

PLANS TO DEVELOP MARKETS FOR HCMC EXPORTS

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HCMC is not only a large industrial hub of the country but also a trading center that exports and imports goods in large quantities. In recent years, the HCMC economy has developed rather well, its gross output has made high increase in the years 1990-96 (around 14% a year). Particularly, its exports increased by 32% on average. In 1996, its export earnings reached US\$3,723.12 million (or US\$776 per capita in comparison with the national average of US\$94) representing 52% of the national export earnings. These data show that developing export in HCMC could help to accelerate the national industrialization and modernization. ON

However, we must admit that despite of its high growth rate, HCMC has met with a lot of difficulties in developing its export. Its staple exports include semi-finished

couldn't get access to end-users. The infrastructure and service industry needed for developing export business is poor. These shortcomings have made the export business riskier, the export prices less competitive and export earning lower. So, it's urgent to make plans to modernize HCMC manufacturing industry in order to add more value to local products and increase the proportion of manufactured goods in exports. Moreover, it's necessary to work out strategies to develop the export business by helping local companies get firm footholds in foreign countries. In this article, I would like to present the situation of HCMC export business and suggest measures to develop markets for HCMC exports.

I. MARKETS FOR HCMC EXPORTS

The following table describes the importance of each market to HCMC exports in the last three

countries were still main buyers. The following is a closer examination of these markets.

1. Japan

Japan is a loyal buyer who represents from 28 to 37% of HCMC export revenue. Exports to Japan in the years 1993-1996 increased by 18% per year. Japan usually buys coffee and maricultural products from HCMC and re-export to the EU and the US, while manufactured goods, the staple products of HCMC, couldn't enter the Japanese market because they didn't reach standards required by Japanese consumers. In the future, HCMC electronic industry has no prospect of finding a foothold there.

The Japanese government has adopted policies to encourage import of HCMC products in the future by:

- Making investments in Vietnamese textile and clothing industries with a view to making them

(US\$1,000)

Market	1994		1995		1996	
	Revenue	%	Revenue	%	Revenue	%
Japan	659.989	36.8	968.963	37.2	1,042.088	28.0
Hong Kong	83.651	4.7	77.952	3.0	61.977	1.7
Singapore	302.357	16.8	400.466	15.4	618.385	16.6
Taiwan	115.090	6.4	148.007	5.7	187.514	5.0
Thailand	15.623	0.9	20.683	0.8	44.016	1.2
South Korea	85.315	4.7	83.048	3.2	136.726	3.7
France	45.181	2.5	59.367	2.3	56.653	1.5
Former USSR	13.813	0.8	18.669	0.7	19.424	0.5
Others	473.356	26.4	827.510	31.7	1,556.356	41.8
Total	1,794.375	100.0	2,604.665	100.0	3,723.175	100.0

Source: HCMC Statistics Bureau, 1997.

agricultural products and manufactured goods made to order placed by foreign companies. In addition, Vietnam, and HCMC as well, have just started to market goods to foreign buyers after the lift of US embargo. Most Vietnam exporters had to depend on intermediaries because they

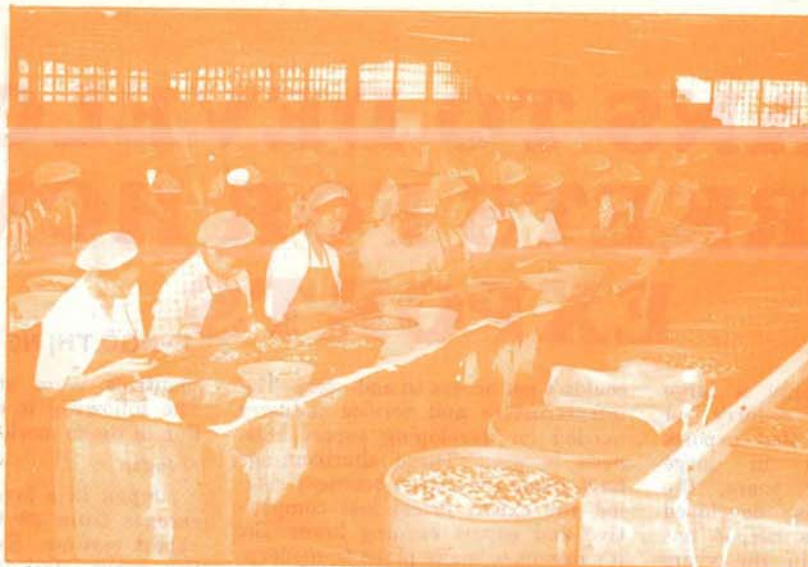
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The table shows that the importance of small markets (item Others) is increasing, from 26.4% in 1994 to 41.8% in 1996 (HCMC goods have become salable in the EU, the US and Canada), however, Japan, NICs and Southeast Asian

main suppliers of these products to Japan.

- Making big investments in projects to process high-priced agricultural products (vegetables and shrimp for example).

- Helping Vietnam companies assemble electric appliances and elec-



tronic equipment for export.

2. Northeast Asian NICs

Those countries (including South Korea, Hong Kong and Taiwan) represent 10-16% of HCMC export earnings. They usually buy raw agricultural products, processed meat, garments and handicrafts. Raw agricultural products are processed and re-exported under their trademarks. Their role as intermediaries will certainly come to an end when HCMC industries are modernized and their products are sold directly to end-users. Then those countries will also become end-users of HCMC products.

3. ASEAN countries

ASEAN countries represent some 20% of HCMC annual export earnings (Singapore alone provides 15-17%). Most of what they buy are agricultural products, which are supplied to HCMC by surrounding provinces. So it's necessary to develop agro-industries in HCMC with a view to reducing export of raw agricultural products

4. The EU

Since 1992, exports from HCMC to the EU have increased remarkably and reached 10% of HCMC total export. Main products exported to the EU are clothing, footwear and maricultural products. As for clothing, which is the staple product sold to the EU and other developed countries, HCMC clothing industry (including 114 concerns) exported to the EU US\$216 million in 1996, representing 51.5% of national export of clothing and 6% of HCMC export earnings in 1996.

Conditions favorable for export-

ing to the EU are:

- High consumption and solvency.

- Vietnam is enjoying the GSP and MFN status given by the EU.

- The cooperative agreement signed on July 17, 1995 facilitates the bilateral trading relation between Vietnam and the EU in the future.

- The EU commitment to invest in Vietnam will help HCMC enhance its ability to export high-quality products.

However, the following problems must be solved in order to increase HCMC export to the EU:

- Most EU nations have set up protective tariff or high standards of goods imported, therefore exports from HCMC must be of high quality although they are given preferential treatment.

- All EU nations have taken measures to ensure commodity safety, and it's hard to meet standards required. Therefore, besides high quality, exports from HCMC must be of reasonable prices.

5. The US and Canada

After the US embargo was lifted, the US-Vietnam bilateral trade has increase fast, but the US is still a relatively small market for Vietnamese exports (only some US\$200 million worth of goods is exported annually to the US, equaling some 4% of Vietnam's total export). In 1996, HCMC exported only US\$10 million worth of goods to the US. The reason is that Vietnam hasn't been granted the MFN status so Vietnam's goods failed to compete in this market. Moreover, Vietnamese exporters are new to the US

market, and HCMC companies are still in a process of studying the US standards and market demand. At present, HCMC can export coffee, tea, spices, maricultural products, clothing, handicrafts and toys to the US. In the near future, Vietnamese well-processed food could be sold in large quantities to communities of Vietnamese and Asian expatriates in the US. If the MFN status is granted to Vietnam, HCMC export to the US will certainly increase quickly.

6. Russia and Eastern European countries

HCMC export to Russia and Eastern European countries has decreased sharply after the dissolution of the CMEA in 1991. However these markets have recovered recently. The long-standing trade relation and the presence of communities of Vietnamese expatriates in those countries will help HCMC companies increase their exports to these markets, which are ready to accept medium-quality goods. HCMC can supply rice, processed food, vegetables, coffee, rubber, clothing and handicrafts. However, doing business in these markets is risky because of high inflation rates, high degree of insolvency and difficulties in shipping of goods.

II. PLANS TO DEVELOP MARKETS FOR HCMC PRODUCTS

The following are our suggestion about plans to develop markets for HCMC products and measures to carry out them.

Plans to develop markets	Implementing measures
1. The EU <ul style="list-style-type: none"> • Market for labor-intensive industries: clothing, leather, textile, and handicrafts. • Promoting exportation of tropical agricultural products: fresh and processed fruits, and processed agricultural products. • Growing and exporting orchids. • Improving quality of maricultural products exported to the EU. • Studying exportation of toys in the near future. 	<ul style="list-style-type: none"> - Beefing up the bilateral trade relation between the EU and Vietnam. - Helping local companies to open representative offices in EU countries. - Opening negotiations at government level in order to request from the EU the GSP for Vietnam's goods besides clothing and maricultural products.
2. North America <ul style="list-style-type: none"> - Marketing products of labor-intensive industries. - Making and exporting non-electric tools, and electronic spare parts. - Making handicrafts and souvenirs to orders placed by North American companies. - Promoting export of processed agricultural products to this market, especially products consumed by communities of Vietnamese. - Studying export of toys. - Improving the ability to export information technological equipment. 	<ul style="list-style-type: none"> - Entering into negotiations at government level with a view to promoting the US-Vietnam bilateral trade relation. - Requesting the MFN status from the US government. - Encouraging Vietnamese expatriates to do business in Vietnam and help local companies to enter the US and Canadian markets. - Entering into partnership with American and Canadian companies with a view to having Vietnam's products distributed in the US and Canadian markets. - Helping local companies to open representative offices in the US and Canada. - Attracting investments from Western developed countries with a view to enhancing Vietnam's ability to export high-tech products.
3. Japan <ul style="list-style-type: none"> - Promoting exportation of well processed agricultural products. - Exporting electronic equipment with competitive prices due to cheap labor and having Japan act as an intermediary. 	<ul style="list-style-type: none"> - Receiving Japanese technologies needed for processing agricultural products with a view to making the best use of local sources of materials. - Increasing the amounts of locally-made spare parts supplied to joint ventures with Japanese companies.
4. Northeastern Asian NICs <ul style="list-style-type: none"> - Reducing export of raw materials to these intermediaries. - Exporting handicrafts and well processed agricultural products. 	<ul style="list-style-type: none"> - Entering into these markets through forming joint ventures with local companies. - Cooperating with companies in these countries to market Vietnam's goods in the EU and US markets.
5. China and ASEAN countries <p>These markets consume mainly agricultural products and processed food.</p>	<ul style="list-style-type: none"> - Controlling cross-border trade in order to struggle against smuggling and facilitate bilateral trade with these countries. - Developing export-oriented industries with a view to limiting import of manufactured goods from ASEAN countries after the CEPT comes into effect.
6. Russia and Eastern European countries <p>HCMC can sell processed food and clothing to these markets.</p>	<ul style="list-style-type: none"> - Encouraging Vietnamese companies to invest in Russia and Eastern European countries to produce and distribute goods there. - Helping Vietnamese companies to expand their business in those markets by entering into negotiations at government level.
7. African and West Asian countries <ul style="list-style-type: none"> - These countries are potential buyers for HCMC manufactured products (machines, electric appliances and electric equipment) - They can also be markets for HCMC agricultural products, souvenirs and handicrafts. 	<p>Taking necessary measures to promote Vietnam's export to African and West Asian markets.</p>