



Vietnam's Foreign Trade Policy in 2004 and Directions for 2005

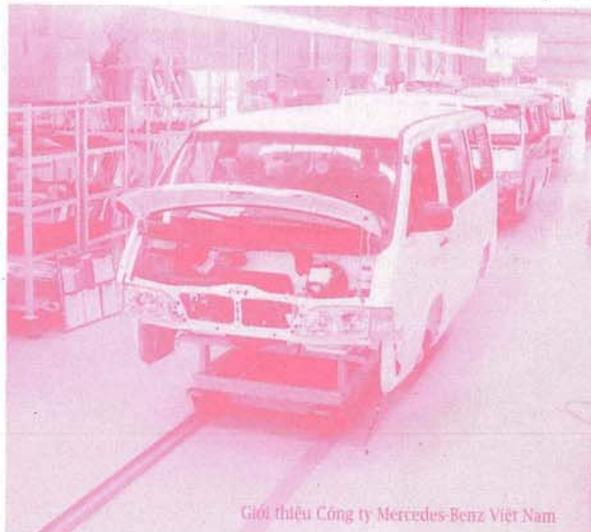
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I. A LOOK BACK ON 2004

In 2004, in spite of many difficulties, such as natural disasters, bird flu and unfavorable changes in the international market, Vietnam gained a growth rate of some 7%, the highest level in the past seven years, second only to the Chinese one in the region. The price index was kept at 9.5%. Export and investment made encouraging increases. One of causes of these achievements is the right policy on the foreign trade and good implementation of this policy by both local and central governments.

1. Improvements in the foreign trade policy

In 2002-03, the legal infrastructure was improved. In 2004, the law system became more transparent and administrative reform was carried out more aggressively. Governmental agencies kept a close watch on changes in the market and took action on time to in-



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tervene when necessary, such as the adjustments to prices of fuel, steel and fertilizer in 2004.

As for the foreign sector, investors are allowed to decide in investment projects, partners, forms and site of investment projects. Some governmental monopolies, such as telecommunications, power supply, banking and

insurance, are also open to foreign investment. The time needed for getting investment licenses after examination was reduced 15 days (and 45 days for projects before examination). Major projects are allowed to buy foreign exchange without permits from the central bank. Meetings with foreign investors were held in many prov-

inces and cities in order to publicize land use, urbanization, and infrastructure building plans and other regulations on the foreign sector.

Both the foreign and private sectors enjoyed more deregulations in the export business. The import was open according to Vietnam's commitment within the AFTA framework.

2. Achievements in the foreign trade

- More and more official visits to Vietnam: First of all was the King Carl Gustaf from Sweden after the two countries established their diplomatic relation for 35 years. Sweden is also one of leading countries that provide Vietnam with ODA (some US\$2.5 billion). Following him was the delegation of American-ASEAN businesspersons led by Chairman Ernest Bower. After studying business opportunities, the American delegation predicted that the

U.S. would be the leading investor in Vietnam in five years.

In early April, a delegation of businesspersons from 25 leading Finn companies accompanied their Minister of Foreign Trade and Development to study market potentials and business opportunities. The Finn Government promised concessionary loans for local companies that agreed to buy necessary materials from Finland.

The Chairman of the Hungarian National Assembly also visited Vietnam and estimated Vietnam would be the Hungary's leading partner in Southeast Asia and he would act as middleman between Vietnam and the EU.

In 2004, many Vietnamese leaders visited foreign countries to develop the trading relations: Nông Đức Mạnh, the VCP General Secretary, to Europe; Chairman Trần Đức Lương to South Asia and South America; PM Phan Văn Khải to China; and Chairman of the National Assembly Nguyễn Văn An to South Korea.

- More and more foreign investment: The foreign investment in Vietnam started to rise again after years of decrease, to US\$4.1 billion in 2004 (comprising US\$2.3 billion of new investment and 1.8 billion of additional one.) The manufacturing and construction sector accounted for 60.5% of registered investment; and 64.5% of 2004 foreign investment was put in Southern provinces. This shows that the business climate in Vietnam has been improved remarkably in recent years.

- Increases in export: The 2004 export value reached US\$26 billion increasing by 29% and helping reduce the trade gap to US\$5.52 billion equaling 21.2% of the export value.

It's worth noting that many goods with high

added-value, such as electronic appliances and wooden products, earned more than US\$1 billion in export. Exports that gained high growth rates were: oil 53%; clothing 19.6%; footwear 17.3%; coffee 33.4%; rubber 35%; tea 57%; black pepper 48% and aquatic products 7%. However, the structure of exports was not promising because of the high proportion of farm products and raw materials.

- Overseas investment: In early 2004, Vietnam agreed to sell power to Cambodia and build the fifth hydro-power dam on the Sesanehai River. At the 26th ASEAN Railroad Conference, the two countries agreed to cooperate in building a 305 km-railroad connecting Phnom Penh and Lộc Ninh.

At the workshop "Business and Investment Opportunities in Laos" in HCMC in May, the Laotian Deputy PM agreed to give preferential treatment to projects run by Vietnamese companies, such as a tax-exemption period varying from seven to 10 years. Construction of a US\$1.3-million plastic factory in Laos has been started by the Saigon Plastic Company. At present, Vietnam has some 30 investment projects in Laos capitalized at some

US\$20 million specializing in processing wood, producing medicines and farm products.

However, the foreign cooperation policy failed to attract foreign investment in the primary sector and depressed areas. Efforts to liberalize business activities and reduce taxes as required by international trade agreements didn't produce intended results.

II. DIRECTIONS FOR 2005

The Government has set the following directions for 2005 with a view to completing the socioeconomic development plan for 2001-05:

- Keeping on dealing with obstacles to the implementation of the Vietnam-America BTA: The American market imports some US\$1,300 worth of goods of all kinds every year but it also presents keen competition and many other sensitive problems. To find a foothold in this market, Vietnam has to improve its competitiveness and carry out commitments agreed in multilateral negotiations for the WTO accession.

- Promoting export: The Government should make business information available for everybody in order to help companies to enter new markets and di-

versify their exports; control import in order to reduce the trade gap; diversify trading relations with foreign countries; perfect the legal infrastructure and mutual confidence in order to develop long-lasting relations with different partners.

- Attracting more foreign direct investment: Vietnam expects to attract some US\$4.5 billion of foreign investment in 2004. More industries under monopoly should be open to foreign investment. More incentives must be given to investment in infrastructure building projects. A common investment law for both local and foreign investors is very necessary.

- Negotiations for the WTO accession: In 2005, Vietnam has to try its best to complete negotiations with foreign partners to get admission to the WTO by the year's end. Export and import duties must be cut step by step as required by the AFTA Agreement and other BTA signed previously.

In short, after many achievements in 2004, Vietnam has a long way to go before it becomes a WTO member. This requires great efforts from the Government and the business circle as well. ■

