

VIETNAM'S EXPORT ACTIVITIES IN THE CONTEXT OF INTERNATIONAL ECONOMIC INTEGRATION

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In the process of building and developing the economy in our country, export has a very important role and position. For one thing, export is an important motive for economic growth that facilitates industrialization and modernization of our country, and for another thing, compared with other fields of the economy, it also suffers the first, direct, and biggest impact of changes in market forces and the world economy as well. That impact and influence never ceases to increase along with deeper and deeper process of integration of Vietnam into the world economy. The study of Vietnam's export activities in the context of international integration, the estimate of achievements and limits, the proposal of solutions to be carried out for the upcoming development, all have a specially important meaning not only to export activities but also to other aspects of the socioeconomic life. We are well aware that globalization is a trend of the present era and that the need for the development of the country requires consistent realization of the policy on international economic integration.

1. Background and process of the international economic integration of Vietnam

Vietnam was integrated into the international economy when it had a low starting point of a poorly developing country that was moving from a centrally-planned economy into a socialism-ori-

ented market economy. In this economy the production scale and level are low, the competitiveness of the economy, of enterprises as well as of commodities is also low, the system of policies and laws has not yet been perfected, the managing and trading staff still are still poor in terms of quantity and quality.

Vietnam's export business still has a lot of irrationalities such as export on a small scale, weak competitiveness of export commodities, the managing and trading level, in many aspects, has not yet met the requirements of international trading. Besides those irrationalities, Vietnam has many advantages when taking part in the international economic integration.

Vietnam's economy has potentials for development in terms of raw materials and an abundant labor force in which most laborers are still young, and a stable socio-political situation. In that background, the VCP has adopted the policy to integrate into the international economy with appropriate steps as required by the special features of the country's economy. Ever since the early years of the 1990s, together with the renovation process, VCP asserted that it should gradually help the economy integrate into the regional and global economies. In 1995, Vietnam joined the ASEAN Free Trade Area (ASEAN FTA) and has carried out in good time all commitments. To-

gether with the ASEAN, Vietnam has signed agreements to set up ASEAN free trade with China, India, South Korea, and Australia & New Zealand.

The 8th VCP Congress in 1996 put forward the task of “Speeding up the process of international economic integration” and to carry out this task Vietnam joined ASEM in March 1996, and was admitted to APEC in November 1998. The 9th Congress has confirmed the indispensability of the trend of globalization, and pointed out the possibility of making the best use of every opportunity given by the economic integration in order to avoid the risk of falling behind. Resolution 07/NQ-TW dated 27 Nov. 2001 of the Politburo has clearly pointed out the objectives, viewpoint, and various tasks that need carrying out in the process of integration. In April 2006, the 10th Congress again has confirmed, “International economic integration is an objective requirement and if we want to integrate, we should take the initiative, have appropriate and firm itinerary, and never hesitate but at same time we should not hurry either.”

After more than 11 years of preparation and negotiation, on Nov. 7, 2006, Vietnam was admitted to the WTO and officially became a member with full rights and obligations. This occurrence marked a new development in the process of deeper and deeper as well as fuller integration of Vietnam in the international economy and commerce.

After entering the WTO, Vietnam has had favorable conditions to expand its export market and has exported commodities and services to the world. It is also able to take equal part in the multilateral system of commerce, avoid discrimination, enhance socioeconomic reforms, accelerate flows of foreign investment and technologies, and have opportunities to get access to and buy commodities and services of high quality and competitive prices. After entering the WTO, together with opportunities and advantages, Vietnam still had to overcome many difficulties and challenges, one of which is the rather harsh and fierce competition with foreign enterprises not only on the international market but also on the domestic one. With potential risks in the economy and society, it is necessary to urgently renovate, supplement and perfect the business mechanism and climate.

Moreover, the management and trading staff still have limits in operating an open economy with foreign elements. Many negative aspects from outside have caused impacts on the country, and done harm to the economic, cultural, and social life which has forced us to strongly raise our resistance.

2. Vietnam's export in the context of integration and development

a. Striking achievements:

Together with the process of renovation and international economic integration, Vietnam's export business has continuously developed with new and remarkable advances in many different fields: trade, management, market expansion, product quality, commodity structure, development speed, and the quality of export as shown in the following:

- Bigger and bigger export scale:

After the economy is open, the export turnover in 1988 only equaled US\$1,038 billion; 11 years later, in 1999, it already topped the 10-billion mark reaching US\$11.54 billion. Only four years from then, in 2003, Vietnam's export turnover has reached US\$20 billion and in early 2006 it increased ten more billion, equaling nearly US\$40 billion. In 2007, after nearly one year after its admission into the WTO, Vietnam's export turnover reached US\$48.4 billion, an increase of 21% compared with 2006. In 2008, the export turnover kept increasing sharply up to US\$62.9 billion. In 2009, though VN was greatly influenced by the global financial crisis and economic recession, its export turnover still reached US\$57.1 billion, a decrease of 8.9% compared with 2008, while China suffered a decrease of 16%, Singapore, 23.7% and Thailand, 15% compared with 2008.

The ever-increasing volume of commodities and export turnover show that the export scale is more and more expanding and rapidly increasing. The quality of exports is more and more perfected, and the export activities have had new advances.

Together with the increase in export scale and turnover, the per capita export value also keeps increasing. In 2000, this figure was US\$186.5 in 2000, which ranked Vietnam among countries with a normal foreign trade. In 2004 it rose to US\$322.9, which put Vietnam in the rank of countries having a developing foreign trade.

In 2007, after entering the WTO, the per capita export turnover increased to US\$568.07 and it kept increasing in 2008, and in 2009, although the total export turnover decreased compared with 2008; but the per capita export turnover remained high. The increased per capita export turnover shows that Vietnam's foreign trade, in general, and export activities, in particular, has made very good progress and developed in a positive direction.

- Higher and higher speed of export growth:

In the process of international economic integration, Vietnam has gained a higher and higher export growth rate. In the past 10 years alone, the export turnover has increased more than five times, from US\$7.2 billion in 1966, to US\$39.8 billion in 2006 with an average growth rate of over 20%. After entering the WTO, the export growth rate in 2009 increased by over 21% compared with 2006 and over 29% in 2008 compared with 2007. These figures show that the export turnover has increased rapidly and the export scale has widely expanded.

The export growth rate has always been higher than the speed of economic growth (in GDP). In 2006, the export growth rate was 22% while the GDP growth was 8.5%. In 2008, export increased by 29% and GDP, 6.2%. The share of export turnover in the GDP increased from 29.5% in 1966 to 46.2% in 2000; 61.5% in 2005; and 67.7% in 2007. From then on, export growth compared with the GDP growth is always high (the export growth in 2008 is two times higher than the average GDP growth in the previous 10 years). The high export growth rate in comparison with the economic growth shows that Vietnam's export activities have had extremely important achievements and become a very important motive for economic development.

- Positive developments in the export structure:

The export structure experienced positive changes in which shares of manufactured goods and technological-intensive products, such as computer components, software for the IT, and specialized equipment and machinery, are steadily on the increase. From 2002 to 2008, there have been positive developments in the export structure thanks to increased investment by domestic enterprises, foreign-invested companies and impact of the international economic integration.

Currently, goods from light industries and handicrafts occupy big shares in the export structure, about over 40%, while the share of heavy and mining industries is about 30%, and that of agricultural sector is over 20%. In the total export turnover of 2009, manufactured goods accounted for 63.1%; heavy and mining industries 15% (because their export value decreased by 39.8% compared with 2008), and the agricultural sector more than 21%.

- Progressive changes in the export market structure:

These changes reflect themselves in rapid increases in exports to traditional markets and at the same time, in footholds in new markets full of potential. In 2007, Vietnam's export earnings from Asian markets amounted to US\$20.6 billion, equaling 45.4% of the total export turnover (US\$7.8 billion from ASEAN countries, or 17.3%; US\$6.06 billion from Japan, 13.4%; and US\$3.3 billion from China, 7.5%). The export turnover from European market was worth US\$9.8 billion, or 19.3% (US\$8.7 billion of which was from EU countries). The export turnover from America amounted to more than US\$10.7 billion, equaling 23.9%, US\$10.08 billion of which was from the U.S.A, or 22.4%. Export turnover from Africa was US\$115.6 million, accounting for 0.26%, and finally export turnover from Oceania was US\$3.6 billion, or 8%.

The export market structure is changing gradually. The share of American market increased from 9.3% in 2001 to 23.9% in 2007 and at the same period, the share of Oceania market rose from 6.8% to 8% while decreases were found in the shares of Asian (from 57.5% to 45.97%), European (from 25.3% to 21.7%), and African market (from 1.1% to 0.2%).

- More and more mature businesspersons engaging in export activities

There is a steady increase in export enterprises in terms of quantity and diversified structure, and more and more private and foreign-invested enterprises take part in export business. Locally-owned enterprises gained a higher export growth rate than foreign-invested ones. However, foreign-invested enterprises have a high share in export value. In 2007, one year after Vietnam joined the WTO, foreign-invested enterprises accounted for 57.4% of export value

and gained a growth rate of over 20% compared with 2006; local enterprises accounted for 42.6% and had a growth of 22.6% compared with 2006.

b. Remaining difficulties and irrationalities:

Besides positive and progressive developments, export activities still contain some inadequacies, and fail to come up to expectations; reach their full potentials and made the best use of favorable chances brought about by renovation and integration.

Many exports are produced in small quantities because of poor planning and zoning. Limited application of technical advances and new technologies has limited production in terms of both quantity and quality. At times and places, exploitation of materials for production of exports has not yet been linked with the environmental protection. Many exports are raw materials while Vietnam has to import raw and auxiliary materials for production of various exports such as clothing, footwear, software, and furniture.

In enterprises, professional expertise in export, policies, laws, and corporate culture is still unsatisfactory. In many cases, lack of cooperation between enterprises has done harm to their interests when they produce the same lines of goods and export them to the same markets. Many exports have not yet had their firm foothold in the market. Trade barriers from other countries have posed obstacles and difficulties for many exporters and Vietnam's exports as well. Vietnam's laws, policies, the regulatory mechanism, and the administrative reform have not yet supported efforts to expand international trading, integration, and export promotion. Infrastructure and technical facilities, and export services have not met the requirements of export activities that are developing more and more in the context of international integration.

The above-mentioned difficulties and irrationalities have reduced the competitiveness and efficiency of Vietnam's exports on the world market.

3. Orientation of export development and solutions

a. Orientation and objectives of development:

The resolutions of VCP 9th and 10th Con-

gresses have asserted that the direction of the socioeconomic development of the country till 2010 and the 2015 vision is to continue the industrialization and modernization so that Vietnam by 2020 basically would become an industrialized country. Changes in the structure of industry should be oriented towards industrialization and export promotion. The target growth rate is somewhere between 7.5% and 8% or higher.

In that direction, the Ministry of Industry and Trade has also carried out many researches to evaluate the past situation and to forecast the trend of development in the country as well as in the world with the purpose of predicting the development of export from now to 2015 as follows:

The objective of export development is to make the quality of growth increasingly higher and more stable and to act as a motive for economic growth, create new jobs and change the economic and labor structure.

In order to achieve that objective, we should speed up production and export of products of competitive advantages, and positively develop potential items into staple exports to enhance the efficiency of export. We should also change the export structure by increasing the export of products of high added value and increasing the shares of manufactured and technological-intensive products, and at the same time, reducing the proportion of raw material exports.

Among the above-mentioned tasks, it is necessary to put more emphasis on the quality of growth and sustainable development of export. It is also necessary to link the export growth to the environmental protection in order to raise the quality of life of laborers.

The specific objective of export in 2010 is to gain an export turnover of US\$64.6 billion with an export growth rate of over 6% compared with 2009. Of the total turnover, farm and aquatic products should account for US\$12.3 billion, achieving an increase of 5.2%; fuel and minerals, US\$8.7 billion with an increase of 1.5%; and manufactured goods and handicrafts US\$42.9 billion with an increase of 7.2 %. In the period 2011-2015, it is necessary to get a total export turnover of US\$470 billion gaining an average growth rate of about 12%. Of the total export turnover, farm and aquatic products would account for US\$84 billion, increasing by 8.3%; fuel and minerals, US\$42.7

billion decreasing by 3%, and manufactured goods and handicrafts increase by 15%. In the structure of exports, the share of farm products that reduced from 21% in 2008 to 20% in 2010 and would keep reducing to 14% in 2011-2015. The share of fuel and minerals, the two major products of which are crude oil and coal, decreased sharply from 20.6% in 2008 to 13.6% in 2010 and could reduce to 9.1% in 2011-2015. The share of manufactured goods and handicrafts that increased strongly from 58.4% in 2008 to 66.4% in 2010 is expected to rise to 73% in 2011-2015.

b. Solutions:

In order to follow that orientation and achieve the aforesaid objectives, we should carry out simultaneously a lot of solutions, including the following:

Firstly, it is necessary to:

- continue to speed up the process of changing the economic structure,
- develop production in the direction of industrialization and modernization of both industry and agriculture,
- change the regional economic structure in the direction of industrialization,
- carry out the strategy to develop key industries,
- strongly develop export-oriented industries and at the same time speed up production of exports based on local capacity and raw materials,
- develop the role of science and technology linked with the socioeconomic development and apply technical and technological advances to production,
- upgrade the capacity of infrastructure systems and supporting services for exports by encouraging

the supply of supporting services for trade, especially logistics ones, and

- adopt policies to upgrade, and invest in, infrastructure for export activities.

Secondly, it is necessary to:

- consolidate and expand the export market and concentrate on exploiting the traditional and important markets, and expand the markets sharing the same boundaries with Vietnam,
- pay more attention to and speed up researches on foreign market with a view to building up strategies, planning, directing, operating, and carrying out export business and creating suitable conditions to deal timely and effectively with favorable and unfavorable fluctuations in export markets,
- enhance the task of notification and inquiry-response about technical barriers in trading and that of the national notification and inquiry-response about epidemic hygiene and phytosanitary under WTO's regulations so as to help export enterprises overcome trade barriers from other countries and secure footholds in foreign markets,
- renovate and upgrade the effectiveness of trade promotion for export by building and carrying out well the national trade promotion programs, and at the same time emphasize the task of building up trade mark and specific trade promotion activities carried out by enterprises,
- develop the role and potentials of Vietnamese agencies, organizations, and individuals in foreign countries in trade promotion,
- increase public expenditures on trade promotion, and encourage private participation in trade promotion to develop export markets,
- make the best use of advantages gained from

bilateral agreements (FTA) and link the export markets to the import markets so as to speed up export and reduce the trade deficit, and

- speed up negotiations with other countries in order to sign bilateral agreements on phytosanitary, and food hygiene and safety, especially with key export markets such as the USA, Japan, South Korea, Singapore, Australia, and New Zealand, in order to create favorable conditions for export enterprises in reaching standards of phytosanitary, food hygiene and safety for farm and aquatic products.

Thirdly, it is necessary to:

- keep raising continuously the quality of exports and the competitiveness for export enterprises,

- rationalize the production process, enhance productivity and quality, and reduce the production cost,

- apply and realize the product quality standards imposed by Vietnam and international community,

- enhance checking and control over production and circulation of exports,

- besides improvements in product quality, carrying out the following measures in order to raise the corporate competitiveness in export activities:

- + change the state support for enterprises banned by the WTO to other forms of support permitted by this organization, such as support for corporate trade promotion, supply of market information; training courses; and better public services, and reform in administrative procedures,

- + initiatively check and adjust policies and management mechanism which are not suitable to the open policy,

- + refrain from increasing the import duties on raw materials needed for production of exports,

- + shorten the time of customs clearance,

- + simplify the procedures for tax return for imported materials used for production of exports,

- + create a dynamic competition climate

- + speed up the privatization and remove monopolies.

Fourthly, it is necessary to:

- reasonably and effectively solve the relations of export development with economic orientation in the period of industrialization and moderniza-

tion, the science and technology level, policy and measures to promote export, infrastructure and services for export, standards and regulations about the environment on production of exports, competitiveness of products and export enterprises, monetary and currency policies, and policy and measures to ensure export safety; and the relation between domestic markets and foreign ones,

All the above-mentioned problems are factors that determine the growth and the quality of export growth. In building up laws and policies, and in directing, regulating and organizing export activities, whatever the situations may be, even if they are financial crises, economic recession, and other complicated upheavals in the international life, the government should solve reasonably and effectively those problems in relation to export development.

Fifthly, it is necessary to:

- continue to reform the economic management with a view to reducing direct intervention of the government in economic activities, in general, and in export in particular,

- enhance the working ability and the role of the trade associations in consulting and criticizing the policies and management mechanism in order to protect the interests of producers and traders in export activities,

- carry out democratization in order to develop the dynamic and creative elements in the economic life,

- enhance the use of new regulatory and control instruments, and

- continue to renovate and perfect the law system in order to make it more suitable to the market mechanism and international conventions, and especially suitable to the WTO' regulations.

Together with the above-mentioned package of solutions, it is necessary to have specific solutions for each line of exports. If that whole system of solutions is implemented well, it would contribute a lot to realization of the orientation and objectives for the export business in the process of international economic integration from now to 2015, thus creating a motive force for the economic growth at the service of the industrialization and modernization of the country■