

WHAT CAN BE SEEN IN VIETNAMESE-AMERICAN ECONOMIC RELATION AFTER A YEAR OF EMBARGO LIFTING?

It passed a full year since president Bill Clinton lifted embargo against Vietnam on Feb 3, 1994. Vietnamese - American economic relation have made progress, aiming to establishment of full diplomatic relations between the two countries. Some progress can be referred to as follows.

1. FOREIGN TRADE

The Pepsicola Company seemed anxious and unable to stand longer, only five hours after American embargo lifting, it had its products on sale in Vietnam market. As for Vietnam, it

held in early 1994 in Hà Nội and in November in HCMC. In these exhibitions, many American goods were displayed such as refrigerators and air conditioners of Carrier, Otis elevator, Digital computers, Microsoft softwares, Motorola pagers and mobile phones, America Standard and Ceko products for interior decoration, Colgate toothpaste, Palmolive soap, Klim milk powder, Pepsi soft drink, Miller beer, Kodak film, Aroma electric cookers, Sheltex mosquito killer...However most of these products were consumer goods. People did not catch sight of products from American giants such as IBM, General



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couldn't be less sensible, only four hours later a cargo of frozen shrimp was shipped to America. The trade pace increased by contacts between the two countries' leaders and business people in San Francisco and Seattle towards the year end. Trade turnover between two countries reached US\$ 100 million after 8 months from US\$ 3 million at the time of embargo. With population of 70 million and its growing living standard, Vietnam is regarded by the US as the big consuming market of various products including agricultural ones. In the US Department of Agriculture's (USDA) report, VN is the big market of American food. According to figures of the International Wheat Committee in 1992-1993, VN imported 350,000 tonnes of wheat flour, ranked fifth among top wheat importers in the world. Thus, VN will be an important market of American wheat exports. The USDA estimated American wheat exported to VN could amount to US\$ 300 million per year.

Vietnamese had occasion to make familiar with many American commodities through two official exhibitions named Vietnamexpo'94

Motors, Exxon, General Electric...Vietnamese technologists and entrepreneurs found it difficult to meet their partners in manufacturing cooperation through these exhibitions. That easily makes people think for the US, VN is only a place to sell goods, not to invest yet.

As for the US, San Francisco organized an exhibition of Vietnamese exports in October, 1994. This display attracted nearly 4,000 visitors. Many enterprises found opportunity to do their business through seminars, contacts and contract signing. For example, the HCMC-based Bảo Long Southeastern Pharmaceutical Company (HCMC) has signed jointventure agreements with American companies JFC, SUNLITE, NIKKEN, HOWARD so that these companies help it export more and more medicine processed from plants to the US and other countries. Many displayed commodities were sold in big quantities such as 12,000 tonnes of coffee in this exposition.

By investigating American market, Vietnamese business people saw the potentiality to export Vietnamese goods to the US is so great,

especially agricultural products, food, frozen shrimp, rice, textile, ready-made clothes, footwear...Only California alone with population of 25 million could buy up all of VN's current exports of frozen sea products annually. Although it is the second rice exporter, but the US would like to buy 300,000 to 500,000 tonnes of rice from Vietnam so as to export to the third country. As for fabric shoes alone, the US could consume an amount valued at US\$ 9 billion per year. Over one million overseas Vietnamese in America can attract a great number of Vietnamese commodities such as rice, dried food, fish sauce, canned food, instead of Thai, Chinese food they had to buy previously.

Although the spending power in America is so great, but to set foot on the US market, Vietnamese goods must be selective. American business circle particularly pays much interest to such matters as quantity, quality, price and when to deliver goods.

Vietnam is encountering a difficult problem in trading with America. That is it did not yet enjoy the status of most favoured nation (MFN). This causes Vietnamese goods to compete disadvantageously with ones from other developing countries. For example, Vietnamese crude oil is levied at tax rate of 21 cents per barrel whereas this rate is 5.25 cents for MFN, similarly VN textile 68.3% and MFN 33%, VN pepper 2 cents per kg but MFN enjoys exemption. In comparison with Thai processed food, Vietnam goods are 3 to 5% cheaper but if VN cannot enjoy MFN status, its commodities hardly compete with ones from the neighboring countries, especially from China. Such Chinese products as pullover, sunglasses, jewelry are on sale in America with a price of one dollar per article.

INVESTMENT

Just after the US lifted embargo, a series of American famous companies have opened their representative offices in Vietnam such as Fluor, Dainel in mechanical and building industry, Dupont Far East in chemicals, W.G.Ripley Inc in cotton...According to figures of the US agency for controlling overseas American property, so far over 200 companies have applied for establishment of representative offices in Hà Nội. In which many companies were approved and not a few of them have signed contracts.

Particularly in gas and oil industry, American enterprises take account of Vietnam. Just before American embargo lifting, 13 companies of oil industry participated in the oil exhibition held in October, 1993 in HCMC. In which outstanding was

Mobile Oil, a leading company in the world's petroleum industry (this company has discovered oil in Vietnamese shelf in early 1975). Therefore as soon as the US lifted embargo, this company entered Vietnamese oil industry and was ready to buy shares of other foreign companies having signed contracts with Vietnam before. At present Mobile Oil is exploring in the Thanh Long oilfield. It began to buy VN crude oil in mid-1994 and in last November, it officially inaugurated its representative office in Hà Nội. Also in Vietnam oil industry other American companies such as Amoco, Union Texas, Petroleum Holdings, Atlantic Richfield, Occidental, Conoco...have been pushing up their investment in Vietnam.

Only after 8 months since the US embargo lifting, American investment in Vietnam reached US\$ 187 million, ranked 13th among nearly 50 investors in Vietnam. According to a recent survey of the America-Asean Commercial Committee over 100 companies hope to sell VN their goods worth some US\$ 3 billion in 1995 and US\$ 8 billion in 2000. Among great investment projects are Non Nước coast resort (Quảng Nam-Đà Nẵng province), Vietnam-America car assembling joint venture (Đồng Nai province)

In many American companies' opinion Vietnam is also one of countries attracting foreign investment and it is ranked highly in Asian preferential investment list. Investment attracting factors of Vietnam are abundant labor source, low labor cost, rich natural resources especially oil, sea products, its culture influenced by Confucianism. Moreover VN's economic development target at doubling national income in the year 2000 requires an investment of US\$ 40 billion. This along with VN's economic achievements in the past years are advantages urging the US to improve cooperation relations.

However in the first stage to do business with Vietnam, American companies faced some difficulties because of VN's legal system not yet perfected and not compatible with the world practice; poor infrastructure and superfluous administrative procedures. These are three problems complained by not only American companies but also ones from other countries. It can be easily seen if there are not radical reforms, Vietnam hardly attracts American investment. In fact American investment in VN in 1994 was only some US\$ 200 million, much lower than the number of US\$ 350 million previously forecasted by the State Committee for Cooperation and Investment.

FINANCE AND BANK

After opening their representative offices in VN in late 1993, Citibank and Bank of America was granted operation licences by the State Bank of Vietnam in November, 1994. They are first American banks opening their branches in VN, raising the number of foreign bank branches in VN to 12. Citibank is a biggest commercial bank in the US, having operated in Asia since 1902 and now working in 25 countries.

A remarkable record in the financial progress between the US and VN is American Senate passed aid embargo lifting on Nov 11, 1994. Thanks to this decision, the US can directly grant aid to VN, not through NGOs as in the past. Moreover aid is not only for humanity but also for cooperation and development. By this way, American enterprises can feel assured in doing businesses with VN since they are loaned and guaranteed by American banks.

COOPERATION PERSPECTIVE

The US embargo lifting has made important precondition for a new development step in economic relation between America and VN. However achievements in the past year did not accord with cooperation potentiality and wishes of business circle as well as of the two countries' people. In order to improve economic relation between the US and VN, the current remaining problem to be solved is that after the two countries opened liaison offices, they should try their best to come to one mind to solve completely such problems as MIA, human rights, civil rights...

Then American should grant MFN status to VN as soon as possible, so that VN can enjoy reduced tariffs granted to developing countries. Thus, Vietnamese goods can compete with other countries' ones and earn a certain share in American market.

The above remaining troubles cannot be overcome in a short time. This depends upon political lines, concrete condition, the world situation and subtle matters between the two countries. However VN is striving for tackling its own problems such as legal system, administrative procedure... The Prime Minister's recent decision on adding and amending some regulations concerning evaluation to issue investment licence, land allocating procedure...is a promising example. Vietnamese business people should not await longer and right now should make strong efforts to enter American market as well as create every condition favorable for more and more American investment in VN ♣