

# SOLUTIONS TO VIETNAMESE TRADE ON THE MOVE TO WTO

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The world is changing into a new era of peace, cooperation and development. Economic globalization becomes an outstanding trend in recent decades, posing urgent requirements to countries in establishing their integration strategies into the world economy. No country can develop if it does not open door, especially in a sensible and crucial area like trade. The Vietnamese Party and Government see integration as an inevitable demand for development. Vietnam has made great and consistent efforts to further integration into the regional and international trade. It joined ASEAN in 1995, then normalized relations with the U.S., took part in APEC in 1998 and is undertaking final negotiations to enter the World Trade Organization - WTO.

Nevertheless, to become a WTO member is relatively new to Vietnam in terms of concept and practice. This article is aimed at analyzing achievements and shortcomings of Vietnamese trade at the doorstep to WTO and suggesting some macro-level solutions to the Vietnamese trade before this great opportunity.

## I. BASIC FACTS OF VIETNAMESE TRADE

1. The remarkable achievements of Vietnam trade after 15 years of consistent renovation and integration into the international trade:

The Vietnam trade has experienced a robust growth for 15 years of renovation and integration. The import-export value soared fast in many consecutive years, building a new position and power for the country. Only in the last decade of the twentieth century, the export turnover increased six times with an average growth of 20% per year in this period. The import value also climbed significantly to meet great requirements in the national economic development, up 19% per year. This is really a wonderful progress highly appreciated by a lot of organizations in the world.

Although Vietnamese workers' productivity is not high, technologies and skills restricted, over the past years, Vietnam has produced certain products gaining a foothold in local

Table 1: The export-import value in the 1990-2000 period (US\$ mil.)

Year	Total	Export	Import
1990	5,156.4	2,404.0	2,752.4
1992	5121.4	2,580.7	2,540.0
1994	9,880.1	4,054.3	5,852.8
1996	18,399.5	7,255.9	11,143.6
1998	20,859.9	9,360.3	11,499.6
2000	29,508.0	14,308.0	15,200.0

Source: The National Statistics Bureau, *Vietnam's socio-economic situation in the past ten years*, Thống Kê Publisher, 2001

and international markets, for example, coffee, rice, cashew nut, garments, aqua-products...in the world market and consumer goods, confectionery, beverage...on the domestic market. The categories of competitive goods remain modest, however, they still show Vietnam's capacity and potentiality in the early stage of entering the world playground.

The Government's trade management policies have overcome restrictions of the former subsidy mechanism, established foundations for a real market economy, especially in import-export activities. The mechanism and legal framework becomes a

liberalized and useful instrument to generate a healthy business environment in accordance with the international common and commercial practices. This also helps mobilize great potentials from all economic sectors to boost the national trade.

The Vietnam's market of commodities has been increasingly expanded in recent years. Until late 1980s and the first years of the 1990s, Vietnam still established trade relations mainly with countries in the socialist block, but to date its trade relations has been extended significantly, especially to potential markets including the U.S., EU, and other countries. This is just great and

Table 2: The structure of exported goods in the 1990-2000 (%)

Year	Heavy industry and minerals	Light industry and handicraft	Raw materials
1990	25.7	26.5	47.8
1991	33.4	14.4	52.2
1992	37.0	13.5	49.5
1993	34.0	17.6	48.4
1994	28.8	23.1	48.1
1995	25.3	28.5	46.2
1996	28.7	29.0	42.3
1997	28.0	36.7	35.3
1998	27.9	36.6	35.5
1999	31.0	36.3	32.7
2000	35.6	34.3	30.1
Annual average	30.7	29.9	39.4

Source: The Trade Minister and General Department of Customs



positive efforts of state agencies like the Ministry of Trade and domestic enterprises.

Vietnam has also trained a generation of business people which are dynamic and sensitive to the market mechanism. They are always pioneers in exploring new markets and manufacturing new products, therefore they are able to survive on the current fierce competition.

The structure of imports and exports has seen positive changes, the proportion of goods processed for export has increased, import of raw materials has reduced but the value of knowledge and skill in production has been promoted in the last years of the 20<sup>th</sup> century and first years of the 21<sup>st</sup> century.

## 2. Limitations of the Vietnamese trade in the process of integration

The size of Vietnam trade remains small as compared to the national potentiality. The statistics show the yearly per capita import-export value of Vietnam is much lower than that of many countries in the region and the world. The Vietnam's share in the world economy is very small.

**Table 3: The share of Vietnam and selected countries' import-export turnover in the world trade (%)**

Nation	1990	1995	1998	1999	2000
Malaysia	0.48	0.96	0.85	0.87	0.95
Philippines	0.37	0.78	0.56	0.35	0.29
Singapore	1.63	2.5	1.41	1.74	1.86
Vietnam	0.02	0.18	0.20	0.20	0.21
Indonesia	0.32	0.45	0.33	0.33	0.34

Source: [www.wto.org](http://www.wto.org)

The competitiveness of local goods and services is not high due to very low productivity of Vietnamese labor. In addition, trade services have not been diversified, causing obstacles to the export of local goods.

traders. The legal system still has a lot of inadequacy, so many importers and exporters as well as government agencies find it hard to execute regulations to settle disputes. Smuggling, goods speculation, fake commodities,

**Table 4: The capacity of Vietnam industrial enterprises on the local market (%)**

Capacity	The whole sector	Including		
		Mining	Processing	Manufacturing, electricity, gas
Dominant	26.9	28.9	26.3	85.2
Not firm	58.8	59.2	59.2	13.6
Not competitive	14.3	11.9	24.3	2.5

Source: The National Statistics Bureau, *Vietnam's socio-economic situation in ten years*, Thống Kê Publisher, 2001

**Table 5: The capacity of Vietnamese industrial enterprises in foreign markets (%)**

Capacity	The whole sector	Including		
		Mining	Processing	Manufacturing, electricity and gas
Already exporting	23.8	15.9	24.3	2.5
Able to export in future	13.7	14.4	13.8	1.2
Unable to export	62.5	69.7	61.9	96.3

Source: The National Statistics Bureau, *Vietnam's socio-economic situation in ten years*, Thống Kê Publisher, 2001

The current import-export structure has changed positively but it remains adverse to the country's economic development. The proportion of exported raw materials is still very high while that of processed and manufactured goods low. In importation, Vietnam buys mainly machinery, equipment and raw materials. This shows the foreign trade of Vietnam still encounters many difficulties and challenges.

The mechanism of trade management reveals limitations. Previously, the Government changed its import-export policies annually, and thus causing not a few obstacles to foreign

illegally imported goods are also worrying foreign investors.

The system of trade-related macro policies reveals a lot of shortcomings. Many regulations are not clear. Those measures recognized by international institutions which are beneficial to the national trade have not been applied, for example, tariff, quota, equilibrating trade balance in bilateral trade, right of safeguard, fighting against dumping. Nevertheless, Vietnam applies some measures in contrast to the international common trading practice or legal principles of WTO. There are still a lot of differences between the Vietnam's trade legal system and WTO's regulations.

## II. SOME MACRO MEASURES TO BOOST VIETNAM TRADE

1. To perfect the domestic legal system and institutions in accordance with the WTO regulations, especially trade-related problems

The Government should focus its efforts on reviewing shortcomings in the legal system, especially in trade area. Therefore, it has scientific grounds for rectification. It has to urgently issue necessary laws including Law on Intellectual Rights, Law on Competition, Anti-Dumping Law and amend Foreign Investment Law with the aim to fill the gap with WTO regulations like foreign exchange balancing, proportion of localization, requirements for the proportion of export volume, etc. On the other hand, the Law on Foreign Investment and the Law on Domestic Investment should be incorporated to build a fair playground for different economic sectors and avoid discrimination which is not in accordance with WTO's regulations on most favored nation and national treatment.

2. To renew and rectify the Government's policies on trade activities and trade-related investment:

The Government is required to promulgate appropriate policies to secure the equitability of different





economic sectors and abolish discriminations like prices of electricity and water and others. The businesses' rights of free trade should be expanded, they are permitted to trade in all commodities and lines which are not banned. Furthermore, the import-export management policies should be issued in the long term so that enterprises take the initiative in trading and expanding their business. Administrative instructions are replaced with economic and financial measures suitable to the market rule. The Government should restrict direct intervention to the lowest in businesses' activities and use indirect instruments in trading management instead. It also step by step applies the principles of most favored nation and national treatment to foreign-invested companies.

In addition, the Government should create favorable conditions and liberal environment to attract foreign investment capital into trade and services, especially in those sectors where Vietnam is able to develop and make a fast access to international markets. Trade-related policies and mechanisms should be transparent to secure stability of the trade and investment environment in Vietnam. The planning of these policies and mechanisms has to be renewed on the basis of market surveys and practical studies along with constructive opinions from scientists and business people.

The Trade Ministry's role and obligations should be strengthened to execute government's regulations effectively and help businesses promote their trading.



Photo by Nguyễn Ngọc Đào

**3. To encourage the development of various services and support infrastructures and promote competitiveness for local enterprises:**

The Government is required to implement following measures:

-To upgrade and build infrastructure including warehouses, depots, ports, roads...

-To improve efficiency of input services like electricity and water supply, information, telecommunications...

For the time being, these services are solely provided by state-owned companies. Their high prices have badly affected enterprises' product prices. To solve the hard problem, the Government should focus on im-

proving the efficiency of state enterprise, privatizing some stages in the supply of these services, and encouraging different economic sectors to engage in this business to create favorable conditions for healthy competition and reduce prices. At the same time, the authorities should give incentive policies to foreign investors so that they can participate in this business, and contribute to technology transfer and thus modernization of this sector.

**4. To encourage economic sectors to invest in trade and service development:**

In Vietnam, trade services are inadequate or of low quality, thus strongly affecting performance and competitiveness of economic sectors. As a result, the Government should encourage the promotion of service market by following measures:

-to consolidate, develop and renovate the system of state-owned trade companies;

-to well organize the network of trade service cooperative;

-at the same time to create favorable conditions for other sectors to develop trade service;

-to encourage services of advertising products locally and overseas, market research, fair and exhibition, showroom, management consulting, technology and science...; and

-On the other hand, to establish many professional associations with a view to assisting members in enhancing their knowledge and capacity in management and production. ■