Measures to Reduce Vietnam's Trade Deficit in 2001-2010 Period

by Dr. NGUYỄN VĂN SĨ

After ten years of *đổi mới*, the Vietnam's economy has changed into a market one and step by step integrated in the world economy.

Globalization and international integration have become increasingly crucial to Vietnam. The country is making great efforts to reach a status of industrial one by 2010 as planned by the Government. Starting from an underdeveloped agricultural country, Vietnam is badly in need of huge capital to import advanced technologies. It is therefore required to boost export in order to make great reserves for import in its process of national industrialization and modernization. To do this task, export activities are a requisite and important factor in the country's balance of current accounts and balance of payment. The main component of current accounts is balance of trade. As a result, the surplus in current accounts always depends on that in trade balance. The deficit in trade balance will lead to that in balance of current accounts. So the balance of trade plays a decisive role to current accounts and balance of payments. Before 1991, the deficit in the balance of trade was 1.5 to 3.6 times the export value.

The above table shows the Vietnam's trade balance has been improved so far. Its export sales increased quite fast from 1992 to 1996. However, its growth declined from 1997 due to effects of the Asian financial crisis. In the meantime, the annual import value was always higher than that of export. This resulted to a trend of deficit in trade balance but it also satisfied urgent requirements in investment and production and helped to boost the country's productivity. Nevertheless, the country fell in short of foreign currency for import and thus increased its foreign debts. To solve this problem, the government should study to deliberate over domestic currency devaluation and measures to enhance export. The foreign exchange rate and GDP are impacts on export growth and also an effective financial instrument for macro-economic management. The central bank has implemented positive steps in its forex control, for example, regulations on commercial banks' deposits of foreign currency and enterprises' sales of their foreign currency to banks. The Government's effective policies on forex con-

Table 1: Vietnam's import-export values and trade balance from 1991 to 2001

Year	Total export and import values (US$ mil.)	Export		Import		Trade balance (US$ mil.)
		(US$ mil.)	Growth (%)	(US$ mil.)	Growth (%)	
1991	4,425.2	2,087.1	-13.18	2,338.1	-15.05	-251.00
1992	5,121.4	2,580.7	23.65	2,540.7	8.67	40.00
1993	6,909.2	2,985.2	15.67	3,924.0	54.45	-938.80
1994	9,880.1	4,054.3	35.81	5,825.8	48.47	-1,771.50
1995	13,604.3	5,448.9	34.4	8,155.4	39.99	-2,706.50
1996	18,399.5	7,255.9	33.16	11,143.6	36.64	-3,887.70
1997	20,777.3	9,185.0	26.59	11,592.3	4.03	-2,407.30
1998	20,859.9	9,360.3	1.91	11,499.6	-0.80	-2,139.30
1999	23,283.0	11,541.0	23.3	11,742.0	2.11	-201.00
2000	30,120.0	14,483.0	25.49	15,637.0	33.17	-1,154.00
2001	31,189.0	15,207.0	3.76	16,162.0	3.36	-1,135.00

Source: *2001 Statistics Yearbook*

trol have curbed inflation, stabilized domestic currency value and narrowed trade deficit. Also in the 1991-2001 period, the country's GDP growth was rather high thanks to liberal policies on business and production and good performance in export.

In the Vietnam's strategy of socio-economic development in the 2001-2010, the Government has set the following goals: to build infrastructures for an industrial country and develop a market economy, and create favorable conditions for fast and sustainable growth.

To reach these targets, foreign trade should be oriented as follows:

- to boost export of products from the heavy industry and mining; as well as aqua-products because the country has a lot of comparative advantages in aquaculture; at the same time, to improve processing technique, product quality and give support to producers of goods for export.

- to expand export markets and make good forecasts of each market demand and customers' taste.

- to reduce the trade deficit by import substitution.

- to stimulate export by renovating policies on:

+ easing forex control in favor of export activities;

+ cutting off tax rates following the commitments to AFTA;

+ attracting foreign investment by offering more incentives to foreign investors, especially to projects on manufacturing goods for export;

+ promoting competitiveness of Vietnam's goods by innovating technologies, lowering product prices, and heightening product quality up to international standard; and

+ reforming administrative procedures to facilitate export activities.■