

Year	Cần Thơ	The Mekong Delta	The whole country			
	Value	Growth (%)	Value	Growth (%)	Value	Growth (%)
2001	159.90		1,670		15,029	
2002	176.81	110.58	1,824	109.22	16,706	111.16
2003	238.56	134.92	2,269	124.40	20,149	120.61
2004	302.12	26.64	2,645	116.57	26,504	131.54
2005	348.47	128.46	3,185	120.42	32,447	116.31
2006	456.07	130.87	3,864	121.32	39,826	121.57
Average		123.32		118.26		121.52

(Source: The Mekong Delta's Statistical Yearbook)

### • Export performance by product

Cần Thơ's exports become more varied over time and have been changed in structure. The process, however, remains slow. Its major exports are still frozen seafood and farm products. In 2006, the export value of frozen seafood reached US\$227.93 million (up 65.6% over 2005), accounting for 49.98% of the city's total export sales. In the same year, the city sold 551,380 tonnes of rice abroad, ranking second behind An Giang Province in the

with the items made and consumed in the Mekong Delta; most of exports are raw products, or semi-finished or processed for the third party. The export volume and value of finished products are still too low. As a result, its export value and efficiency is not high although its volume rises sharply. (see Table 2).

### • Export performance by market

The city's businesses have taken full advantages in the process of integration and their product uniqueness in order to



fully exploited by Cần Thơ businesses.

Third, local trade promotion has been initially productive. Cần Thơ products are shipped to a lot of countries, even demanding markets such as Japan, the EU and the US.

#### • Shortcomings

First, the city's capability to attract goods from other provinces' suppliers remains low in spite of its advantageous position as a major port for the Mekong Delta's export. It can be proved by the fact that its export value still stays behind provinces of Cà Mau and Sóc Trăng and it makes up a very small share of the country's total export turnover. (1.07% in 2005; and 1.15% in 2006).

Second, the category of exports is not diversified. Many items are not yet exploited effectively, for example, manufactured products, handicrafts and even competitive goods of the Mekong Delta including fruit, vegetable, garments, and footwear. Their value-added of products and market attractiveness is still small in range and scope.

Third, the number of export production and service businesses is not large. They are mainly of small-size; especially have no famous trade name and limited capability of association. Foreign-invested companies are not strong enough to play a leading role in export like their counterparts in HCMC, Đồng Nai, Bình Dương and other provinces.

## 2. Opportunities and challenges to Cần Thơ export businesses

According to Vietnam's commitments on the road map of AFTA implementation, import tax rates on ASEAN goods, which are in the list of immediate and temporary reduction, has been cut down from 0% to 5% since January 1, 2006 in addition to reduction and later removal of

quantitative limitations and non-tax measures. From January 1, 2004 Vietnam has slashed tax on sensitive goods (mainly unprocessed farm products) and will apply the final tax rate from 0% to 5% by January 1, 2013.

Along with that road map, Vietnam's commitments to the WTO has become effective since January 1, 2007. This is the time when Vietnam officially opens its door to foreign goods and services; cuts off import duty from the current rate of 17.4% to 13.4% on average within the three following years; removes export subsidies and fully implements the Sanitary and Phytosanitary (SPS) agreement.

In such a condition, Cần Thơ export businesses are forced to face precious opportunities as well as tough challenges in the following years.

#### • Opportunities

First, export markets are expanded, not limited in quantity and treated equally as products originated from other countries. This allows businesses to increase their export volume and more importantly, boosts them to restructure their production and export in the trend of higher efficiency.

Second, legal environment is steadily improved in the trend of openness and transparency. Export markets are rather stable and foreseeable. This is a firm foundation for designing and implementing an export strategy in accordance with requirements of the market.

Third, the requirement for association and partnership between businesses is rising because they want to improve their competitiveness. This is a favorable condition for businesses to use suppliers for their big export contracts.

Fourth, Vietnam shows its promising signs of alluring foreign investors along with their

technological transfer and managerial experience. This helps increase the amount, size and quality of export production and service companies.

Fifth, like other national enterprises, Cần Thơ businesses have better conditions to protect their legal rights and interests in export activities through the WTO dispute settlement system. These conditions will help developing countries reduce large partners' unilateral and arbitrary behaviors.

#### • Challenges

First, competition becomes harsher just in the home market, especially for such products as rice and fruit before floods of cheap farm imports from China, Thailand, Australia and New Zealand, etc.

In respect of manufactured goods and handicrafts which are not advantages of Cần Thơ businesses, their problems will multiply because the Mekong Delta people have been used to goods imported from China, Taiwan, South Korea for a long time. These items are very useful and easy on their pocket. This will lead to the consequence that Cần Thơ may be held back even in the home market before they try to extend to the world market.

Second, although liberalization has become materialized for Vietnam as well as and Cần Thơ exporters, barriers have not yet been totally removed. Developed countries' strict regulations under the form of technical barriers, sanitary, food safety, environment and even production conditions are turning into obstacles to local businesses when entering these markets.

For example, since Japan applied its regulations on minimum residue limits in 2005, many containers of Vietnamese exporters have been rejected. As a result, Cần Thơ businesses' penetration into these markets faces big chal-



**Table 2: Export structure of Cần Thơ businesses(US mil.)**

Year	Seafood	Farm and forest products	Manufactured products and handicrafts	Others				
	Value	%	Value	%	Value	%	Value	%
2001	56.80	35.52	72.93	45.61	29.41	18.39	0.76	0.48
2002	72.14	40.80	58.26	32.95	44.31	25.06	2.10	1.19
2003	79.30	33.24	94.64	39.67	53.98	22.63	10.64	4.46
2004	127.42	42.17	93.38	31.04	70.92	23.47	10.40	3.32
2005	137.64	39.50	132.38	37.99	78.45	22.51	15.64	4.49
2006	227.93	49.98	150.10	32.91	78.04	17.11		
Average	131.93		115.53		121.55		149.42	

(Source: Cần Thơ Statistical Yearbook)

expand their export markets to more than 80 nations and territories over the world. The Asian market represents 60% of the city's export turnover and includes high demanding countries such as China, ASEAN, Taiwan, Japan, South Korea, etc. The EU and the US are considered as potential markets with attractive

have not yet expand their market shares and effective exploitation. Other markets such as Russia, Community of Independent States, and India have large population and high demand for imported rice, seafood, clothing and footwear; however, these markets are so far not yet approached. (Table 3).

**Table 3: Cần Thơ businesses export performance by market (%)**

Market	2001	2002	2003	2004	2005	2006
Asia	49.5	38.99	44.32	57.46	50.32	62.12
Europe	31.1	25.87	23.16	13.43	13.00	12.95
America	12.51	28.46	25.16	12.84	10.88	6.79
Africa	4.24	0.03	0.54	14.45	20.17	9.88
Australia	2.45	6.64	6.84	1.81	5.63	8.26

(Source: Cần Thơ Statistical Yearbook)

prices. Nevertheless, businesses' penetration into these markets is limited and unstable due to barriers of quotas, technique, sanitary, food safety and price discrimination system. In spite of already getting access to Middle Eastern and Australian markets, they

• Export performance by business forms and export method

Regarding business forms, while local businesses take a large share of export value with high growth rate (88.89% in 2006 and average growth rate of 127.05% per year), in contrast,

foreign-invested businesses account for very low proportion and experience downtrend in recent years. That is, Cần Thơ still attracts a limited amount of foreign investment projects in spite of its advantages and potentials. This is also common trend for other provinces in the Mekong Delta.

Regarding export method, Cần Thơ businesses' robust growth in export turnover over years (121.62% per year on average) indicates their competence in producing and exporting their products. (see Table 4).

In short, Cần Thơ businesses' export activities have recorded a lot of important achievements over the past years as well as remained some shortcomings as follows:

• Achievements

First, Cần Thơ businesses have made progressive steps in producing and exporting their products;

• Second, the Mekong Delta's staples (rice and seafood) are

**Table 4: Businesses' export performance by business form and export method (US mil.)**

Year	Total value	Business form		Export method					
		Local businesses	Foreign-invested businesses	Direct export	Consignment export				
					Value	%	Value	%	Value
2001	159.90	122.44	76.57	37.46	23.43	151.56	94.78	8.34	5.22
2002	176.81	141.27	79.90	35.54	20.10	154.23	87.23	22.58	12.77
2003	238.56	198.17	82.45	40.39	16.93	223.98	93.89	14.57	6.11
2004	302.1	256.42	84.88	45.69	15.12	288.30	95.43	13.82	4.57
2005	348.47	301.30	86.46	47.17	13.54	299.44	85.93	49.03	14.07
2006	456.07	405.39	88.89	50.68	11.11	403.22	88.41	52.85	11.59
Average	123.32	127.05		106.23		121.62		144.67	



lenges when their product quality is not yet affirmed.

Third, the Government's protectionism and subsidization for the farm sector will be gradually invalid. In such a condition, Cần Thơ businesses find it very hard to compete against their foreign rivals unless their product quality and supply sources are fast enhanced.

Fourth, the environment, especially water and land, is increasingly polluted, even out of control. This becomes a direct threat to Cần Thơ businesses' exports which are mainly frozen seafood and farm products. That is, if their category restructuring is not quickly carried out, their export volume cannot be forecast within five to ten next years.

### **3. Some measures to boost export for Cần Thơ businesses**

Using strategy planning means and models of developing international trade from Singapore, HCMC and experts' ideas, we like to suggest some solutions as follows:

a. Restructuring businesses' trading style by changing the situation of division, separation, spontaneousness, raggedness, and self-supply between material production, processing and distribution into the model of association and partnership in a close cycle from production, processing and export with the aim to use modern technologies, reduce costs and secure quality and volume for export.

In respect of businesses in agriculture and fishery, they should develop services of technical and material supply, farm stimulation in order to help farmers change varieties of plants and animals and use means of processing and preservation. Farmers, scientists, managers and businesses need to cooperate to enhance competitiveness and build the brand for local products.

Regarding businesses in manufacturing and handicraft, they

are required to cooperate with partners in HCMC and foreign countries to stabilize inputs and outputs, and moreover, get access to new technologies and equipment on the other hand with a view to changing from semi-finished into finished goods.

b. Adjusting and perfecting the planning in the trend of promoting Cần Thơ's industries which have a lot of comparative advantages or fully utilizing the regional provinces' strengths, at the same time making policies and measures to encourage businesses' investment in these industries.

In planning, the farm and fishery sectors should soon build specialized areas, use better species and biotechnological advances. On the other hand, the planning must target at an eco-friendly farming with hi-tech applications and market compatibility.

The industry and service sectors have to develop the system of concentrated industrial parks, export processing zones, and hi-tech zones in order to facilitate the process of association and partnership between businesses and application of new technologies, and on the other hand, reduce bad effects on the environment and improve the efficiency of treating industrial wastes.

c. Enhancing effectiveness of trade promotion by the following measures:

First, establishing the trade promotion center under the city People's Committee with its function of organizing and coordinating trade promotion channels to build links between local and foreign businesses.

Second, increasing businesses' investment in trade promotion activities, especially in training staff, installing equipment and facilities for gathering, analyzing and processing information about market as well as

introducing businesses' images to the world.

Third, encouraging businesses to deeply enter foreign markets by conducting market surveys and investigations, and joining international fair and exhibition, workshops of investment and market expansion...

d. Improving the investment climate to attract local and foreign investment flows in order to increase the number and size of businesses; modernizing export production and service companies and boosting the equitization of state-owned enterprises to make the best use of state capital in these businesses.

e. Assisting farmers, agriculture and rural areas to adapt themselves to the WTO rules by strengthening infrastructures, increasing human capital, investing in research and development activities, solving social problems, protecting the environment and preventing bad effects from natural disasters for rural areas. ■

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