

# Export and Economic Growth of Vietnam

by TRẦN HÙNG SƠN



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Promoting the export as a springboard for the economic growth is a strategic target affirmed by the Government. In the period 2001-2010, the

growth rate of export is estimated at 16% a year; processed farm products will earn from US\$6 to 7 billion by 2010; manufactured goods represent from 70% to 80% of the export

value; export earnings of goods and services will rise from US\$15.5 billion in 2000 to 62.68 billion in 2010. The export business has to help accelerate the economic growth in a man-

ner that is suitable to local production and efforts to market Vietnamese goods when dealing with problems arising from the process of developing the market economy and inte-

Table 1: Growth rates of the GDP and export in 1987-2004

| Year | GDP (US\$ mil. at real price) | GDP growth rate (%) | Export value (US\$ mil.) | Export growth rate (%) | Proportion of export to GDP (%) |
|------|-------------------------------|---------------------|--------------------------|------------------------|---------------------------------|
| 1987 | 10,204                        | 3.6                 | 854                      | 8.2                    | 8.37                            |
| 1988 | 13,706                        | 6.0                 | 1,038                    | 21.6                   | 7.58                            |
| 1989 | 5,226                         | 4.7                 | 1,946                    | 87.4                   | 37.24                           |
| 1990 | 5,951                         | 5.09                | 2,404                    | 23.5                   | 40.3                            |
| 1991 | 6,112                         | 5.81                | 2,086                    | -13.22                 | 34.13                           |
| 1992 | 10,379                        | 8.7                 | 2,580                    | 23.68                  | 24.86                           |
| 1993 | 12,625                        | 8.08                | 2,985                    | 15.7                   | 23.64                           |
| 1994 | 15,408                        | 8.83                | 3,893                    | 30.42                  | 25.27                           |
| 1995 | 19,377                        | 9.54                | 5,449                    | 39.97                  | 28.12                           |
| 1996 | 20,363                        | 9.34                | 7,256                    | 33.16                  | 35.63                           |
| 1997 | 26,092                        | 8.15                | 9,185                    | 26.58                  | 35.2                            |
| 1998 | 26,752                        | 5.76                | 9,361                    | 1.92                   | 34.99                           |
| 1999 | 28,466                        | 4.77                | 11,540                   | 23.3                   | 40.54                           |
| 2000 | 30,773                        | 6.79                | 14,300                   | 23.92                  | 47.08                           |
| 2001 | 32,685                        | 6.89                | 15,027                   | 3.8                    | 45.98                           |
| 2002 | 35,224                        | 7.08                | 16,705                   | 11.2                   | 47.43                           |
| 2003 | 39,623                        | 7.26                | 20,176                   | 20.8                   | 50.92                           |
| 2004 | 45,372                        | 7.69                | 26,503                   | 28.9                   | 57.31                           |

Sources: Statistical Yearbooks, *Kinh tế Việt Nam và thế giới 2004-2005*, and author's calculations.



**Table 2: U.S. – Vietnam bilateral trade in 1994-2004 (US\$ million)**

| Year | Export from Vietnam | Import from the U.S. |
|------|---------------------|----------------------|
| 1994 | 50.5                | 172.9                |
| 1995 | 199                 | 252.3                |
| 1996 | 331.8               | 616.6                |
| 1997 | 388.4               | 286.7                |
| 1998 | 554.1               | 273.9                |
| 1999 | 608.4               | 291.5                |
| 2000 | 821.3               | 367.5                |
| 2001 | 1,053.2             | 460.4                |
| 2002 | 2,394.8             | 580                  |
| 2003 | 4,554.8             | 1,324.4              |
| 2004 | 5,275.8             | 1,163.4              |



**Table 3: Structure of exports in 1987-2004 (%)**

| Year                                 | 1987  | 1990 | 1995 | 2000 | 2001 | 2002 | 2003  | 2004  |
|--------------------------------------|-------|------|------|------|------|------|-------|-------|
| From heavy and mining industries     | 24.77 | 25.7 | 25.2 | 37.1 | 34.9 | 31.8 | 31.00 | 33.37 |
| From light industries and handicraft | 29.93 | 22.6 | 28.5 | 33.9 | 35.7 | 40.6 | 39.17 | 40.90 |
| From crop farming                    | 45.30 | 51.7 | 32.0 | 17.7 | 16.1 | 14.3 | 18.00 | 25.73 |
| From forestry                        |       |      | 2.8  | 1.1  | 1.2  | 1.2  |       |       |
| From sea farming                     |       |      | 11.5 | 10.2 | 12.1 | 12.1 |       |       |

Source: *Statistical Yearbook 2004*

grating into the world community.

The export also contributes to changes in the structure of industry, thereby accelerating the industrialization. Like NICs and most of ASEAN countries, the Vietnamese economic growth is based on the industrialization and export promotion.

Since the late 1980s, Vietnam has carried out intensive reform with a view to developing an open market economy. The reform has produced many intended results. The economy became more stable in the early 1990s and gained high growth rate in the mid-1990s.

The export value rose from US\$854 million in 1987 to 26,503 million in 2004. In the years 1987-2000, the growth rate of export was 24.72%, as tri-

ple as high as the growth rate (7.26%). In 2001-2004, the export rose by 16.17%, higher than the target of 16% set by the National Assembly.

The share of export in the GDP in 1987 was 8.37% and rose to 40.3%. This share fell slightly in the years 1991-1994 and then rose again and reached 57.31% in 2004. With its increasing share in the GDP, the export value in 2005 is estimated at US\$31 billion representing 60.5% of the GDP, and it thus equals Thailand of 1992 and the Philippines of 1998. The openness of the Vietnamese economy ranks high among ASEAN countries and higher than Taiwan and South Korea. This shows that Vietnam is developing an export-oriented economy, and the export has contributed a

lot to the economic growth since the economic reform. This is a remarkable achievement because Vietnam has a low starting point and only developed the open market economy for two decades.

Vietnam has trading relation with some 110 countries and territories, has signed trade agreements with some 80 countries and MFN agreements with 86 countries and territories.

Talking about Vietnam's export and international integration, it's necessary to mention the U.S. – Vietnam BTA that came into effect in 2001. The BTA has boosted Vietnam's export to America, an enormous market and a springboard for countries that pursue the export-oriented strategy. The Vietnam's export to the U.S. increased by geomet-

ric progression within two years after the BTA, which made the Vietnam's export gain high growth rates after 2001 and the U.S. became the leading export market for Vietnam.

In the years 1987-2000, the highest growth rate was found in the export from heavy and mining industries (24.1%) that was followed by light industries and handicraft (22.6%) and agriculture (13.9%). The structure of exports changed in this direction for many years. The share of heavy and mining industries (group 1) rose from 24.77% in 1987 to 37.1% in 2000; the share of light industries and handicraft (group 2) from 22.6% in 1990 to 33.9% in 2000 while that of the agriculture (group 3) fell from 47.7% in 1990 to 29% in 2000. In the years 2000 – 2003, all three

groups experienced some falls: group 1 decreased by 4.6% because of reduced oil output; group 2 maintained a growth rate of 17.4% because of higher export of footwear and clothing to the EU and the U.S.; and group 3 gained a growth rate of 13.3% because of rises in the export of aquatic products.

In comparison with 2000, the share of the group 1 fell from 37.2% to 31% in 2003; that of the group 2 rose from 33.8% to 39.17% and the group 3 varied between 29% and 30%. In 2004, the export value rose to a record figure of US\$26,503 million. It is due to rises in both

quantity and prices. The structure of exports also changed positively with rises in the export from the group 2 and falls in the group 3.

The Table 4 shows that such items as crude oil, aquatic products, rice, vegetables and coffee are always among the 10 leading exports in the past 15 years and they accounted for over 50% of the export value. Clothing and footwear have accounted for 23% of the export value since 1996. These items in the Table 4 represent some 67% of the Vietnam's export value and their share increased steadily in the past 15 years. Other items,

such as cashew nut, tea, rubber and coal also become staple exports.

The structure of exports has changed but its changing rate is slower than those of Southeast Asian countries in the 1970s and 1980s. For example, the share of farm product in Thai export fell from 53.6% in 1981 to 26.9% in 1991 while the share of machines rose from 5% to 23.8%, and that of light industrial goods from 25.3% to 39.3%. In the same period, Indonesia reduced the export of minerals from 79.8% to 38.3% and increased the export of manufactured goods from 4% to 36.7%.

Moreover, most of Vietnam's exports have low added values; unprocessed farm products suffered falls in their prices in the 1990s and the early 2000s. For example, the export volume of rubber, tea, rice, coffee and cashew nut has increased for many successive years but earnings from these goods kept falling.

These analyses show that the structure of exports has undergone some positive changes but it happened at very slow rate in comparison with neighboring countries. However, the export still plays an important role in the economic growth. ■

**Table 4: Leading exports (US\$ mil.)**

| Year                       | 1990          | 1996            | 1999            | 2000            | 2001            | 2002             | 2003             | 2004             |
|----------------------------|---------------|-----------------|-----------------|-----------------|-----------------|------------------|------------------|------------------|
| Crude oil                  | 390<br>(16.2) | 1,346<br>(18.6) | 2,092<br>(18.1) | 3,503<br>(24.2) | 3,126<br>(20.8) | 3,270<br>(19.57) | 3,821<br>(18.94) | 5,666<br>(21.37) |
| Clothing                   | 25<br>(1.0)   | 1,150<br>(15.8) | 1,747<br>(15.1) | 1,892<br>(13.1) | 1,975<br>(13.1) | 2,732<br>(16.34) | 3,686<br>(18.28) | 4,319<br>(16.29) |
| Aquatic products           | 220<br>(9.2)  | 651<br>(9.0)    | 971<br>(8.4)    | 1,479<br>(10.2) | 1,778<br>(11.8) | 2,023<br>(12.1)  | 2,200<br>(10.9)  | 2,397<br>(9.04)  |
| Footwear                   |               | 530<br>(7.3)    | 1,392<br>(12.1) | 1,472<br>(10.2) | 1,560<br>(10.4) | 1,867<br>(12.18) | 2,268<br>(11.24) | 2,603<br>(9.82)  |
| Electronics                |               |                 |                 | 788.6<br>(5.4)  | 595.6<br>(4.0)  | 492<br>(2.95)    | 672<br>(3.33)    | 1,077<br>(4.06)  |
| Rice                       | 272<br>(11.3) | 855<br>(11.8)   | 1,025<br>(8.9)  | 667.8<br>(4.6)  | 624.7<br>(4.2)  | 726<br>(9.67)    | 720<br>(3.54)    | 941<br>(3.55)    |
| Coffee                     | 25<br>(1.0)   | 337<br>(4.6)    | 585<br>(5.1)    | 501.4<br>(3.5)  | 391.3<br>(2.6)  | 322<br>(1.92)    | 505<br>(2.5)     | 594<br>(2.24)    |
| Wooden goods               |               |                 |                 | 294.2<br>(2.0)  | 335.1<br>(2.2)  | 460.3<br>(2.75)  | 567.2<br>(2.67)  | 1,054<br>(3.97)  |
| Artistic goods             | 20<br>(0.8)   | 124<br>(1.7)    | 168<br>(1.5)    | 237.1<br>(1.6)  | 235.2<br>(1.6)  | 335.1<br>(2.0)   | 366.8<br>(1.82)  | 410<br>(1.54)    |
| Vegetables                 | 52.3<br>(2.2) | 90<br>(1.2)     | 105<br>(0.9)    | 213.1<br>(1.5)  | 330<br>(2.2)    | 151<br>(0.09)    | 167<br>(0.6)     | 208<br>(0.78)    |
| Cashew nut                 |               | 130<br>(1.8)    | 110<br>(1.0)    | 167.3<br>(1.2)  | 151.7<br>(1.0)  | 209<br>(1.25)    | 284<br>(1.41)    | 425<br>(1.6)     |
| Rubber                     | 16<br>(0.7)   | 163<br>(2.2)    | 147<br>(1.3)    | 166<br>(1.1)    | 166<br>(1.1)    | 268<br>(1.6)     | 378<br>(1.87)    | 578<br>(2.18)    |
| Pepper                     | 12<br>(0.5)   | 65.5<br>(0.9)   | 137<br>(1.2)    | 145.7<br>(1.0)  | 91.2<br>(0.6)   | 107<br>(0.6)     | 105<br>(0.52)    | 150<br>(0.56)    |
| Coal                       | 38<br>(1.6)   | 115<br>(1.6)    | 96<br>(0.8)     | 94<br>(0.6)     | 113.3<br>(0.8)  | 156<br>(0.93)    | 184<br>(0.69)    | 319<br>(1.2)     |
| Export value               | 2,404         | 7,256           | 11,540          | 14,300          | 15,027          | 16,705           | 20,176           | 26,503           |
| As % of total export value | 52.4          | 74.4            | 72.6            | 76.3            | 72.9            | 89.6             | 88.8             | 68.1             |

Source: *Statistical Yearbooks* and author's calculations

\*Note: Figure in parentheses is proportion to the export value