

Vietnam's Export in 2003 and Predictions for 2004

by Prof. Dr. HOÀNG THỊ CHỈNH

1. Main facts

The Vietnamese foreign trade in 2003 experienced no big changes but still gained important achievements. The following are some of them:

- Although Vietnam cut taxes on 755 items since July 1, 2003 as required by CEPT/AFTA agreement, prices on the domestic market had no remarkable change. This is partly because of careful preparations by local companies.

- In spite of recession in many foreign economies, the FDI in Vietnam reached US\$2.4 billion, increasing by 5.8% compared with 2002. Foreign donors agreed to provide Vietnam with US\$2.9 billion of ODA in 2004, the highest level ever seen so far. This means that foreign investors appreciated results of the economic reform in Vietnam and considered Vietnam as a right place for their investments.

- After three years of negotiation, Vietnam and Japan signed an agreement of encouragement and protection for investment, thereby facilitating the flow of Japanese investment to Vietnam.

- Vietnam complete the seventh round of negotiation for its WTO membership, which was considered as "the most successful" round by some economists.

2. Vietnam's export in 2003

Although the war against Iraq means a loss of some US\$500 million worth of annual export to this country for Vietnam, its total export value reached US\$19,843 billion, increasing by 18.8% com-

pared with 2002. Four export staples alone - oil, clothing, footwear and aquatic products - accounted for US\$11.82 billion, or 60%, of the total export value.

Thus, the 2003 export value surpassed the planned target. This originated from the fact that both quantity and prices of exports were on the increase. For example, Vietnam exported 460,000 tons of rubber, increasing by 3.5% in terms of quantity and 5% in terms of price, and 4.2 million tons of rice, 300,000 tons lower than the 1999 record, with the price rising from some US\$170 to US\$185-190 per ton.

The increased export value is also due to much more earnings from other items. For example, earnings from wooden furniture rose from US\$135 million in 1998 to 337 million in 2001 and over 530 million in 2003. The same increase is also found in export of

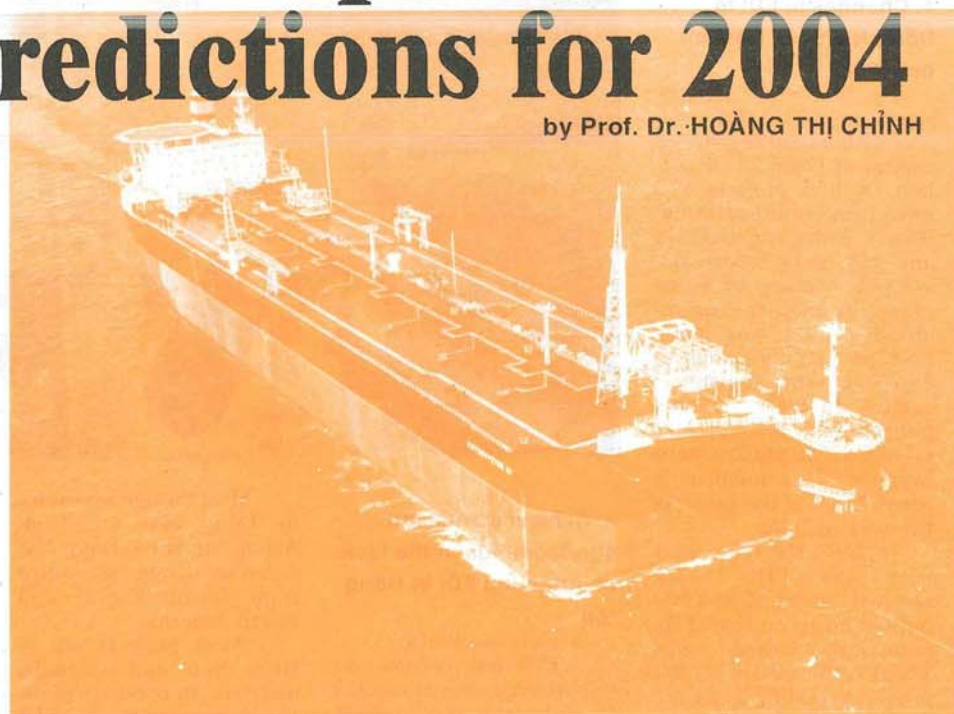


Table 1: Staple exports from Vietnam up to October 2003

Item	Value (US\$100 mn.)
Clothing	3,155
Oil	3,111
Aquatic products	1,847
Footwear	1,807
Rice	682
Wooden furniture	446
Coffee	375
Computer and spare parts	360
Handicrafts	285
Rubber	274
Wire and cable	233
Cashew nut	221
Electronics	190
Plastic products	149
Coal	145
Vegetables	127
Bike and spare parts	120

Source: Ministry of Trade

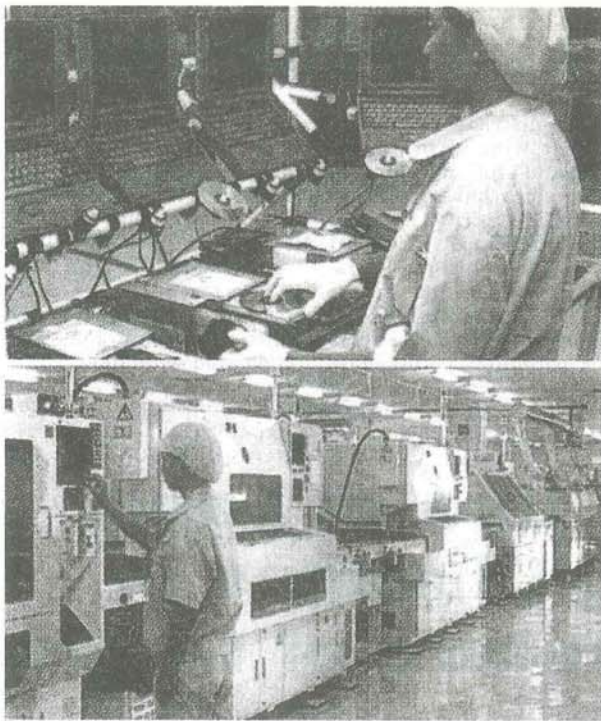
wire and cable with export value reaching US\$280 million. Up to the end of October 2003, there were 17 exported items whose export value topped the US\$100-million mark.

The foreign sector contributed a lot to the export value last years. It exported some US\$9 billion worth of goods and made an increase of 27.1% over 2002. In addition, the private sector four years after the introduction of the Companies Law accounted for some 50% of the export value.

Regarding the markets for Vietnamese goods, the American market, since the US-Vietnam BAT, has become more and more important. Americans bought some US\$4.5 billion worth of goods from Vietnam, equaling about 25% of the total export value. Of the value of US\$3.6 billion earned by the clothing industry, some US\$2 billion was from this market although the US government reduced the import quota on clothing from Vietnam, which made the export of clothing fell short of target planned for the year. However, the DOC decision that accused Vietnam of dumping basa fish produced bad effects on the bilateral trade last year.

Vietnamese export to neighboring countries, especially Cambodia, started to rise. In the first half of 2003, the bilateral trade between Vietnam and Cambodia reached US\$146 million, and Vietnam exported to this country US\$120 million worth of goods. Vietnam also sold more to Thailand. In the first nine months, Vietnamese export to Thailand was worth US\$252 million compared with US\$228 earned in 2002.

However, the Vietnamese export to some other markets, such as Japan and Europe, showed sign of decline because of low growth rates of these economies and existence of



technical barriers. Another reason was the fact that Vietnamese companies paid too much attention to the American market, thereby failing to increase their shares in these markets.

The increases in the export value last year were partly due to better trade promotion programs. These programs were supported by many governmental bodies, companies and associations. Totally, 182 programs of this kind were carried out by 52 organizations and the Government provided them with VND203 billion.

However, there are many problems with the foreign trade that require careful studies. The following are some of them:

- Changes in the structure of exports are too slow with the result that the share of technology-intensive industries in the export value is very small.

- The trade gap reached a record level of US\$5.125 billion. The main reasons are the need for newer machinery by local companies (US\$5.394 billion, or 42.2% of the import value, was spent on capital goods), increases in prices of many raw materials on the world market, and

wrong estimates of changes in prices on the world market. These factors show that Vietnamese exports depend too much on imported raw materials, which made production cost higher and Vietnamese exports less competitive.

3. Some predictions for 2004

In 2004, Vietnamese export will enjoy some advantageous conditions:

- According to expert estimation, the world economy will gain a growth rate of 4%, the highest level in the past five years, and its spending power will be improved, which provides an opportunity for countries exporting consumer goods.

- Some Asian currencies are rising against the US dollar while the reverse happens to the Vietnamese dong, which facilitates the Vietnamese export.

- The American economy is growing well, at a growth rate of some 4% and the EU has agreed to raise the import quota on Vietnamese clothing. They will become promising markets.

- Closer cooperation between China and ASEAN

bloc, Vietnam could export more farm products to these markets when import taxes are cut.

- After the Vietnam-Africa Workshop, Vietnam exchanged four trading agreements with these countries, which will smooth the flow of Vietnamese goods to this continental.

Besides advantages, Vietnam also faces some difficulties:

- Technical barriers raised by developed countries still limit the Vietnamese exports.

- Trading disputes on fish and shrimp exported from Vietnam haven't been settled, which reduce the export of one of Vietnamese staple exports.

- After Cambodia becomes a WTO member, Vietnam will face keen competition from Thailand and China on this market.

- From Jan. 1, 2004, China stops offering tax cuts from which fresh fruits from Vietnam have enjoyed for the past 10 years.

- In Southeast Asia, there are more and more bilateral trading agreements (between Singapore and the US, Thailand and the US, or Thailand and China for example), which means keener competition to Vietnamese goods.

In 2004, the export target set by the Ministry of Trade is US\$22 billion, an 12% increase compared with 2003. This is no easy task. To achieve it, a set of consistent measures should be taken by both the Government and companies. For the time being, full attention must be paid to three tasks: predicting changes in the prices on the world market, accelerating trade promotion programs, and building brand names for Vietnamese exports. In the long run, more reforms are needed to maintain the growth rate the Vietnamese foreign trade gained in 2003. ■