

Measures to Promote Trade in Vietnam in the Last Quarter of 2005

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1. Achievements in the first three quarters

a. Export:

Changes in international market forces posed difficulties for Vietnamese export, especially of some staple goods, such as clothing (keen competition from Chinese companies), aquatic products (American trade barriers to shrimp), and bicycle (European and Canadian anti-dumping measures), but exporters managed to take all possible opportunities and gained a growth rate of 17.4% in the first half of the year.

- Clothing: Although it met keen competition on the European market (it fell by some 10% in the first half of 2005) and American one (-2.5%) it made a 13% increase on the Japanese market.

- Aquatic products: Although the EU market accounted for 16% of Vietnamese earnings from export of aquatic products, the increase in absolute income from this market was remarkable (some 50%). Export of aquatic products to Japan also rose by 18% making the export of this sector rise by 5% in spite of a 5% fall in the export to the American market.

- Rice: Vietnamese exporters were awarded many contracts to supply rice to the Philippines. In the first half of the year, the rice export value was US\$194 million higher than that earned in the same period last year, some US\$136 million was from rises in the rice price which rose by some 22%.

- Crude oil: Export of crude oil in the first half fell by 9.7% but the earn-



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ings rose by some 33.8% because of an 48% increase in the price. The export of oil helped increase the export earnings rise by some 7%.

- Wooden products: Export of these products gained a high growth rate but the added value was small because producers had to import too many semi-finished goods.

Regarding export market, the export to Japan by some 34.5%, to the EU 14.5% and to the U.S. 12%.

b. Import:

The import value in the first half of the year reached some US\$18 billion increasing by 22% in comparison with the same period last year. Of this value, the foreign sector accounted for some US\$6.3 billion increasing by 21.1%. High increases were found in import of automobile spare parts (82.5%), motorbike spare parts (30%), electronic

spare parts (44.7%), chemicals (37%), paper (34%), cotton (22%), machinery and spare parts (14%), cloth (13%), and fuel (2.3%). On the other hand, import of some other decreased, such as fertilizer (-27%), steel (-6%) plastics (-4%) and materials for clothing (-2.3%).

c. Trade gap:

The trade gap in the first half of the year reached US\$3.56 billion equaling 24.66% of the export value. It comes from the following reasons:

- The 31.3% rise in the fuel price made Vietnam pay US\$545 million more for the same volume of fuel imported, and US\$545 million more for other goods. Thus, rises in prices on the world market made the import value rise some US\$1 billion.

- Import of raw materials rose steadily: US\$274 million for steel, 245 million for electronic spare

parts and 112 million for chemicals for example.

- Vietnam imported more spare parts to make consumer goods, such as automobile (+ US\$176 million) and motorbike (+ 57 million).

- Import of machinery and spare parts in the first half was US\$300 million higher than the value of the same period last year.

- Import of Swiss gold rose by US\$400 million as compared with the same period last year.

- Import of Chinese goods rose by 44%, or some US\$800 million, to reach US\$2.18 billion (twice as much as the value of Vietnamese goods exported to China. Main imports from China were materials and machinery.

d. Domestic trade:

In the first half of the year, total value of goods and services traded on the domestic market rose remarkably, to VND216,725

billion increasing by 18.9% over last year and meeting the planned target.

The personal sector kept playing the leading role accounting for 63% of the total trading value (some VND23,492 billion in the first six months). This sector has great potentials for development, especially as Vietnam integrates more fully into the regional and international markets. Accounting for 20.2% of the total value, the private sector ranked second.

The public sector had a relatively small proportion but it played an important role in regulating the market under direction of ministries. Its total sales of goods and services in the first half was estimated at VND4,916 billion equaling some 13.2%.

The foreign sector gained a relatively high growth rate with total sales of VND58 billion, or 2.6%. In June, its total sales was estimated at VND354 billion.

e. Market prices:

In the first months of the year, increasing prices on the world market affected strongly the domestic one. After the first half, the CPI rose by 5.2%, much higher than the target set by the National Assembly.

The price of gold kept increasing when the world price rose and the American economy developed badly, which made the dollar fall. In Vietnam, the price of gold passed the level of VND8.5 million per tael while the dollar price was kept stable.

The oil price in the first half reached a record level, increasing by more than 50% compared with the same period last year, which made prices of all kinds of fuel rise accordingly. In the first half, Vietnam had to import some six million tons of fuel, or 49% of the planned target, making a 2.3% increase in comparison with the first half of 2004.



Photo by Huỳnh Thơ

The price of steel also rose while the demand in Vietnam was on the increase. Vietnam imported some 240,000 tons of steel every month. At the end of the first half, the price on the world market became stable and the Chinese output recovered, which allowed authorities to keep the steel price at reasonable levels.

The supply of fertilizer could satisfy the market demand when the Mekong Delta started a new crop. In the first half of the year, Vietnam imported some 408,000 tons equaling 49.8% of the volume imported in the same period last year.

In the first half, some 14 million tons of cement were sold, equaling 49% of the planned target. Its price was stable and Vietnam still has to import basic materials for production of cement.

2. Difficulties

The world market still implies unpredictable fluctuations, especially in prices of materials needed by Vietnam, which will affect greatly market forces in Vietnam.

Local companies meet with keen competition from foreign rivals while they still have no strategies to deal with it.

Relevant authorities couldn't control changes in prices of essential goods and smuggling activities (especially in fuel) and speculations, which the result that consumers' interests were damaged and the market prices were in complete disorder.

The task of predicting changes in the world market forces isn't carried out well. For example, when the price of coffee rises, the local supply has run out and coffee planters miss a chance to make some profit.

3. Measures to promote trade in the last months of the year

To export some US\$30.7 billion worth of goods in the second half, Vietnam has to depend a lot on the private and foreign sectors. This means that the Government has to provide them with better conditions and support.

The Ministry of Construction and Vietnam Cement Corporation should control the import and distribution of clinker among companies under their control with a view to reducing production cost and avoiding seasonal shortage of cement.

Ministries of Trade and of Agriculture and Ru-

ral Development must supply information about the world supply of and demand for farm products and farm materials in order to protect interests of peasants and give directions to farm materials companies. In the long term, they should develop production of import-substitute fertilizer. Although the price of locally-made fertilizer is still lower than that of imported one, it's hard to rise it, therefore relevant authorities should take measures to keep it stable with a view to encouraging peasants use local fertilizer.

In the coming months, fluctuations in prices on the world market will be unpredictable. Relevant authorities must take action to keep the CPI under 0.2% a month. This is no easy task because prices tend to rise before the Tết Festival.

The government should beef up the task of predicting trends of change in the world market forces because it is a decisive factor to success of the policy to integrate Vietnam into the world market and help it survive international competition. ■