

1. Achievements

a. Export: The export business faced difficulties caused by changes on the world market, especially in exporting clothing (competition from China), sea products (American non-tariff barriers), and bicycle (antidumping taxes from EU and Canada). Local companies, however, have tried their best to deal with difficulties, expand their market and gained a growth rate of 17.4%.

- The export of clothing fell by some 10% in the EU market and by 2.5% in the American one because of keen competition but export to Japan rose by 13%.

- Although EU represents only 16% of the export earning from sea products, the export of sea products to this market rose by 50% in the first six months compared with 18% in the Japanese one



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34.5%, to EU by 14.5% and to the U.S. by 12%.

b. Import: The import value in the first six months was about US\$18 billion increasing by 22%. Import by foreign-invested

spare parts (44.7%), chemical (37%), paper (34%), cotton (22%) equipment (14%), clothing (13%) and fuel (2.3%). Import of many others, however, showed decreases: fertil-

billion equaling 24.66% of the export value. It came from the following reasons:

- Price of imported fuel rose by 31.3% compared with the same period last

Vietnamese Trading Business in the First Half of 2005

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and a fall of 20% in the American market.

- Vietnam was awarded contracts to supply rice to the Philippines. The earning from export of rice rose by US\$194 million in comparison with the corresponding period last year (some 136 million came from a rise of some 22% in the world price).

- The export of crude oil fell by 9.7% but the earnings rose by 33.8% because of a 48% rise in the world price, which made Vietnamese export earnings rise by 7%.

- The export of wooden products rose remarkably but the earnings were not high because Vietnam had to import a lot of semi-finished goods with the result that the added value in wooden exports was low.

As for export markets, export to Japan rose by

companies reached US\$6.3 billion rising by 21.2%. Increases were found in the import of auto spare parts (82.5%), motorbike spare parts (30%) electronic

izer (-27%), steel (-6%), plastic (-4%) and garment materials (-2.3%).

c. Trade gap: The trade gap in the first half of the year amounted to US\$3.65

year, which made importers pay extra US\$545 million for the regular volume. Changes in price of other goods also cost some US\$500 million. Thus,



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rises in prices cost Vietnamese importers some US\$1 billion.

- Rises in prices of many raw materials: US\$274 million for steel; 245 million for electronic spare parts and 112 million for chemicals.

- Increases in import of raw materials for consumer goods: 176 million for auto spare parts and 57 million for motorbike spare parts.

- Import of Swiss gold in the first half rose by US\$400 million and equipment by 300 million compared with the same period last year.

- Chinese goods flooded the domestic market making the trade gap with China rise by US\$800 million (imports from China was worth US\$2.18 billion, twice as high as the export to China.)

d. Domestic trading: The total trading value reached VND216,725 billion increasing by 18.9%. The personal sector accounted for some 63% of the volume of goods traded while the private sector controlled some 20%. The public sector accounted for only 13.2% equalling VND4.916 billion, and the foreign sector 2.6% (VND58 billion).

In the first half, the CPI rose by 5.2% exceeding the target set by the NA because the prices of many goods (oil, gold, materials, etc.) on the world market rose high, the dollar fell slightly and the American economy failed to develop as expected.

2. Difficulties

In the first half, the trading service met with the following difficulties:

- Prices of many strategic goods (oil, steel, fertilizer, etc.) on the world market fluctuated in an unpredictable manner. They are goods for which Vietnam has to depend on foreign sellers, therefore fluctuations in their prices affected greatly the domestic supply and prices.



- Foreign competition became increasingly keen while local companies had no well-devised strategies to deal with it and integrate successfully into the world market. Their competitiveness was poor. For example, after the EU removed the quota system, the export of clothing to this market fell because Vietnamese goods could not compete against Chinese counterparts.

- Ineffective control over distribution of strategic goods with too many intermediaries led to speculation, fraudulent trade, high mark up, and deterioration in product quality, which caused harm for consumers' interest and disorder of the market.

- The cross-border smuggling of fuel showed no sign of decline because the state subsidy kept the fuel price in Vietnam lower in comparison with neighboring countries, which led to losses for both Treasury and fuel trading companies.

- The task of predicting changes in prices was carried out badly with the result that local producers and exporters couldn't make the most of rises in prices. This happened to coffee producers and exporters in the first half of the year.

3. Direction for the trading sector in the second half

The export value in the first half was some US\$2.4 billion a month while the planned target was US\$2.56 billion a month. In the second half, to achieve the target of US\$30.7 billion in export earnings for the whole year, the monthly export value must reach US\$2.71 billion. This target requires the State to mobilize resources from the private and foreign sectors by favoring export companies and controlling strictly the import and changes in retail prices.

- The Ministry of Construction and Vietnam Cement Corporation should import more raw materials in order to increase the output and ensure the supply, apply new techniques to reduce the production cost, and take measures to perfect the distribution network.

- The Vietnam Coal Corporation must ensure the same price for coal sold to cement companies, and include the coal in the list of goods controlled by the price stabilization board.

- Ministries of Trade and of Agriculture and Rural Development ensure the supply of information

about prices of farm products on foreign markets, help fertilizer trading companies seek for foreign suppliers in preparation for the next crops. The distribution of fertilizer must be beefed up with a view to ensuring interests of peasants.

The demand for urea fertilizer in the next crop will be about 560,000 tons (220,000 tons for the North, 90,000 tons for the Central Vietnam and 250,000 tons for the South). The fertilizer price in Vietnam is still lower than the international price but it's hard to mark up this price too much. The State must stabilize the fertilizer price and ensure the supply in order to ensure the production of farm products and reasonable living standard for peasants.

As for the cement industry, it will meet with difficulties in maintaining its profitability when prices of imported raw materials keep rising. The State must consider measures to allow cement companies to adjust their selling price and at the same time, help construction companies realize major projects with a reasonable profit.

In the second half, prices on the world market may keep fluctuating unfavorably, especially the oil price may keep increasing. To achieve targets planned for the trading sector, the State must take measure to keep the rise in CPI under 0.2% a month. This is no easy task because prices on the domestic market always rise in the last quarter when people prepare for the Têt Festival.

The State must develop its human resource needed for the task of predicting changes in world prices because predictions will play an important role in developing the trading activities when Vietnam is trying to integrate into the world market. ■