VIETNAMESE EXPORT IMPORT PLAN : REVIEW AND SUGGESTIONS

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The new spring is coming to our fatherland, the last one in the 20th century. According to our national habits, when spring comes, we together review the past performance, draw experience and find solutions to enter the 21th century soundly.

I. A YEAR FULL OF CHALLENGES

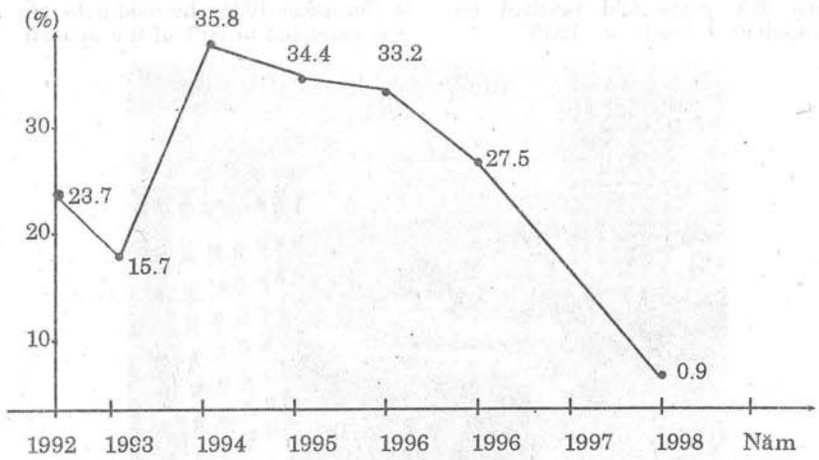
The year 1998 was filled with obstacles and challenges. The Asian financial storm lashed and devastated regional economies, drove some economies ten years backward. Although Vietnam was not in the storm center, but it was heavily affected: foreign investment declined (280 licensed projects, or 78.5% of those in 1997 with total registered capital of US$4,058.6 million, equaling 89.9% of that in the previous year); export markets shrank; export value dropped. In addition, droughts and floods caused big losses worth VND14,000 billion and killed thousands of people. In such a situation, we have made great efforts to maintain GDP growth at 6.1% while this figure was 9.54%; 9.34% and 8.8% in 1995, 1996 and 1997 respectively. However it is still rather higher than that of other economies in Asia. Also, our foreign trade could not avoid bad impacts of the crisis.

1. Export

The country's total export turnover reached US$9,356 million, up 0.9% over 1997. Although this growth was lowest since 1992 (see Chart 1) and did not fulfil the target but it was still encouraging, especially in difficult conditions of 1998.

Exports by foreign-invested enterprises were worth US$1.9 billion (excluding crude oil), an increase of 11.7% and by domestic businesses US$7,362 million, down 1.6% from the previous year.

Major exports still rose (in volume or value) such as: crude oil, rice, garments, aquaproducts, tea, peanuts. Besides, some commodities



Vietnam Export Growth Rate from 1992 to 1998

Source: Ministry of Trade

Table 1: Topten Exported Commodities in 1998

Items	Volume (1,000 tonnes)	From 1997 (%)	Value (US$mil.)	From 1997 (%)
Garments	-	-	1,350	0.1
Crude oil	12,100	26.1	1,246	-14.7
Rice	3,800	7	1,040	20.0
Shoes	-	-	960	-0.5
Aquaproducts	-	-	859	10.0
Coffee	379	-2.6	590	20
Computer & components	-	-	404	58.4
Rubber	185	-4.9	125	-34
Cashew nut	25	-24	117	-12
Coal	3,163	-8.3	102	-8

Source: Ministry of Trade

dropped: rubber, coffee, cashew nut, coal, vegetables and fruit, shoes, handicrafts (see Table 1)

Causes of the drop

+ Subjective cause:

-The Asian financial turmoil made Vietnamese export markets shrink and the world prices of its major exports such as crude oil, coal, rubber fell sharply, leading a decrease of US$920 million.

-The natural disaster continually battered into the country and forced farm production to plunge drastically, especially coffee, rubber, vegetable and fruit..

+ Objective cause:

The competitiveness of local commodities was very low in the world market (in 1998, the proportion of manufactured goods accounted for only 38% of the total export receipts; remaining 62% involved farm produce and raw materials), as a result, selling prices are low, and export earnings cannot be boosted.

2. Import

The country imported US$11.39 billion last year, 3% less than in 1997. Foreign-invested enterprises imported US$2.660 billion, down 16.8%, and domestic companies US$8.730 billion, up 2.1%.

For the first time since 1992, the import spending faced a decrease. However, it did not have bad effects on local production and consumption and supply - demand balance was still secured.

It was attributed to a drop in prices of most major imports . According to estimates of analysts, the prices of 15 main imported items plummeted 20.8% on average from 1997. The prices of petroleum, fertilizer, steel ingots, clinker, auto, sugar saw a sharp fall. Therefore, the import value decreased but the volume did not plunge. Moreover, the volume of some important imports rose, including machinery and equipment, components up 12.8%; fertilizer 34.2%; steel 24.9%; petroleum 13.2%; fabric 59.7%; sugar 87%; completely-build-up motor vehicles 16.6%; motorbike components 43%.

Therefore, the trade deficit dropped to US$2,034 million, down 17.6% from 1997. It accounted for 21.7% of export turnover, against 26.6% in 1997.

II. EXPORT PLAN FOR 1999

The year 1998 has elapsed but its difficulties remain. According to the economists' forecast, the 1999 perspective is not brighter. The world economy will rise 1-1.5% only, lowest since 1980. In such a circumstance, with high determination, the National Assembly, 4th session, 10th term, set the basic targets in socio-economic development for 1999 with GDP growth of 5-6%. This is a rather high goal, requiring every industry and person to make great efforts to fulfil the plan. The Ministry of Trade has devised the export plan for 1999 as follows: (See table 2)

Table 2: The Ministry of Trade's Import-export Plan for 1999

Indicator	Unit	Plan for 1999
Exports	US bil	9.8 - 10
Imports	US bil	11.2 - 11.5
Exports structure	%	100
Agro-forestry-fishery	%	37.3
Light industry and handicraft	%	38.2
Heavy industry, minerals	%	24.5
Imports structure	%	100
Machinery, equipment and components	%	22.6
Raw materials	%	72.2
Consumer goods	%	5.2

On Dec 30, 1998, the Prime Minister issued Decision 254/QĐ on import-export management for 1999, effective from Jan 1, 1999 to March 31, 2000. As compared with the plan in 1998, the export-import management has new contents to suit domestic and international current conditions. For example, rice exports are 3.9 million tonnes; quotas will be allocated in two phases: 1 million tonnes in the first quarter to avoid price hike as in 1998. Petroleum imports are planned to reach 7 million tonnes, all quotas are granted to petroleum importers just in early 1999, including Petro Vietnam accounting for 60%. Fertilizer imports are targeted at 2.53 million tonnes. The Decision also banned import of finished 15-seat autos, motorbikes, CKD components for motorbike assemble (excluding barter exchange). Foreign-invested enterprises are entitled to import IKD components to produce motorbikes in line with their investment licences. For local companies, the import of IKD components depends on their capacity. Consumer goods and materials (steel ingots, PVC, materials, aluminum bars and frames) are controlled by tax, charges and payment modes of banks. Those enterprises importing consumer goods must seek their own foreign currency to buy goods and make prompt payments

To boost export of commodities produced with local materials, the Government will give incentives to exporters via barter exchange in 1999.

III. SOME PROPOSALS

The following are our proposals to help reach the export-import targets:

1.Continuing to boost export, but not selling raw materials or minerals only to gain foreign currency; focusing on export of processed goods with a view to taking the country's advantages such as abundant labor, cheap labor costs to produce high-quality products which can compete in the world market.

2.Enhancing the Government's role; managing export activities scientifically and tightly; and encouraging import of state-of-the-art machinery to turn out exports up to the international standard.

3.Maintaining and expanding current export markets; finding new markets; and giving preferences to businesses which can expand export markets.

4.Revitalizing the investment climate; and boosting the attraction of foreign investment to gain capital and modern technologies for high-quality exports production.

5.Improving the export-import and customs procedures to create favorable conditions for importers and exporters.

6.Providing sufficient information about goods, markets and prices for exporters and importers, and soon developing the electronic trade program.

7.Training staff in skill and foreign language so that they are capable of fulfilling their tasks.■