Role of the Government in Expanding the Export Markets

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1. Some facts about Vietnam's export markets

In the economic reform, Vietnam tries to establish trading relations with all countries and enter all markets. Up to now, Vietnam has had such relations with over 100 countries and territories. This is a factor that helped maintain high growth rates, especially in export business, in many years. The following table shows developments of Vietnam's export in the years 1991-2000.

Table 1: Structure of Vietnam's export markets (%)

Market	1991-95	1996	1997	1998	1999	2000
ASEAN	22.1	24.5	21.2	24.6	21.4	18.1
Japan	30.2	21.3	17.7	15.5	15.5	18.1
Taiwan	5.5	7.4	8.5	7.0	5.9	5.2
Hongkong	6.2	4.3	5.2	3.3	2.1	2.4
South Korea	3.3	7.7	3.9	2.4	2.8	2.4
China	5.3	4.7	5.7	5.0	7.5	10.6
ASIA	73.4	70.9	63.8	60.3	57.3	59.2
CIS	4.5	2.3	2.3	1.9	1.4	1.2
EU	9.6	11.0	16.8	22.0	21.5	19.3
EUROPE	14.8	15.4	22.7	27.0	25.7	22.0
The U.S.	1.6	2.8	3.0	4.9	4.4	5.1
NORTH AMERICA	1.7	3.3	3.7	5.8	5.2	5.8
SOUTH AMERICA	0.0	0.0	0.1	0.6	0.5	0.7
AFRICA	0.5	0.2	0.1	0.2	0.4	0.2
OCEANIA	1.1	1.0	2.2	5.2	7.3	8.8

We can see that the structure of export market has changed favorably. Due to efforts to promote export in the years 1996-2000, the proportion of Asian markets fell from 71% in 1996 to 59% in 2000 while that of EU rose from 11% to 19.3% in the same period. Proportions of North America and Oceania also rose remarkably.

However, this structure still contain irrational factors. The proportion of ASEAN kept decreasing, which led to potentional trade gap from this bloc. The proportion of EU in 1999 and 2000 were lower in comparison with 1998. This means that the export to this bloc is slowing down. The fall in the proportion of the CIS to 1.2% shows that Vietnam failed to restore this traditional market.

Table 2: Plan to develop export markets by 2005

Market	2000 (%)	2005 (%)
ASIA	57-60	50-55
Japan	17-18	17-18
ASEAN	20-25	16-18
China, Taiwan and Hongkong	16-18	14-16
EUROPE	21-25	25-30
EU	21-22	25-27
CIS and East Europe	1.5 – 2.0	3-5
North America	5-6	10-12
Australia and New Zealand	3-5	5-7
Others	2	2-3

Source: Ministry of Trade

2. Efforts by the Government to expand and stabilize export markets in recent years

As we know, the export was a government monopoly before 1988. On June 10, 1989, the Decree 64 by the Council of Ministers was issued. It provided "Regulations on foreign trade and participation of companies from all sectors," thereby removing the government monopoly in the export business. And as a result, up to Dec. 31, 1994, 3,250 companies exporting 55 categories have registered with the State Board of Economic Arbitrators. In 1992, the foreign sector came into operation and played the leading role in the export of three staples: oil, electronic equipment and computer parts, and footwear. Many goods added to the export list have come from foreign-invested companies since.

On July 30, 1998, the Decree 57/1998/NĐ-CP was issued to give guidelines on the implementation of the Commerce Law. It provides detailed regulations on foreign trading activities, processing and trading goods with foreign partners. It also revokes the requirement of foreign trade licenses. As from Sep. 1, 1998, companies from all sectors are free to do export and import according to their business licenses after completing necessary procedures at the Customs. One year after this Decree, the number of registered exporters topped the 8,000 mark (increasing by 146% in comparison with 1994.)

To promote equal opportunity for companies, the Government issued the Decree 10/1998/NĐ-CP on Jan. 23, 1998 to introduce measures to encourage and facilitate foreign direct investment in Vietnam. Among others, the Decree allows foreign-invested companies to export goods and from 1999 on, they can export all kinds of goods they create in Vietnam. Following this Decree, the Government issued Official Letter 801/CP-QHQT to remove the procedure for giving approval to export plan submitted by foreign-invested companies. Thus, the foreign sector enjoyed the same treatment as local ones did as from September 1999.

After that, all companies were allowed to export goods and services to Russia to repay old debts according to the Circular 10/2001 issued by the Ministry of Finance on Jan. 30, 2001 which came into effect as of Feb. 14, 2001, and the agreement of debt settlement between the two governments.

Besides reforming the policy on foreign trade, the Government also adopted new and progressive policies on taxation, exchange rate, export promotion, and banking credit in order to develop export markets.

a. Taxation: After many amendments, the Customs Duties Law has become more suitable to Vietnam's foreign trade and the economic development strategy. Generally, tax rates and goods classification system have been adjusted to international practices in a effort to integrate the Vietnamese market to the world economy. New regulations on tax exemption for foreign-invested companies and time limit for making duty payments have helped control imports and encourage exports.

b. Exchange rate: The exchange control allows the exchange rate to adjust to market forces and reflect correctly the external value of the VND. In addition, the reserves are big enough for the SBV to intervene into the market if need be. Up to now, the exchange rate policy has started to suit international practices and development of the Vietnam's foreign trade.

c. Export promotion: Various funds formed by the trade authorities with help from state-owned banks have succeeded in emcouraging exporters to promote their business and go abroad to make market researches. And as a result, Vietnam's export value has increased remarkably in recent years.

However, there also exist many shortcomings that make these efforts fail to produce intended results:

- Export volume, in terms of total and per capita value, is small in comparison with regional countries. The staple exports include mostly farm products with low competitiveness and prices. Vietnam has just increased quantities of export goods, not their quality. That is why it is very slow to enter new markets and increase its market shares.

- Results of export promotion campaigns depend mainly on efforts from exporters. The commerce authorities failed to work out a long-term strategy to find new markets and maintain footholds in traditional ones (Vietnam losing its market share in Russia and East Europe is a good example.)

- Customs duties aren't really suitable to the export-oriented strategy: The structure of duties have been designed to protect local products, which has attracted foreign investment in these industries instead of export-oriented ones. And as a result, some 50% of output from FDI companies are sold on the domestic market, creating keen competition to local producers and the export business as well.

- The tax laws didn't treat local and foreign-invested companies equally. When local companies have to pay heavy taxes for imported capital goods while they lack financial strength, foreign companies with huge sources of finance enjoy tax exemption when importing the same kinds of goods.

- The duties on goods that couldn't made locally are too heavy, which led to widespread smuggling activities and unsatisfied market demand.

3. Some measures to enhance the role of the Government in export promotion

- Forming an Export Marketing Information Center: In 2002, a Fund for Export Development was established but it couldn't supply information needed for export promotion. An information center can fill the gap and give more help to exporters.

- Specific strategy for specific market: Foreign trade authorities must carry out market researches in order to work out long –term strategy suitable to each potential market.

- Multilateralization of trading partners: One of good ways to avoid dependence on certain markets is to establish relations to various partners. Falls in export of seaproducts to the U.S. because of lgal troubles in the past few years is a valuable lesson.

- Vertical and horizontal cooperation between local producers and exporters: Various incentive schemes could be carried out to encourage such cooperation in order to form strong groups that could compete successfully on foreign markets.■