EXPORT OF STAPLE PRODUCTS FROM VIETNAM IN 2000

by Prof. Dr. HOÀNG THỊ CHỈNH

In 2000, the Vietnamese economy showed signs of recovery from the financial crisis: its growth rate reached 6.7%; foreign investment reached US$1.9 billion increasing by 21.2% as compared with 1999; the Companies Law came into effect and 13,500 new companies came into being; the stock exchange made its first appearance with 64 trading sessions in five months; the US-Vietnam Trade Agreement was signed and Vietnam has prepared for the WTO membership, etc.

As for foreign trade, the growth rate of export earnings in 2000 reached US$14.308 billion, increasing by 52.8% as compared with 1998 and 24% as compared with 1999; one billion higher than the planned target. At this level, the per capita export value of Vietnam was US$180, higher the lowest level for a developing country (US$170). Table 1 below shows that increases in the export earnings in recent years are due to increases in export of such staples as crude oil, aquatic products and vegetable. Of these staples, there are four that earned more than US$1 billion a year.

Table 1: Vietnam's export and import in 1991- 2000 (US$ million)

Year	Export	Import	Trade gap
1991	2,087.0	2,338.1	–251.1
1994	4,054.3	5,825.8	–1,771.5
1995	5,448.9	8,155.4	–2,706.5
1996	7,255.9	11,143.6	–3,887.7
1997	9,185.0	11,592.3	–2,407.3
1998	9,361.0	11,495.0	–2,134.0
1999	11,540.0	11,622.0	–82.0
2000	14,308.0	15,201.0	–893.0

Source: General Department of Statistics

Table 2: Earnings from some staple exports in 2000

Item	Earnings (US$ mil.)	Compared with 1999 (%)	As % of export value
Crude oil	3,582.0	171.2	25.3
Clothing	1,815.0	103.9	12.7
Aquatic products	1,475.0	151.9	10.3
Footwear	1,402.0	100.7	9.8
Electronics and computer components	790.0	135.0	5.5
Rice	668.0	65.2	4.7
Coffee	480.0	85.7	3.4
Handicrafts	235.0	139.7	1.6
Vegetable	205.0	195.4	1.4
Rubber	178.0	126.2	1.2
Cashew nut	126.0	135.9	0.9

Source: Ministry of Trade

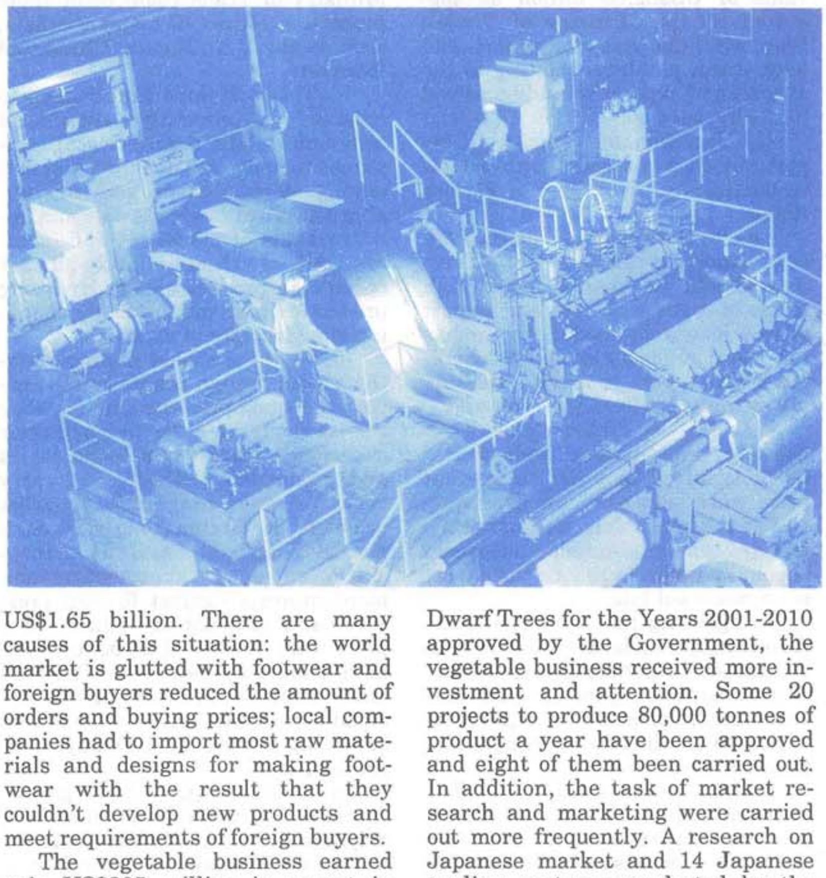
Regarding the export of crude oil, its high export earnings were due to increases in price of oil in the world market while the volume of exported oil rose by only 1.4% in comparison with 1999, and as a result the earnings from crude oil reached US$3.582 billion, increasing by 71.5% over 1999. This isn't an encouraging sign because this increase is due to external factors, and it's regrettable that Vietnam couldn't increase its oil output last year to make bigger profit.

The year 2000 witnessed good progress made by export of aquatic products. It export value reached US$1.475 billion, increasing by 51.9% over 1999 and 34.1% higher than the planned target. Factors that led to this progress were more reliable supply of goods and improvements in the processing industry. In many provinces, more investment was put in new production lines and technologies used for processing aquatic products with the result that their goods met requirement for imports set by demanding market such as the EU, Japan and the U.S. Nearly 50 Vietnamese companies have been licensed to export aquatic products to the EU. Japan, however, is still the biggest buyers (accounting for 37.3% of export earnings from this item) while the U.S. started to increase its import of aquatic product from Vietnam, especially shrimp. Vietnam now ranks ninth among sellers of shrimp to the U.S.

Aquatic products from Vietnam are increasingly saleable in foreign markets because of their nutritive value and being well-processed. Vietnam is exporting aquatic products to over 40 countries, 80% of aquatic exports are sold to regional markets.

As the second biggest earner of foreign exchange with an export value of US$1.815 billion in 2000, the clothing industry gained a growth rate of 3.9% and failed to achieve the target of US$1.95 billion of export earnings. This situation originated from many causes: local companies couldn't supply some categories ordered by foreign buyers although the EU has offered more quotas on clothing imported from Vietnam; some foreign companies were slow to supply raw materials to Vietnamese subcontractors with the result that they couldn't fill orders on time; some subcontractors stopped doing subcontract work and started to produce their own exports and met with difficulties in finding a foothold in foreign markets; Vietnamese exporters of clothing met with keen competition from regional countries, such as China, Thailand and Indonesia; and falls in the euro against the dollar made the export of Vietnamese clothing to the EU more difficult.

Like clothing industry, export of footwear business almost made no progress in 2000 with an increase of 0.7% over 1999. Its export earnings reached US$1.402 billion in comparison with the planned target of



US$1.65 billion. There are many causes of this situation: the world market is glutted with footwear and foreign buyers reduced the amount of orders and buying prices; local companies had to import most raw materials and designs for making footwear with the result that they couldn't develop new products and meet requirements of foreign buyers.

The vegetable business earned only US$205 million in export in 2000 but it gained the highest growth rate (95.5%). Important buyers are China (accounting for 52% of export earnings from vegetable), Taiwan, Japan, South Korea, the EU and Laos. With the Plan for Production of Vegetable, Fruit, Flower and Dwarf Trees for the Years 2001-2010 approved by the Government, the vegetable business received more investment and attention. Some 20 projects to produce 80,000 tonnes of product a year have been approved and eight of them been carried out. In addition, the task of market research and marketing were carried out more frequently. A research on Japanese market and 14 Japanese trading partners conducted by the Vegetable Export and Import Company III (under the Vietnam Vegetable Corporation) shows that there was great demand from Japanese buyers for processed vegetable and fruit but Vietnamese exporters gained only a small market share (from 0.5% to 2%).

Export of other farm products, such as cashew nut, tea and rubber also increased in 2000. Particularly, Vietnam earned US$126 million from cashew nut (increasing by 35.9% over 1999) and became the world's second biggest exporter of cashew nut in 2000. Export of rice and coffee, however, decreased drastically last year. Regarding coffee, its price on the world market fell continuously to the lowest level in the past few decades. Its export price was US$614 per tonne in 2000 and fell to US$380 per tonne in the last month of the year while the price of a cup of coffee remained unchanged. This means that coffee planters suffered great losses. In addition, quality of Vietnamese coffee isn't stable and it made the price of coffee from Vietnam lower than the world price from US$70 to 100 per tonne. If Vietnam exports some 600,000 tonnes a year, some US$60 million are lost. And as a result, the coffee business earned only US$480 million last year, some US$80 million lower than the earnings in 1999 although the volume of export coffee reached 640,000 tonnes, increasing by 70% over 1999.

The export of rice also reduced from 4.5 million tonnes in 1999 to 3.5 million tonnes last year. Earnings from rice export reached US$668 million, equaling 65.2% of the earnings in 1999, because the world market demand didn't rise while the average price fell by 16- 18%.

While earnings from export of traditional farm products tended to decrease, sales of handicrafts rose by 39.7% and reached US$235 million (33% from the EU and 17% from Japan). Vietnamese handicrafts also entered the American market (only 6% of export value of handicrafts was from this market) but its future seemed bright. Vietnam has potential for exporting more handicraft and the problem to solve is to find the export market for this line of products.

Besides farm products and labor-intensive goods, export of electronics and computer components started to increase last year (export earnings from these products rose by 35% over 1999 and reached US$790 million). Main markets for these products are the Philippines, the EU, the U.S., Japan and Thailand.

Generally, the structure of Vietnamese exports is more diverse. Local companies were ready to export new items, even by small quantities, that earned only some thousands of dollars, such as grapefruit to Western Europe; license plates and picture frames to the U.S.; soap to the Middle East, etc. This is, however, only a tentative step into new markets. To turn them a remarkable source of earnings require plans to mass produce these goods with stable and high quality.

Looking at the structure of Vietnamese exports, we see that the better part of them are still raw materials and unprocessed goods, and manufactured goods account for only a small proportion. Many of them, such as footwear and clothing, still depend on imported materials and are produced under subcontracts; therefore they bring in small incomes. Raw materials and farm products are of low prices while their markets aren't stable while Vietnam has to import a lot of machines and semi-finished materials at high prices. That is why Vietnam has suffered big trade gaps for years (see Table 1). In 2000, however, the trade gap was acceptable, equaling some 6% of the export value although this gap was much higher than the level in 1999. Moreover, import of consumer goods in 2000 fell by 20% as compared with 1999. This is an encouraging sign. To keep the trade gap at the US$5- billion level as suggested in the Plan for Foreign Trade in 2001- 2010 set by the Ministry of Trade, it's necessary to change the structure of exports by replacing labor-intensive goods with technology-intensive ones. The above-mentioned Plan set forth the following targets for the task of changing the structure of exports:

- Reducing portion of raw materials to total exports from 20% to 3.5% by 2010.
- Reducing portion of farm products from 25- 26% to 17.2% by 2010 (except for aquatic products which could represent 40% of export of farm products; export of vegetable and cashew nut could rise while export of coffee and rice be unchanged).
- Increasing quickly the export of staple products and raising their proportion to the export earnings to 40% by 2010: These staple products include clothing, footwear, handicrafts, processed food, chemicals, engineering appliances, plastics and hi-tech goods (software, electronics, new materials, biotechnological products, etc.).

To achieve a growth rate of 15-16% for export in 2001 and 14.4% for the years 2001- 2010 with an export value of US$62.68 billion as suggested by the Ministry of Trade's Plan, we think that many short- and long –term problems relating to the structure of exports should be solved basically, such as:

(1) Unreasonable policies on export should be adjusted with a view to facilitating the export of various items:

- As for the export of aquatic products, exporting companies of all sectors should be treated equally in terms of taxes and fees; and import of raw materials needed for producing these products should be facilitated with a view to making the supply of these products more reliable.
- As for the rubber export business, the cross-border trade should be reorganized in order to prevent price wars between local exporters, and at the same time, both administrative and economic measures should be taken to reduce the export of unprocessed latex.
- Regarding the rice export, the Government had better allow private companies to purchase and process rice for export, especially after harvest time, in order to keep the price of rice from falling and causing losses to peasants.
- As for the production of coffee, effective actions should be taken to prevent farmers from cutting down coffee trees because of falls in coffee price (some feasible measures are to purchase coffee with public funds, or to offer tax reduction to coffee planters, etc.).

(2) An export promotion fund could be formed to facilitate the export of some sensitive products such as rice, coffee and cashew nut, thereby helping exporting companies deal with unpredictable fluctuations in market prices. In the long run, this fund could be developed into export-import bank according to foreign experience.

(3) Trade promotion should be beefed up. After branches of the Central Trade Promotion Agency have been established in cities or provinces producing exports in large quantities, such as HCMC, Đồng Nai and Cần Thơ, various trade promotion centers could be formed with a view to providing companies with information about foreign market demand, along with prices, tastes and requirements of potential foreign buyers. In addition, meetings held by commercial attachés from Vietnamese embassies can help local companies get information about foreign markets. To help companies cut expenses on market researches, the Ministry of Trade could open trade promotion offices in major markets, such as the U.S., Russia, China and Germany.

(4) The most important thing is to enhance the competitiveness of local companies. This requires local companies to apply new technologies and management methods, seek for reliable sources of raw materials and improve skills of managers and laborers. All of these efforts aim at enhancing product quality, reducing production cost and gradually changing the structure of exports.

(5) Vietnam should improve relations with foreign countries that export the same products (in fact, they are its rivals) in order to learn their experience, import new technologies and production methods, and carry out cooperation programs to market products to foreign countries on a mutual beneficial basis. This cooperation should aim at protecting common interests against foreign pressure and preventing unnecessary price wars. For the time being, Vietnam could cooperate with Thailand and Philippines in exporting rice and aquatic products, with Indonesia in exporting coffee, with Malaysia in rubber , etc.

In short, to gain high growth rates for export business and make it a dynamic for economic development, each industry should try its best to better foreign rivals and the government should provide necessary support. We believe that the cooperation between companies and the government can make products "made in Vietnam" more competitive on the world market.■