

In a country ruled by law, smuggling operations must be tackled. Tax payments from the public, and especially from companies, must be used for preventing the smuggling with a view to ensuring fair competition. The widespread smuggling means that the law enforcement is poor and it has caused disastrous harm for local production.

The smuggling has be-

ness or commodity. Trade in sugar is no exception but the sugar smuggling originates from defects in the sugar industry. The following are the most important ones.

a. Seasonal excess of supply or demand: The supply of sugarcane increases steadily during four to six months a year. During this period, the sugar output could rise to some one million tonnes while the domestic market

after the sugarcane crop and short supply during the beginning of a new crop.

In fact, when sugar mills consume all sugarcane after harvest, there will be a shortage of sugar at the beginning of a new crop and the price will rise leading to the sugar smuggling that lasts for some six months a year.

- At times when the price rises, smuggling activity reaches its peak.

with the South. This difference is big enough to cover the transport cost. In winter, the difference reduces to almost nothing because the price of refined sugar in the South rises quickly.

- Powdered sugar: this difference is smaller, around VND60 a kilo, and could rise to VND200 in November, December and May. In July, August and February, the price of powdered sugar in the South is higher than in the North.

# ON CROSS-BORDER SUGAR SMUGGLING

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come a worry for local companies, including sugar industry because it is an infant one while contraband sugar is cheaper and easier on the eye. This situation is one of main causes preventing the sugar industry from fixing a selling price that ensures interests of sugarcane planters and sugar processing factories.

consume from 60,000 to 70,000 tonnes a month (or 750,000 - 850,000 a year). Since 1998 when the sugar industry increased its capital investment to meet the demand from the domestic market, the imbalance between supply and demand has occurred year after year during sensitive periods. This situation comes from

- Where does the sugar surplus after the harvest go causing the shortage of sugar at the beginning of a new crop? It stays on the sugarcane field, is exported illegally, used as animal feed or seasoning, etc.

b. Difference in price between Northern and Southern markets: The dif-

During periods when the difference is big enough, contraband sugar could be transported from the South to the North or vice versa. This explains why the sugar smuggling lasts for years.

c. Supply-demand relation: According to statistics of the 2000-01 crop, the sugar industry could handle 81,200 ton-

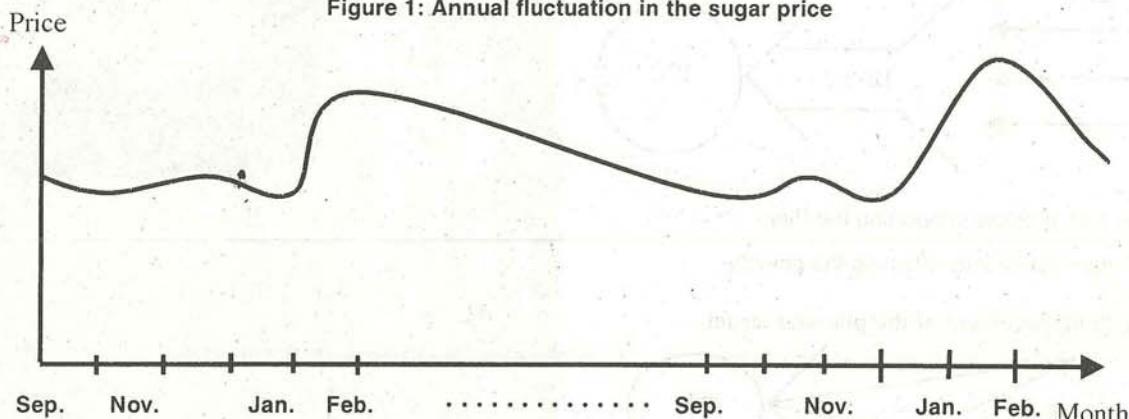


Figure 1: Annual fluctuation in the sugar price

## 1. Causes of sugar smuggling

In the market economy, the invisible hand directs operations of all entities and everybody engages in the most profitable busi-

the lack of a regulatory plan at national level. During six months of the sugarcane crop, sugar mills sell all their output on the market instead storing part of it. This decision leads to excessive supply

ference in prices of refined and powdered sugar isn't the same.

- Refined sugar: from April to December, the price is higher (from VND250 to 350 a kilo) in the North in comparison

nes of sugarcane. If the industry work at 80% or 90% of its installed capacity, it can produce some 1.1 million tonnes of sugar of all grades. In addition, small-scale sugar mills can produce from 200,000 to

300,000 tonnes of sugar a year.

The domestic market could consume from 750,000 to 800,000 tonnes a year. This means that the sugar surplus is somewhere between 200,000 and 400,000 tonnes a year.

**Table 1: Sugar production in 1994 and 2000**

Population (person)	1994	2000	Difference	Growth rate
	72.96 mil.	77.32 mil.	4.36 million	6%
Sugarcane area	150,000 ha	350,000 ha	200,000 ha	133%
Sugarcane output	6.3 million tonnes	18.8 million tonnes	12.5 million tonnes	198%
Sugar output	364,000 tonnes	1.1 million tonnes	736,000 tonnes	177%
Market demand	490,000 tonnes	750,000 tonnes	260,000 tonnes	47%

In 2001 the Program One Million Tonnes of Sugar for 2000 succeeded in increasing the sugar output making the supply exceed the demand. In the 5-year period, the supply rose by 150% while the population rose by 6% and the demand by 47%. Facing such an increase in the sugarcane output, the sugar industry failed to change from the small-scale production to the mass production and work out a plan to regulate the supply and demand relation with the result that the sugar smuggling become widespread regardless of the excess of supply over demand.

## 2. Border gates and smuggling maneuvers

a. The land borderline of Vietnam is some 4,500 km long with 47 international border gates and hundreds of provincial gates. There are 15 provinces adjacent to borderline and sugar smuggling is found in 12 of them.

The North is adjacent to China and Laos. The Lai Chau province is adjacent to both China and Laos. Goods from China can come by sea.

The Southern market consumes a lot of goods coming from Thailand through Laos and Cambo-

dia. The Kontum Province is adjacent to both Laos and Cambodia. In addition, goods in large quantities come by sea to Đà Nẵng Port and Cần Thơ. b. Contraband sugar comes mainly from Thailand and China. It is trans-

vers and their job could be divided into two stages.

- Crossing the borderline:

Contraband sugar from Thailand or China is concentrated in warehouses along the borderline, or loaded onto means of

marketplaces. Trị) and Cầu Treo (Hà Tĩnh). Sugar is usually stored beyond the Tchepone River, and then transported by boat and motorbike through forests and checkpoints before loaded onto buses going to marketplaces.

+ In the South, sugar from Thailand, Malaysia or Indonesia is smuggled into Tây Ninh, Long An, Đồng Tháp and An Giang by all kinds of means of transport (including hired porters). During the flood season when rivers expand, sugar is transported by large boats and then by motor boats to secret warehouses before being distributed among marketplaces.

- Going from border gates to marketplaces:

After crossing the borderline, sugar is divided into small bags of 10 to 30 kg for transport by porters and easy hiding. Contraband sugar could be put into bags with local trademarks or loaded onto trucks along with other legal goods. In some cases, Vietnamese exported sugar is re-imported into Vietnam, or foreign sugar

Province	Border gate	Neighboring country
An Giang	Tịnh Biên	Cambodia
	Khánh Bình	
	Vĩnh Xương	
Hà Tiên	Xà Xía	Cambodia
	Thường Phước	
Đồng Tháp	Dinh Bà	Cambodia
	Mộc Hóa	
Long An	Mộc Bài	Cambodia
	Tổng Lè Chân	
Tây Ninh	Sa Mát	
	Tràng Riệt	
	Kà Tum	
	Đường 19	Cambodia
Gia Lai	Đức Cơ	
	Bờ Y	Cambodia + Laos
Kontum	Lao Bǎo	
Quảng Trị	Cầu Treo	Laos
Hà Tĩnh	Lục Lầm	Laos
Quảng Ninh	Lục Phủ	China
	Bắc Phong Sinh	
	Tân Thanh	
Lạng Sơn	Lào Cai	China
Lào Cai		China

is stored in bags with its original trademarks.

From border gates in the North and Central Vietnam, contraband sugar is transported to inland marketplaces in passenger buses or trucks transporting other goods. It is transported in this way because the local market demand is low and there are many checkpoints along long roads from the border to market-

Vietnam and produced the following numerical data:

- According to a survey in April 2002 conducted by the Central Commission for Counter Smuggling and Commercial Fraud, some 1,000 tonnes of sugar are smuggled every day through Vietnam-Cambodia border gates (An Giang, Kiên Giang, Đồng Tháp, Long An and Tây Ninh) at peak seasons.

- In March 2002, the

According to overall estimate based on data gathered for many recent years by the Sugar Corporation II, Ministry of Agriculture and Rural Development and some major sugar companies, the contraband sugar in Vietnam varies from 150,000 to 300,000 tonnes a year, equaling the output of 3-5 large-scale factories, or 50-100 small-scale sugar mills, in Vietnam.

ing couldn't occur in broad daylight as seen today. So the foremost solution is to beef up the army of customs officers - the first barrier- and local officials of districts along the roads used for transporting contraband sugar - the second barrier.

b. Reasonable distribution: When the local production of sugar can meet the market demand and part of its output could be exported, the sugar industry authorities must work out plan to regulate the supply-demand relation in order to avoid the short supply that could lead to sugar smuggling.

c. Production cost: Main causes of high production cost of the sugar industry are low productivity and low sugar content of local sugarcane. This means that local strain of sugarcane is of poor quality. Regrettably, sugar companies pay no attention to this factor and make no investment to improve the sugarcane output because they think it's the peasants' business.

d. Attack on sources of contraband sugar: At present, China and Thailand pursue the policy to protect their sugar industry and finance export of sugar. Vietnamese sugar companies could increase cross-border export of sugar to Laos considering it as a transit market. This measure could reduce the flow of sugar from Thailand and prepare for trade negotiation with Thailand.

e. More cross-border export to Laos, Cambodia and China: Sugar traders beyond the borderline usually lack capital, warehouse and staff; and they tend to trade only sources of sugar that are profitable and less risky. Therefore, Vietnamese companies can export or re-export sugar to adjacent countries with a view to preventing traders from storing Thai sugar and persuading them into using Vietnamese sugar instead. ■

places.

In the South, especially from An Giang, Tây Ninh, Hà Tiên and Long An, sugar in large quantity (hundreds of tonnes a day) is transported by trucks in broad daylight without using bags with local trademark because smugglers have import documents that could be used several times a day.

c. Estimate of the quantity of contraband sugar: In 2002, the Ministry of Agriculture and Rural Development in cooperation with sugar companies, customs agencies, police and related bodies carried out inspection of all warehouses to find out the quantity of contraband sugar smuggled daily into

HCMC Processed Food Company estimated the quantity of contraband sugar brought into HCMC during peak seasons at 300 - 400 tonnes a day.

- Through every gate along the Southwest border, such as Vinh Xương, Thường Phước, Tịnh Biên, Khánh Bình, Xà Vía, etc., during the flood season, from 50 to 70 tonnes of sugar are smuggled a night.

- From 2002 on, the amount of sugar imported for re-export to China at gates along the Northern border varies from 100,000 to 150,000 tonnes. After re-export to China, from 60% to 70% of this quantity is smuggled again into Vietnam.

### 3. Solutions

a. Human resource: Sugar is a clumsy cargo and hard to hide when being transported a long way (200 - 300 km from border gates to marketplaces). The profitability rate of sugar isn't high, so smugglers have to handle large quantities to make some profit. Because there is no sugar mills in border provinces, it's unreasonable to find large sugar warehouses and trucks loaded with sugar from these provinces, even if they have documents that prove them legal or sugar is in bags with local trademark. If customs forces at these border gates and local authorities are honest, the sugar smuggling and trad-

