

SOME OPINIONS ABOUT EVALUATION AND ORIENTATION OF VIETNAM FOREIGN TRADE

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I. GENERAL EVALUATION OF THE REALITY OF VIETNAM EXPORT-IMPORT

By studying Vietnam export-import in the past years we can draw some evaluations as follows:

A. Strong points:

1. The turnover increased sharply as for both absolute numbers and relative ones: in 1976 (after liberation) export turnover reached only US\$ 200 million, but in 1994 this figure amounted to US\$ 3,600 million, an eighteenfold increase and average growth rate of 20%. Import turnover reached US\$ 1,004.1 million in 1976, but US\$ 4.7 billion in 1994, an increase of 470%.

2. Considerable progress were made in the structure of exports, imports:

a. The structure of exports: exports of raw products were gradually reduced, the ratio of industrial goods rose.

b. The structure of imports: imports of consumer goods were on the decrease, more and more machinery, equipment and raw materials were imported.

3. The markets of export-import are expanded: Before 1989 we mainly did business transaction with the Eastern European block and USSR, but our international markets are now enlarged. Up to the end of 1994, we had had business relations with 105 countries and signed trade agreements with above 40 countries. Vietnam major markets are Singapore, Japan, South Korea, Taiwan, Hong Kong, EU...

4. The managerial mechanism for export-import activities are more and more favorable for every economic sector. For example formerly only some State enterprises under the Ministry of Foreign Trade (the Ministry of Trade today) were entitled to directly export, import, for the time being that figure amounted to nearly 1,000, of which are many private companies. The managerial mechanism is flexible to make export-import appropriate to business situation in the country and the world, contributing to realization of the economic development advocacy of the Party and the State.

B. Weak points:

1. The scale of export is still small, the average turnover per capita is low. Our country has many advantages of natural resources, labor and geographical location. Our population ranks second in the region behind Indonesia but our export turnover was only equal to one third of Philippines', one ninth of Thailand's, one ninth of Indonesia's, one eleventh of Malaysia's, one nineteenth of Singapore's.

2. The export ratio of raw materials and unfinished

products is still high. The quality of exports is low and not uniform. Thus the selling price of our exports is cheap.

3. The import ratio of technology, high-ranking raw materials is not high.

4. The export-import markets are not stable and firm. The products are primarily exported to intermediate markets, so the business performance is poor.

5. Export-import business in domestic market is very complicated. The fact that "fight for buying, selling", enforcement of price, increase in price are popular had bad effect on production and trade.

6. The export performance of State enterprises are very poor. For example, HCMC is regarded as the most powerful exporter but the average profit rate after tax of enterprises under HCMC authorities reached only 2.3% per year, far lower than the interest of bank deposits, 8.4% at least (interest rate of call deposit is 0.7% per month).

7. Debts of export-import establishments, especially under local authorities, is too big. Lack of working capital is considered as serious illness, badly impacts on export-import activities.

8. Export-import management is still affected by the period of subsidy, for example:

- The State takes many measures to interfere in foreign trade.

- The Ministry of Trade is both a State management agency for export-import and an entity directly engaged in major exports, imports through its affiliate companies. This causes a doubt about fair play in business between export-import companies.

- The export-import development of private sector is not strong. In this sector there are many suppliers of major commodities such as rice, coffee bean, seaproducts... But they are not directly engaged in primary exports, imports.

9. The State managerial mechanism for export-import is cumbersome and not consistent. Basing on the same advocacy of the State, but ministries issued documents of contrary implementation, therefore the export-import concern feels passive in business and cannot form its stable and long-term strategy for investment and foreign trade.

10. The State has not had a consistent policy on the encouragement of export and the protection of domestic market. Many State stipulations on export-import management are rigid, but loose.

11. The potentiality of "intangible exports" has not been fully exploited through development of tourist service, international transportation...

12. The staff working in foreign trade do not have adequate skill.

II. THE ORIENTATION OF VIETNAM FOREIGN TRADE DEVELOPMENT IN FUTURE.

1. The target of foreign trade development

a. To speedily increase export-import turnover.

Plan 1: If the export-import growth rate is kept at 20% per year on average, then the export-import turnover will be attained from now to the year 2000 as expressed below:

unit: US\$ billion

1994	1995	1996	1997	1998	1999	2000
8.100	9.720	11.664	13.9968	16.796	20.155	24.186

Thus the total export-import turnover during the period 1995-2000 is US\$ 86.79 billion with a growth rate of 20% per year.

Plan 2: If the export-import growth rate is kept at 25% per year, then the export-import turnover will be

attained from now to the year 2000 as expressed below:

unit: US\$ billion

1994	1995	1996	1997	1998	1999	2000
8.100	10.125	12.656	15.820	19.775	24.719	30.899

Thus the total export-import turnover during the period 1995-2000 is US\$ 113.994 billion with a growth rate of 25% per year.

b. To improve the structure of production.

Export-import have to contribute to improving the structure of production in the direction of increasing the ratio of processed industrial exports, raising the quality of products, forming new lines of commodities both for export and reduction of raw material imports.

c. To overcome unemployment.

d. To integrate into the world economy

We should enter the world economy in the direction of diversifying markets, multilateralizing relations and strengthening the cooperation in the region.

2. The viewpoint to form the strategy for foreign trade development.

a. To consider the home market as part not separated from the world market:

- To make every condition for enterprises established in compliance with law to have authority to directly export, import since the market, domestic or overseas, should be regarded as where they do business. Only by doing so can the export-import turnover be speedily lifted.

- To make the mechanism of economic management in general, the mechanism of export-import management in particular compatible with international standard with a view to having favorable conditions when participating in ASEAN in July 1995 and in WTO in future.

- To raise the quality of goods.

b. Not to attach the State administrative management to business performance:

Administrative agencies under ministries, provinces, cities help the State to plan the strategy for development and management of branches, do not cause the fact that "referee is also player at the same time", that is, they are directly engaged in export-import as the Ministry of Trade at present.

c. To secure fair play in business between economic sectors.

d. To assure enterprises, especially State enterprises of the autonomy in trading.

The State should soon determine clearly the relation between ownership and right to manage a State enterprise by law. Rights and duties of directors who use State-owned assets to do business should be concretely stipulated.

3. The principles in making plans of Vietnam export-import development from now to the year 2000:

- Succession and leap

- Firm stabilization

- Effectiveness and thrifty.

- Integration into the markets of the region and the world

- Protection of domestic market.

4. The orientation for Vietnam foreign trade development.

a. The orientation for exports development

To produce staples for export in two stages:

The stage I (1995-1996): to keep on exporting Vietnam's staples such as crude oil, rice and agricultural products (rubber, coffee bean, pepper, cashew nut...), seaproducts, products of the labor intensive industry such as textile, garment, handicrafts, processed agricultural

products.

The stage II (1997-2000): To invest right at present to alter the structure of exports from raw material goods to processed ones, from agricultural products to industrial ones. For example:

- Crude oil, gas, petrochemical products

- To strengthen exporting processed goods from agro-forestry-fishery.

- To develop vigorously industries of textile, garment, assembly of electronic goods, machinery, truck.

- To export machinery, equipment, building materials, and traditional handicrafts.

b. The orientation of imports development

We should have the strategy on the regulation at macro-economic level with a view to implementing preferential import in the direction of importing:

- Modern machinery, equipment, advanced technology not causing pollution.

- Raw materials that cannot be domestically produced or cannot satisfy the demand.

- Technology and know-how

- Essential consumer goods of which the country is being short.

c. The orientation for export-import markets

- To reinforce trading with big markets such as American, Japan, EU, China...

- To strengthen trade cooperation with the countries in the region, especially ASEAN.

- To return to the Eastern Europe and USSR markets.

- To pay attention to markets of Middle East, Northern Europe, Canada, Australia.

d. The orientation of the organization of export-import activities

- To transform export-import corporations into groups of companies according to foreign trade line of product.

- To create capital by pushing up the process of equitization.

- To promote firmly the formation of stock market in Vietnam.

e. Some suggestions:

- In my opinion the State should make soon the master plan on Vietnam foreign trade development, streamline the apparatus of the State management agencies in foreign trade, redefine the function of the Ministry of Trade as an agency helping the State promulgate documents guiding the implementation of the State managerial mechanism in foreign trade. The Ministry of Trade should soon form the information center of market and foreign business people.

- Sublaws on tourism, trade, antimonopoly practice...should soon be issued to stabilize the trade environment.

- The State should soon set up the group studying the strategy for economic development including foreign trade. The group have to gather foreign trade experts who can forecast factors arising in future with a view to assisting the Government to lay down appropriate policies. The policies should have practical features to stabilize trade environment.

- Tax rate, foreign exchange rate are determined with a view to encouraging export and restricting import.

- The Government should invest properly in infrastructure, fund directly or indirectly to foreign trade activities.

- The external relations should be strengthened at governmental level to make favorable conditions for Vietnam entrepreneurs to enter foreign markets and enjoy the MFN status and preferential tariffs (when trading with developed countries)■