

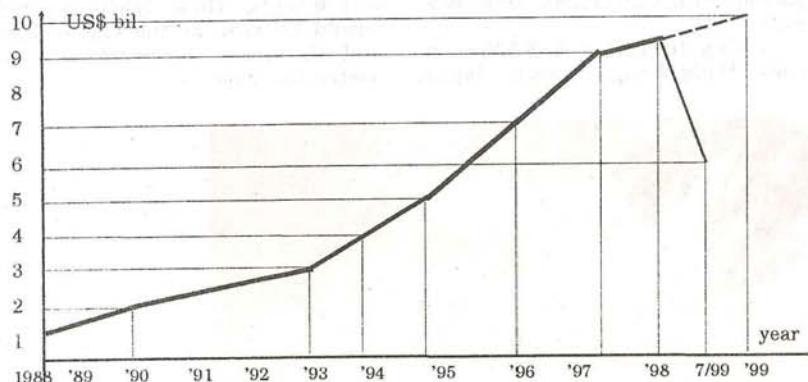
# MEASURES TO EXPAND MARKET AND PROMOTE EXPORT

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There are only four months for Vietnamese exporters to obtain the target of US\$10 billion worth of exports this year. This means that Vietnam should export some US\$4 billion worth of goods in the last four months of 1999. The problem

Vietnam's export business has developed constantly and made the export earnings approach the US\$10-billion mark as shown in the following figure.

Figure 1: Export value in the years 1988-1999



Source: Ministry of Trade

facing us now is how to expand market and promote export.

## 1. Export in the past decade

In the past twelve years, correct policies adopted by the Government and joint efforts of business circle helped Vietnam, for the first time in its history, earn US\$1 billion in export in 1988. From then on, the Vi-

The figure 1 shows that the export value increased year after year, although its speed is somehow unsteady. In the years 1988- 1993, the growth rate was low because the traditional market for Vietnam's export, including the former Soviet Union and East European bloc, collapsed and Vietnam started to mar-

ket its goods to Western countries. In the period 1993- 1997, the export value increased miraculously by 30% a year. In 1998 and the first half of 1999, the export value rose slowly and tended to slow down because of many reasons (natural disasters, Asian financial crisis and bad performance of the export business). From April 1999 on, the export value showed an upward tendency. In the first seven months of the year, the export earnings reached US\$6,166 million, increasing by 12.2% in comparison with the same period last year and surpassing the target set for the year (a 7% increase). This achievement is due to many facts:

- Asian economies, especially Thailand, Japan and South Korea, started to recover from the financial crisis and increase their import.

- The EU offered favorable treatment to Vietnam's exports. From July 1999 on, the EU applied the preferential tariff system to exports from Vietnam (certain goods used as raw materials are even exempted from customs duties).

- Measures to promote export introduced by the Vietnamese government started to produce good results. For example, Decree 57/CP allowed all companies to export and

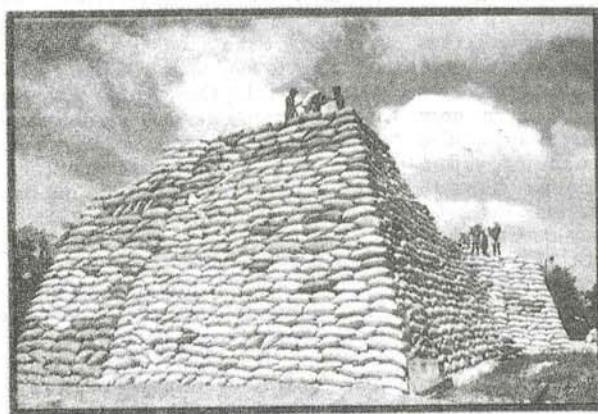


Table 1: Ten leading export items from Vietnam In 1994 -1998

	1994	1995	1996	1997	1998
Clothing (US\$ mil.)	496	850	1,150	1,349	1,351
Crude oil (1,000 tonnes)	6,940	7,650	8,705	9,574	12,145
Rice (1,000 tonnes)	1,983	1,988	3,000	3,553	3,749
Footwear (US\$ mil.)	122	296	530	965	1,000
Sea products (US\$ mil.)	551	621	697	781	818
Coffee (1,000 tonnes)	176	248	284	389	382
Computer & Electronics (US\$ mil.)					474
Rubber (1,000 tonnes)	136	138	111	194	191
Cashew nut (1,000 tonnes)			17	33	26
Coal (1,000 tonnes)	2,070	2,820	3,650	3,449	3,162

Source: General Departments of Customs and of Statistics

Table 2: Ten leading export items from Vietnam in the first seven months of 1999 (US\$ mil.)

Item	Value
Crude oil	8,244
Rice	2,851
Coal	1,880
Clothing	910
Footwear	827
Sea products	534
Computer & Electronics	313
Coffee	233.4
Rubber	115.2
Handicrafts	91.3

Source: Ministry of Trade

import goods and services and gave bonuses to successful exporters. Of course, we couldn't forget the effort made by all exporters to gain a foothold in foreign markets.

There is a feeling of optimism when looking at the increase in export value. We may change our opinion when considering what our exports and markets are.

#### a. Vietnam's exports

Up to now, some 60% of Vietnam's export earnings come from sale of minerals, crude oil and farm products, and the rest from manufactured goods (footwear, garments, etc.) produced according to subcontracts given by foreign parties. (See table 1, table 2)

These tables show that Vietnam will suffer great losses if it keeps on exporting raw materials and unprocessed products because their prices on the international market never change in its favor. In a decade, prices of unprocessed goods usually rise by 1-2% a year while those of manufactured goods rise by 5-6%. If

Vietnam fails to change the structure of exports, improve their quality and reduce the production cost, it will see not only the market for its exports narrow, its export earnings fall, but also its domestic market be flooded with foreign goods.

#### b. Vietnam's trading partners

The number of Vietnam's trading partners has increased remarkably. The 20 leading partners of Vietnam up to 1998 are as follows.

The Table 3 shows that Singapore is the biggest trading partner of Vietnam when considering the trade value but main markets for

Table 3: Vietnam's 20 leading trading partners (US\$ mil.)

	1994			1997			1998		
	Bought from VN	Sold to VN	Trade value	Bought from VN	Sold to VN	Trade value	Bought from VN	Sold to VN	Trade value
Singapore	594	1,146	1,740	1,157	2,075	3,232	1,100	2,420	3,520
Japan	1,179	586	1,765	1,615	1,428	3,043	1,390	1,460	2,850
Taiwan	220	396	616	780	1,391	2,171	650	1,360	2,010
South Korea	86	721	807	352	1,556	1,908	220	1,400	1,620
China	296	144	440	521	409	930	470	460	930
Thailand	97	226	323	223	569	792	260	640	900
Germany	115	149	264	396	281	677	540	340	880
Hong Kong	197	319	516	473	608	1,071	330	500	830
U.S.A.	95	44	139	273	416	689	470	330	800
France	117	240	357	228	548	776	280	330	610
Australia	46	64	110	181	196	377	330	220	550
Indonesia	35	116	151	48	200	248	280	250	530
Philippines	4	15	19	211	36	247	350	60	410
U.K.	65	19	84	256	103	359	310	90	400
Russia	90	289	379	120	159	279	230	164	394
Malaysia	65	66	131	147	217	364	102	240	342
Holland	61	25	86	251	50	301	290	50	340
Switzerland	28	26	54	318	146	464	260	76	336
Belgium	15	9	24	114	79	193	190	65	255
Italy	20	34	54	111	98	209	112	90	202

Source: General Department of Statistics

Vietnam's exports, in order of importance, are Japan, Singapore, China (including Hong Kong) Taiwan, Germany, U.S.A., Philippines, Australia, Holland, Thailand, Switzerland, U.K., Indonesia, France, Russia, South Korea, Belgium, Italy and Malaysia. According to the Ministry of Trade, the value of Vietnam's export to these markets increased fast in the past few years, from 58.7% of the total export value in 1994 to 87.2% in 1998. Besides these leading markets, the value of Vietnam's export to other new ones, such as Ukraine, West Asia, Belarus and Tajikistan has also risen in recent years.

Taking a closer look at these markets, we can see great potential for further development of Vietnam's export to the following:

#### - ASEAN

After joining this bloc, the trade relation between Vietnam and other members developed faster. Statistics from the Ministry of Trade show that up to mid-1999, the ASEAN bloc represented 22% of Vietnam export value and 32% of import value. Vietnam sells rice, crude oil, coffee, sea products, footwear, clothing, rubber and handicrafts; and buys fuel, steel and iron, fertilizer and car spare parts. Because Vietnam and other members have the same

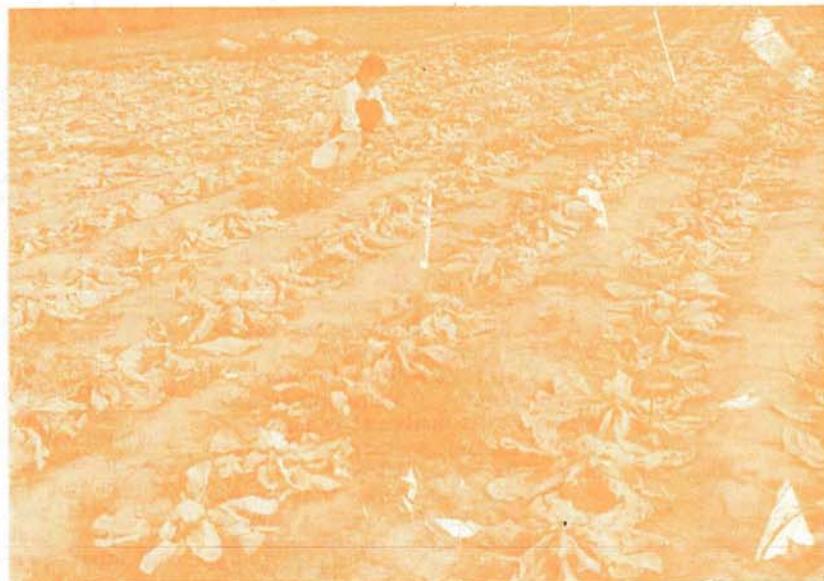
comparative advantage while their industries are better developed, Vietnam meets with keen competition from these countries with the result that the Vietnam's trade gap is on the increase (around US\$1.2 billion a year). This situation forces the Government, Ministry of Trade and exporters to find measures to improve the international competitiveness. By 2003 when the CEPT is applied, Vietnam will certainly meet

This is a big, highly competitive and demanding market. In the past four years after the U.S. - Vietnam relation was normalized, the bilateral trade has developed well and the U.S. - Vietnam trade value reached some US\$1 billion a year. Vietnam sells coffee, crude oil, footwear, sea products, clothing, vegetable and rice to the U.S. and buys machines and various kinds of raw materials.

international methods of controlling the quality and productivity.

b. Supplying detailed information to exporters

One of difficulties facing exporters is the shortage of information about foreign markets. To help solving this problem, the Government had better provide exporters with such information, especially about 68 countries that have offered preferential treatment to Vietnam,



with more difficulties in competing with these partners.

- Japan

Japan is an important trading partner of Vietnam and second only to Singapore. Its trade value with Vietnam in 1998 reached some US\$3 billion. In the past, Vietnam usually enjoyed a surplus in trading with Japan but it is on the decrease now. Vietnam exports farm products, sea products, clothing and crude oil to Japan and buys machines and technical materials.

On May 26, 1999, the Japanese Government extended the MFN status to Vietnam and thus facilitated the development of trade relation between the two countries. It's expected that the value of Vietnam's export to Japan will reach US\$5.1 - 5.4 billion by 2005.

To achieve this target, Vietnamese exporters should:

- + beef up the quality management control, and
- + study distribution channels in Japan and Japanese businesspersons' tastes in order to work out ways to adjust to them.

- The U.S.

The upcoming trade agreement between two governments will lead to bright prospect of better trade relation.

To make the best use of this new opportunity, Vietnamese companies should try hard to enhance their competitiveness in order to enter and gain a foothold in this market.

Studying other markets, such as the EU, Russia and China, we saw that goods from Vietnam are poorly competitive and couldn't bear comparison with their foreign counterparts. To solve this problem will be central to our effort to promote the export.

## 2. Measures to expand the market and promote the export

a. Improving the quality and reducing the production cost

This is the most important measure to promote the export. Companies should make intensive investments, import modern technology, beef up the management mechanism, improve the labor productivity, practice thrift and enhance their public image. Particularly, they had better apply

through mass media, publication, workshops, etc. Moreover, fee charged for the use of the Internet could be lowered with a view to encouraging companies to browse through the Internet for necessary information or open websites to present themselves to potential customers. The problem is to help exporters get a better understanding of foreign markets, and then, sell what buyers need, instead of what the exporters have.

c. Training a new army of managers

The new army of managers should include businesspersons who have managerial skills, strong will, knowledge of foreign languages and enough courage to deal with difficulties and foreign competition.

d. Carrying out trade promotion activities

The Government should establish a National Center for Trade Promotion with a network of branches in economic centers all over the country to direct and help export companies develop their businesses.