

# Prospects of U.S. Market Entry for Vietnamese Businesses

by MEcon. NGUYỄN ĐÌNH HOÀ

The Vietnam-U.S. trade agreement has opened a great opportunity for Vietnamese companies to enter the U.S. potential market. This reflected on the ro-

the world's most potential markets which has a population of 292 million and high per capita GDP and personal consumption expenditure indicated in the Table 1.

US\$1,797.20 million, or 75.05% of the 2002 earnings. Although the two countries signed its trade agreement just in 2001, the U.S. has become an important partner in trade

relation with Vietnam. In 2001, the U.S. ranked fifth in the Vietnam's top ten export markets, and it turned to the second in 2002.

Nevertheless, the Vietnam's export earnings from the U.S. market remained low in the 2000-2002 period, not corresponding to the two countries' potentials. Steve Parker and James Riedel, two researchers of the U.S. Agency for International Development (USAID) said: "The U.S. market is extremely huge and its demand elasticity is almost indefinite to the Vietnam economy, the Vietnamese exporters' supply remains small and thus does not meet the customers' needs".

In its import-export strategy in the 2001-2010 period, the Vietnam's Ministry of Trade mapped out: "Vietnam targets at an annual export growth of 16% in the 2001-2005 period. According to this aim, the export turnover is ex-

Table 1: The U.S. major economic indicators in the 1998-2002 period (at the current price)

Indicator	1998	1999	2000	2001	2002
1. GDP (US\$ bil.)	8,781.50	9,274.30	9,824.60	10,082.20	10,446.20
2. GDP growth (%)	5.6	5.6	5.9	2.6	3.6
3. Per capita GDP/year (US\$)	32,373	33,885	n/a	n/a	n/a
4. Disposable personal income (US\$)	23,231	24,307	n/a	n/a	n/a
5. Personal consumption expenditure	21,614	22,907	n/a	n/a	n/a

Source: U.S. Census Bureau, Foreign Trade Division, Data Dissemination Branch, Washington, D.C. 20233.

Table 2: Vietnam's export to the U.S. in the 2000-2002 period (US\$ mil.)

Export	1999	2000	2001	2002	Annual average
1. Total value	608.30	821.40	1,052.90	2,394.70	1,219.33
2. Change (+/-)		213.10	231.50	1,341.80	595.47
3. Growth (%)		35%	28%	127.44%	63.48%

Source: U.S. Census Bureau, Foreign Trade Division, Data Dissemination Branch, Washington, D.C. 20233.

bust growth in value of Vietnam exports to the U.S. in the 1999-2002 period. However, to intensify the export to the U.S. market and help implement the Vietnam export targets by 2005, domestic businesses and the Government are required to soon promote some measures.

The trade relation between Vietnam and the U.S. is marked by the Vietnam - U.S. bilateral trade agreement effective from December 10, 2001. This agreement gives a great opportunity to Vietnamese businesses to enter one of

The value of Vietnam exports to the U.S. market increased fast with an average growth of 63.48% in the 1999-2002 period, especially up 127.44% in 2002 as compared to 2001. These figures are indicated by Table 2:

In the first quarter of 2003, the export growth reached a record of 350% year-on-year, much higher than that in other markets including Australia 97%, EU 30%, ASEAN 78%, Japan 24% and China 11%. In the first five months of 2003, the total value of export to the U.S. registered

Table 3: Vietnam's ten biggest export markets in 2002

Nation	% of total export value
1. Japan	14
2. The U.S.	13.2
3. China	9.4
4. Singapore	9.3
5. Australia	7.5
6. Taiwan	5
7. Germany	4.4
8. South Korea	2.9
9. Philippines	2.1
10. Thailand	1.5

Source: Vietnam Ministry of Trade

**Table 4: Vietnam's export to the U.S. compared to ASEAN countries (2000-2002) US\$ mil.**

Nation	2000	2001	2002
1. Vietnam	821.40	1,052.90	2,394.70
2. Thailand	16,385.30	14,727.20	14,792.90
Thailand/Vietnam	19.95	13.99	6.18
3. Malaysia	25,568.20	22,340	24,008.90
Malaysia/Vietnam	31.13	21.22	10.03
4. Indonesia	10,367.00	10,103.60	9,643.30
Indonesia/Vietnam	12.62	9.60	4.03

**Table 5: Vietnam's planned export to major markets in 2003**

Nation	Export value in 2003 (US\$ bil.)	% of 2002 figure
1. EU	3.25	10.5
2. The U.S.	3.05	35
3. ASEAN	2.78	10
4. Japan	2.50	7
5. China	1.60	10
6. Australia	1.30	5

Source: Vietnam Ministry of Trade

pected to reach US\$30 billion in 2005". This is a challenging goal to the country's export activities. As a result, the Government and enterprises should enhance export performance and focus their efforts on potential markets including the

U.S., Japan and EU. A specific strategy is needed to attain the target of export to the U.S. as planned by the Ministry of Trade with a view to reaching the Vietnam's export growth of 18.5% per year.

Given the performance of Vietnam's export to the

U.S. in the 2000-2002 period, to enhance the export value in the time to come, contributing fulfilling the country's set goal in the 2001-2005 period, the Government and domestic companies are required to soon implement the following strategic measures:

1. To expand the range of commodities and focus on the export of national potential staples:

Over the past years, the Vietnam's major exports to the U.S. include garments, aqua products, coffee and rubber. These are goods of high competitiveness. Nevertheless, in the next years, priorities should be given to categories with high demand in America, for example, crabs and shrimps. According to Prof. Dr. John S. Clark of the U.S. Georgetown University, the U.S. shrimp consumption has risen from 1 kg/person in 1990 to 1.4 kg/person in 1999. The U.S. market needs around 4,000 tonnes of basa fish per year. Vietnam's basa fish has good quality and is attractive in the U.S., so domestic companies should launch marketing campaigns to take this advantage. Other competitive and strongly needed goods include vegetables. In addition to these items, Vietnam should enhance its export of other

categories including woodwork, handicraft, footwear, shrimp, crab, tuna fish, catfish and freshwater fish.

2. To plan and extend the Vietnam's areas growing, breeding and producing exports

To secure the supply for the Vietnam's strategy of export to the U.S., Vietnam should have a strategy to plan and extend the areas growing and breeding agro products and aqua products and producing exports based on current conditions of climate, soil, traditional specialty in order to improve product productivity and quality as well as good image of commodity origins. For example, Long An and Quảng Ngãi Provinces are well-known for sugar, Hà Đông and Quảng Nam for silk, Tiền Giang and Vĩnh Long for fruit, An Giang for aqua products, Sa Đéc for ornamental trees, Bình Thuận for dragon fruit, Vĩnh Phúc for litchi, etc.

3. To intensify the industries processing and manufacturing exports

At present, the Vietnam's processed commodities represent only 38% while this figure is 90% in China and Thailand. Most of the country's exported goods are raw materials, for example, crude oil accounting for 21% of total



export value in 2001. Several processed products have low added value such as garments taking 13% and aqua products 12% of total value in 2001. As a result, the Government should make incentive policies to attract investment capital into the export manufacturing industries.

Each industry should allure foreign investors owning famous brands and business experience in the international market, especially the U.S. market. Unilever, an American corporation, for example, manufactures Phú Quốc fish sauce or Authentic Fitness produces garments. These models will be expanded to increase the added value of exports. Regarding exporting companies, attention should be given to investments in equipment innovation, organizational restructuring, improvement of production and management process by implementing the international standards including ISO 9002, JIT, DOT, HACCP, TQM...

4. To make access to the world's trade conglomerates and large distributing companies

To make Vietnamese goods fast and effectively penetrate into the U.S. market, domestic companies should take the initiative in contacting trade conglomerates and the world's leading distributing companies in the U.S. These giants own well-known brands, understand the market and have many years of experience in trade and distribution. In the U.S., there are currently large supermarket and trading corporations operating in various areas including SYSCO, Wall's Mart. They may become distributors for Vietnamese goods in the U.S.

5. To build and develop powerful brands for exports to the U.S. market

Most of Vietnam's products and services do not have their unique brands or if any, they have

**Table 6: WEF's competitiveness ranking of some ASEAN nations**

	1997	1998	1999	2000	2001	2002
1. Singapore	1	1	1	2	4	4
2. Malaysia	9	17	16	24	30	27
3. Thailand	18	21	30	30	33	31
4. Philippines	34	33	33	36	48	61
5. Indonesia	15	31	37	43	64	67
6. Vietnam	49	39	48	52	60	65

Source: WEF, World Competitiveness Report, 2003

not been registered to become official ones for recognition in the world. Therefore, to expand the market segment in the U.S. and prevent violations of Vietnam's brand property, Vietnamese exporters should register their brands and invest in the promotion of product quality and designs with the aim to develop their brands in the world market. The experience of Kinh Đô Confectionery Company and Trung Nguyên Coffee Company reveals that to establish brands is essential when expanding overseas markets.

- To enhance competitiveness and added value for Vietnam's exports

The WEF's competitiveness ranking shows the Vietnam's competitiveness was not improved in

the 1997-2002 period. At present, Vietnam has not built a complete market of production inputs, so some 40% of input materials must be imported. Even in the garment industry, local companies' production costs are 25-30% higher than that of China due to imported materials and equipment. Furthermore, according to a survey of JETRO, costs of electricity, water, telecoms and transportation in Vietnam is now higher than those in other ASEAN countries. This obviously affects production and added value of Vietnamese exports.

As a result, the Government is required to devise a strategy for input production, especially for strategic commodities. In addition, it has also policies to cut prices of electricity, water, telecoms, land rent

for businesses producing exports. ■

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