

# VIETNAM'S FOREIGN TRADE ON ITS WAY TO INTERNATIONAL INTEGRATION

by Prof. Dr. ĐOÀN THỊ HỒNG VÂN

In 2003, as required by the CEPT and AFTA, Vietnam should include 760 items from ASEAN countries in the list of goods enjoying the 0-20% import duty bracket. Achievements and failure in the foreign trade in 2002 can help us to work out measures to integrate more effectively in the new year.

## 1. Achievements and worrying facts

### a. Export:

According to official statistics from the Ministry of Trade and General Department of Customs, the export value in December 2002 reached a record level, US\$1,539 million. Thanks to great efforts in the last four months of the year (the export value in the first eight months reduced by 1.2% in comparison with the corresponding period of 2001) the

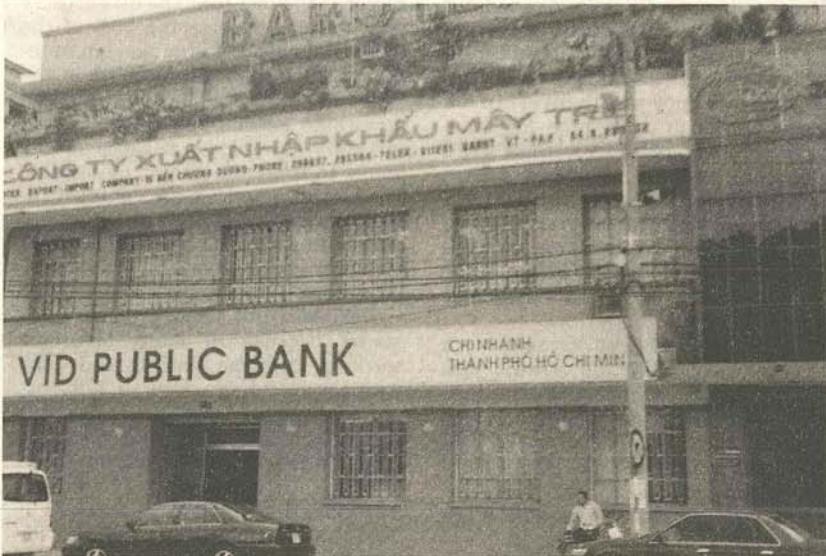
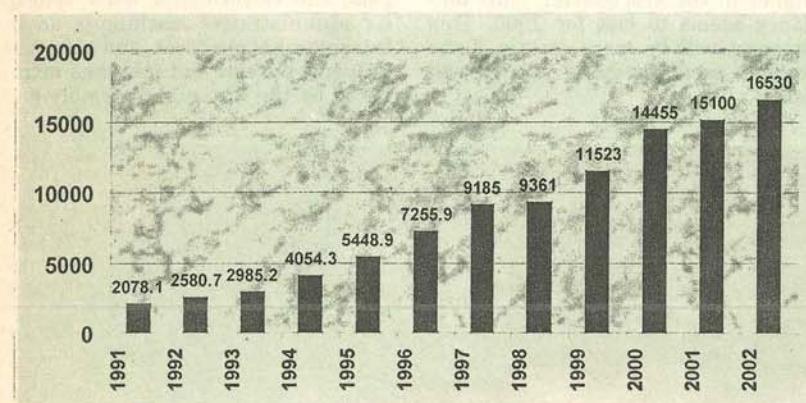


Photo by Nguyễn Ngọc Đức

Figure 1: Vietnam's export value (US\$ mil.)



Source: from *Kinh Tế 2000-2001 Việt Nam và Thế Giới* ("Vietnamese and World Economies in 2000-01") published by *Thời Báo Kinh Tế Việt Nam* and statistics from the Ministry of Trade

export value in 2002 reached around US\$16.53 billion (and over US\$19.2 billion if exported services were included) increasing by some 10% compared with 2001 and meeting its planned target. Thus, the Vietnam's export value has kept rising since 1991.

Studying carefully each line of exports, especially its competitiveness, we saw many worrying facts.

According to studies by economists on the competitiveness of Vietnamese exports, they could be divided into three groups: the group with good competitiveness, the group

with conditional competitiveness and the group with poor competitiveness.

The first group includes 21 products, such as aquatic product, rice, coffee, fruit, clothing, footwear, minerals, etc. Farm products of this group have an advantage of favorable natural condition but their added value is small while manufactured goods of the group are from labor-intensive industries that enjoy an advantage of cheap labor. In the integration process, products of this group will meet with difficulties because they lack trade names, designs, sources of raw materials and modern technology, which result in high production cost.

The second group includes such items as tea, rubber, vegetables, fresh flower, processed food and cement. They could be more competitive when producers know how to make the best use of existing advantages to cut the production cost and improve the product quality.

The third group includes sugar, cotton, dairy products, steel, etc. They need protection otherwise they

will lose the domestic market to foreign counterparts.

Even products of this group will meet with great challenges in the future. The following are some of them.

- Aquatic products: In spite of difficulties in 2002 (dispute over catfish in the American market, EU inspection of shrimp imported from Vietnam, etc.) aquatic products earned some US\$2.03 billion from export increasing by 13% in comparison with 2001. In 2003 both above-mentioned problems will persist when the EU import authorities decided to keep inspecting for antibiotic surplus in aquatic products imported from Vietnam and the catfish dispute hasn't been settled.

- Clothing: Export value of this

US\$726 million. Such products as rubber, cashew nut, peanut, and handicraft all enjoyed increases of 35%-58% in their earnings.

These data show that although the total value of all exports, especially of staple ones, rose remarkably, Vietnamese exports failed to find firm footholds on the world market because of their poor competitiveness.

#### b. Import:

According to the General Department of Statistics, the import value in 2002 was around US\$19.3 billion increasing by 19.4% in comparison with 2001 and equaling 110% compared with the planned target (import value of the foreign sector reached US\$5.6 billion increasing

the marketplace is the battlefield and the stronger will enjoy survival. Vietnamese companies must unite more than ever to form corporations or groups that are strong enough to import or invent new technologies, improve the competitiveness, launch global marketing campaigns and deal with difficulties and challenges.

The Government and banking institutions must support companies more actively and effectively by adopting policies to promote export and facilitate production of exports. Investment from both private and public sectors must be directed towards production of goods with competitive advantages and high added value instead of being divided among too many projects.



Photo by Hoàng Tuấn

product in 2002 equaled some US\$2.7 billion increasing by 36%, a record level ever seen for the past five years. This increase is due to the export to the American market. The earnings from this market is estimated at US\$900 million equaling 30% of the total earnings while the income from the Japanese market reduced to some US\$500 million decreasing by 20%. The main cause is Vietnamese clothing is less competitive than Chinese counterpart. Export to the EU was worth some US\$550 million decreasing by 10% in comparison with 2001 because the EU revoked quotas on imports from WTO members, which helped China increase its share in this market.

- Others: In 2002, the volume of exports reduced in terms of quantity (some 2.34 million tonnes) but the better prices on the world market made the earnings increase by 16% compared with 2001 and reached

32% and equaling 129% of the planned target.) Four items experiencing decreases in the imported volume were auto (-3.8%), CKD and IKD motorbike (-50.1%), cotton (-1.7%) and electronic spare parts (-14.2%). All other imports rose remarkably, especially auto spare parts (+36.6%), machinery (+35%), fiber (+26.2%), ferrous metal (+24.45%), paper (+21.3%), and fertilizer (+14.4%). Thus the trade gap in 2002 was about US\$2.77 billion.

#### 2. Measures to take in 2003

The international integration brings about both opportunities and great challenges. To such poor countries as Vietnam, challenges are always greater than opportunities. But the integration is irreversible and inevitable and the only solution is to be wise and brave when engage in this process.

To integrate successfully into the world economy, we must accept that

Companies should be more active in building their own trade names, expanding their export market and improving their public image with a view to building good impression of Vietnamese goods and country in the international community.

To reduce the trade gap, besides seven measures submitted by the Ministry of Trade to the PM (adjusting import duties on certain commodities and dealing with transfer pricing; developing new instruments for controlling import business; reducing import of motorbike to one million units a year; encouraging companies to employ local goods; beefing up control of quality of imported consumer goods; and ensuring flexibility in controlling the exchange rate) the Government should pay attention to the task of educating the public in the patriotism and pride of national traditions.■