EXPORT IN THE FIRST THREE QUARTERS OF 2001 AND MARKET PREDICTION FOR 2002

by MEcon. LÊ NGUYỄN HẢI ĐĂNG

1. Vietnam's export in the first three quarters of 2001

In 2001, although the Government reduced the planned growth rate of export from 16% to 14%, equaling an export value of US$16.35 billion, (as compared with the growth rates of 24% in 2000 and 23.3% in 1999, this target is modest) the target seem beyond our reach by the end of September and especially after the terrorist attacks on September 11 in the U.S. The target forces companies and governmental bodies to make great efforts to achieve it.

Up to the end of August 2001, the Vietnam's export value reached US$10.45 increasing by 12.4% as compared with the corresponding period of 2000. In September, however, the export value was estimated at US$1.25 billion, decreasing by 7% as compared with the previous month. This is the lowest growth rate in the period from June to September and it makes the growth rate of export in the first three quarters fall to 10.5% as compared with the same period last year, equaling 69.5% of the planned target. Changes in prices were a main reason for falls in the export growth rate. Price elasticity of demand for Vietnam's exports is very small because most of its exports are semi-finished. The export of Vietnam's staple products in the first three quarters met with difficulties caused by falls in prices on the world market (exporters sold more and earned less: coffee sold 40.6% more and earned 18.7% less; black pepper 51.4% more and 39.5% less; cashew nut 26.1% and 12.9%; and rice 16.5% and 1.3%) or by narrower market for such exports as garment, footwear, vegetable and handicraft. Only the export of aquatic products maintained a rather high growth rate.

To achieve the planned target, according to the Ministry of Trade, Vietnam should export in the last quarter US$4.694 billion worth of goods, or US$1.565 billion a month, a level that is US$270 million higher than the average for the first nine months and US$264 million higher than the monthly average for the fourth quarter of 2000. With decline in foreign trade and a worsening situation of the world economy after the "Black September 11", the task of achieving an export growth rate of 14% for the year 2001 is a great challenge to export companies and relevant governmental bodies as well.

2. The world economy after the "Black September 11"

Before the terrorist attacks on the U.S., the IMF reduced the estimated growth rate of the world economy from 3.6% suggested at the beginning of the year to 2.7%. The economic recovery predicted for 2001 could only take place in 2002.

In this year, American and Japanese economies, the world's two biggest ones, experienced strong recession. Domino effect of the American recession since the third quarter of 2001 caused many economies and regions to fall into doldrums. According to the IMF estimates, the American growth rate would fall from 4.1% in 2000 to 1.3% in 2001, the Japanese from 1.5% to – 0.5% and the EU from 3.4% to 1.8%.

The American and Japanese recession produced unfavorable effects on East and Southeast Asian economies that had been dependent on export, especially to those two markets. Bad effects on East Asia and ASEAN were also seen in the financial market. Firstly, the worsening Japanese economy limited the ability to lend of Japanese banks and reduced the liquidity of Asian financial markets. Secondly, dramatic falls in prices of securities in American stock markets led to similar falls in securities prices in Asian markets.

The latest IMF predictions say that the growth rates of four ASEAN economies would fall seriously from 5% in 2000 to 2.4% in 2001, or more exactly from 4.8% to 3% for Indonesia; from 8.3% to 1% for Malaysia, from 4% to 2.5% for the Philippines and from 4.4% to 2% for Thailand. The ABN-Amro Bank (Holland) also presented more pessimistic views on growth rates of some Asian economies. Experts from this bank estimated the growth rate of Hong Kong in 2001 at –0.2%; Malaysia –0.4%; Singapore –2.3% and Taiwan –3%. As for South Korea, its growth rate for 2001 was estimated at 2.7% before September 11 and after that it was reduced to 1.3%. The estimated growth rate for 2002 was also reduced from 5.5% to 1.6%. ABN-Amro experts say that the American recession could make the recession period in Asian economies last for at least two quarters.

The economic recession in main export markets of Vietnam produced bad effects on Vietnam's export. The GDP of Japan, the Vietnam's biggest trading partner, is estimated to fall by 0.5% this year. This means that their demand for Vietnamese exports will decrease along with Japanese investment in Vietnam. The same situation will happen to Singapore, our 4th biggest buyer, and Taiwan, the 6th biggest buyer.

The fact that the EU growth rate is estimated to reduce from 3.4% in 2000 to 1.8% in 2001 also makes Vietnam's efforts to promote export of clothing to this market become fruitless.

According to IMF estimates, the world economy will rise again in 2002 but the growth rate in most countries will be lower than in 2000 (the world 3.5%, the U.S. 2.2%, Japan

0.2%, the EU 2.2% and ASEAN-4 4.1%). These estimates, however, were publicized before September 11 and they didn't take impact of this drama on the world economy into account. Moreover, the economic prediction will be more pessimistic when the U.S. and NATO wage a war on terrorism. Eddie Wong, an economist from the ABN-Amro Holding, seems much more pessimistic when he said that no Asian economies, except China and India, could gain a growth rate of 3% in 2002.

3. Predictions of export markets in 2002

In such a situation, Vietnam will meet with great difficulties in achieving its export target. The following are some of them:

a. The U.S. is the biggest market representing some 30% of the world import. When this country decides to cut import, nations exporting goods to the U.S. in large quantities (they are also main buyers of Vietnamese goods) will cut their import accordingly. In the first half of the year, American import reduced by 10% and import of consumer goods by 13.7% with the result that export to the U.S. from Taiwan fell by 27%, from Japan by 26%, from Singapore by 24% and from South Korea by 17%. Total export to the U.S. from South Korea, Taiwan, Malaysia and Singapore in the 4th quarter of 2001 is estimated to fall by 20-40% as compared with the same period last year. Statistics presented by the Vietnamese Ministry of Trade by the end of July show that Vietnam's export to those markets made no increase and even slowed down. This trend and unfavorable effects of the September 11 terrorist attacks will make Vietnam's export to these markets keep falling.

b. The fall of the dollar after September 11 will affect unfavorably the Vietnam's export in the near future because some 80% of export and import value of Vietnam is in the dollar. When the export earnings represent over 50% of the GDP, decrease in export value means a lower growth rate in the last quarter.

c. Although the Vietnam- U.S. trade relations haven't been fully developed, the U.S. became the 6th biggest export market for Vietnam (following Japan, China, Australia, Singapore and Taiwan) in 2000 and replaced Taiwan in 2001. If the American economy keeps on declining in the last quarter of 2001 and in 2002 as predicted by the IMF and JP Morgan Bank (USA), its demand for Vietnamese exports will certain fall considerably. The export of many Vietnamese goods met with troubles right after September 11: many containers were sent to warehouses, import contracts delayed. This situation, along with falls in the dollar after September 11 caused Vietnamese companies, especially exporters of farm products, to suffer losses to the tune of millions of dollars.

These data show that the Vietnamese economy, and export business in particular, in the last quarter of the year looks gloomy. The steep fall in the export value in September is only the first sign of decline. To keep the export growth rate at 14% for 2001 as planned, therefore, seems a daunting task for Vietnam.

According to the Ministry of Trade, the nearest target for companies is to maintain their market shares because there is no hope of increasing them, and at the same time, pay full attention to stable markets, although small, as substitutes for the main ones. These markets include Russia, the EU and regional economies.

Structure of exports should be adjusted to changes in prices in the world market in order to make the best use of Vietnam's comparative advantages and promote sales in main markets. For example, Vietnam had better increase the export of crude oil and rice in the last quarter because the demand for these commodities, especially in Middle West, Africa and Europe, will increase for security purposes when the war broke out. As for goods with bright prospects, such as coffee, aquatic products and vegetable, companies should try to increase export and at the same time, maintain the export of footwear and garments.

To assist export companies, the Ministry of Trade petitions the Government to form the Export Bank, allow export companies to form their own fund for export, and offer incentives to production of exports based on local raw materials. The Ministry also suggests applying a flexible salary scale based on resources of each state-owned company in order to encourage them to engage in the export business. Export companies should try their best to reduce the production cost with a view to enhancing their competitiveness. In this effort, however, they need help from governmental bodies and appropriate policies from the Government ■