



VIETNAM'S TRADE PERFORMANCE IN 2007-2011

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Outline

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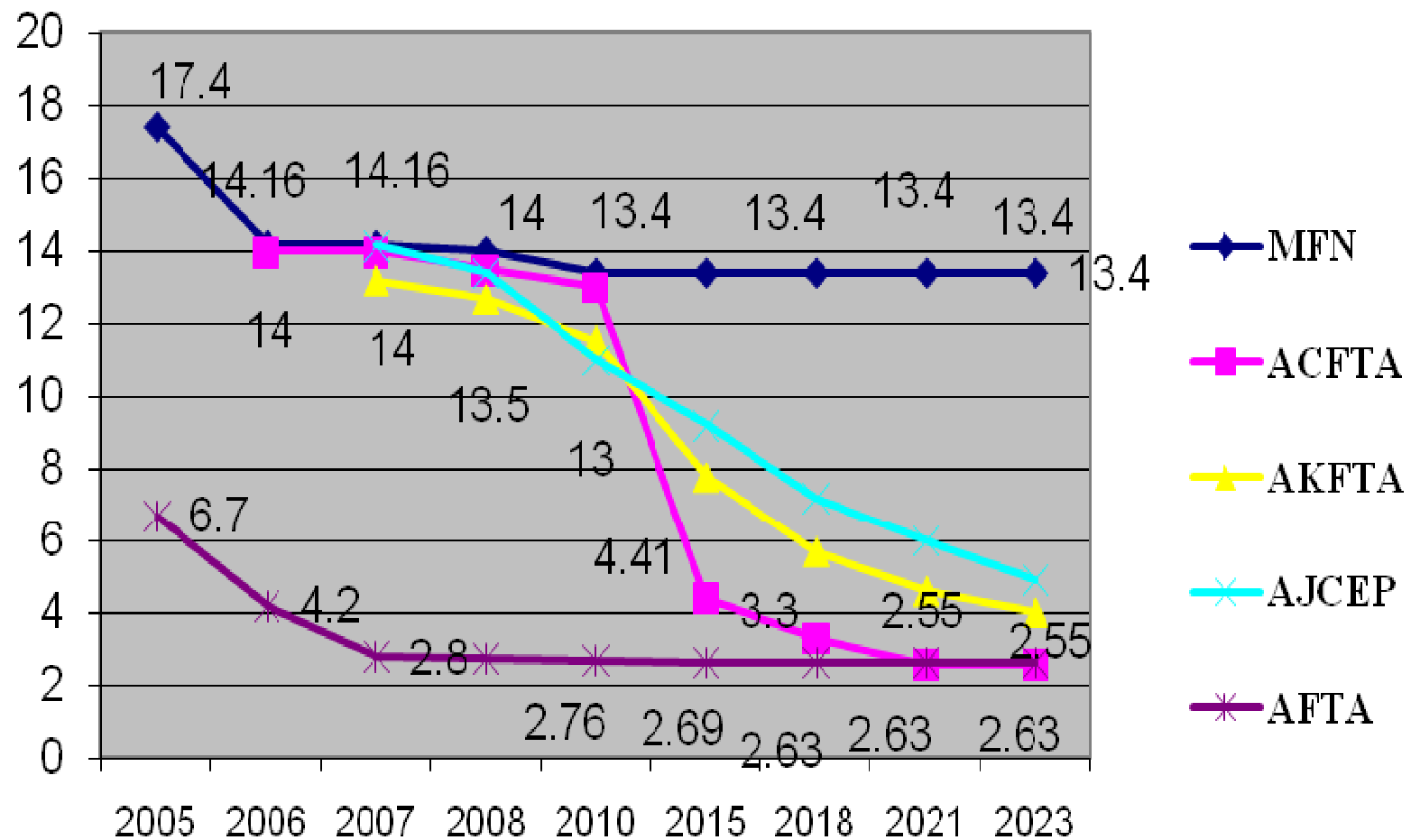


Introduction

- “Open-door policy” and international economic integration are indispensable and interrelated with domestic reforms.
- Alongside international economic integration, trade (including both import-export and domestic trade) has significantly contributed to VN’s socio-economic development, esp. since 2000.
- International economic integration creates both opportunities and challenges for VN in improving export competitiveness and transforming imports into domestic production capacity.
- Trade activities considerably affected by volatility in the global economy since 2007 (financial crisis, economic recession, public debt crisis in Europe, etc.) as well as difficulties of domestic economy.

Trade commitments under the WTO and FTAs

VN's roadmaps for tariff reduction under selected FTAs



- WTO commitments on services: 11 service sectors with 110/155 sub-sectors (broader than other signed FTAs).
- Commitments on other areas: Business rights, investments, etc.
- FTAs bring about huge opportunities for market access, exports and investment attraction (especially when trade partners tend to liberalize more rapidly or provide more preferential treatments) → utilization capability? (trade facilitation; ROO and TBT requirements; distribution network linkages as well as improvement of enterprises' competitiveness)
- Competition will become more and more intense to VN enterprises, especially beyond 2015 (When ERP is significantly reduced) → responses of enterprises and the Government's facilitating roles?



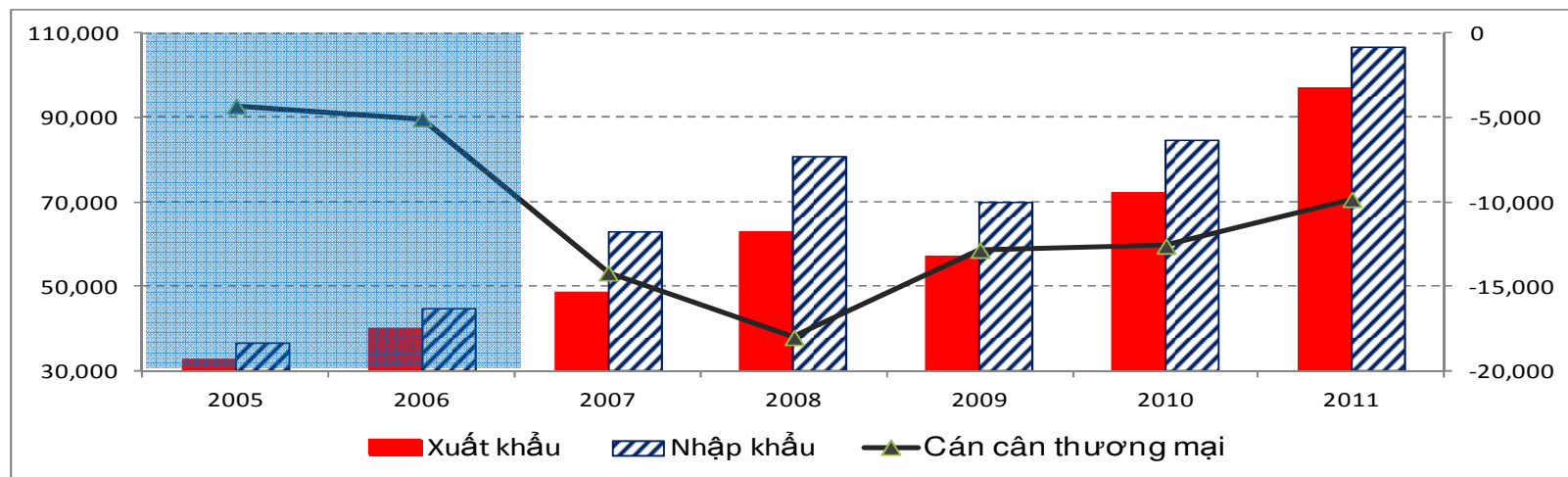
Trade performance

- Imports and exports increased in 2007-2008, only decreased in 2009 before going up again since 2010.
- Exports: 2006: \$39.6 bil. 2011: \$96.9 bil. (average: 19.5% p.a.); as percentage of GDP: grew from 65.2% to 79.0%;
 - Export growth mainly driven by global trade expansion; *and* liberalization and competitiveness improvement, while the WTO accession has insignificant impacts. Nominal devaluation did not help increase export.
 - Export increasingly concentrated on relatively new markets (China+Korea, due to regional FTAs), together with traditional markets (ASEAN, US, EU, Japan) → better meet needs and requirements of partners, though export markets not diversified.

- Export structure is quite similar to those of China and ASEAN.
- Shares of consumer goods and intermediate goods increased, while that of crude oil decreased. However, agricultural, natural-resource-intensive and/or labour-intensive products still have comparative advantages

Kim ngạch xuất, nhập khẩu và nhập siêu giai đoạn 2005-2011

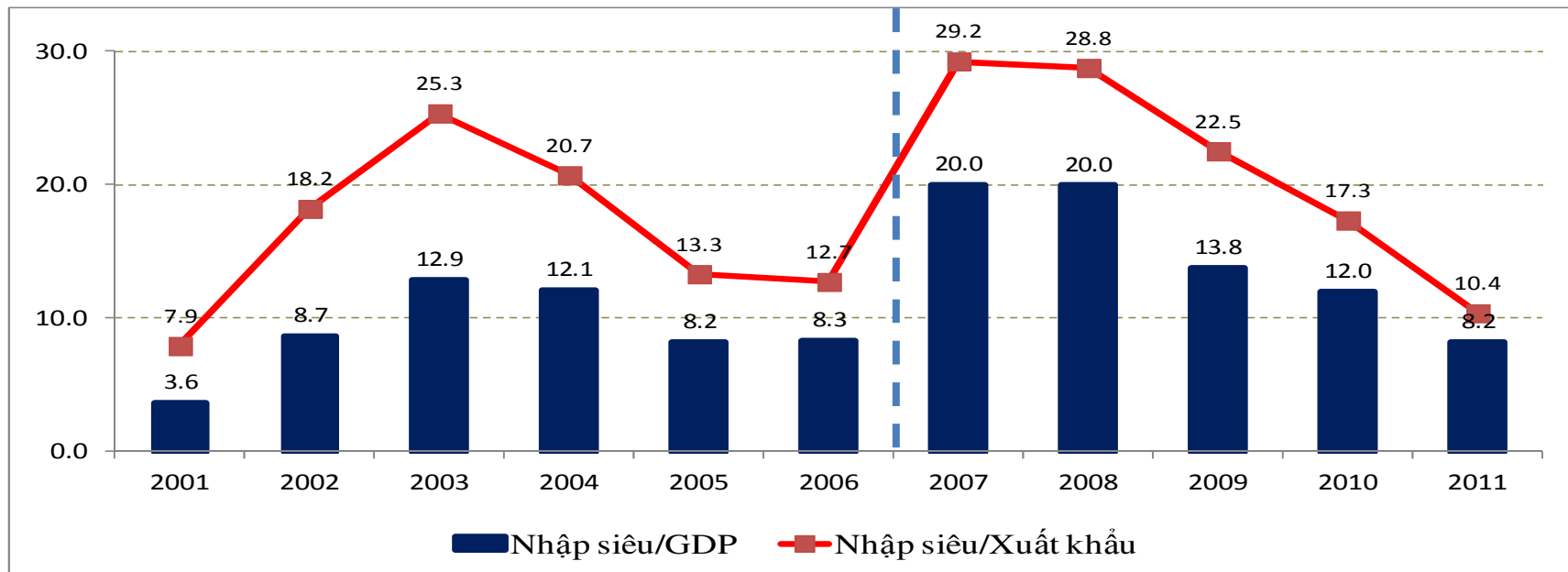
Đơn vị tính: triệu USD



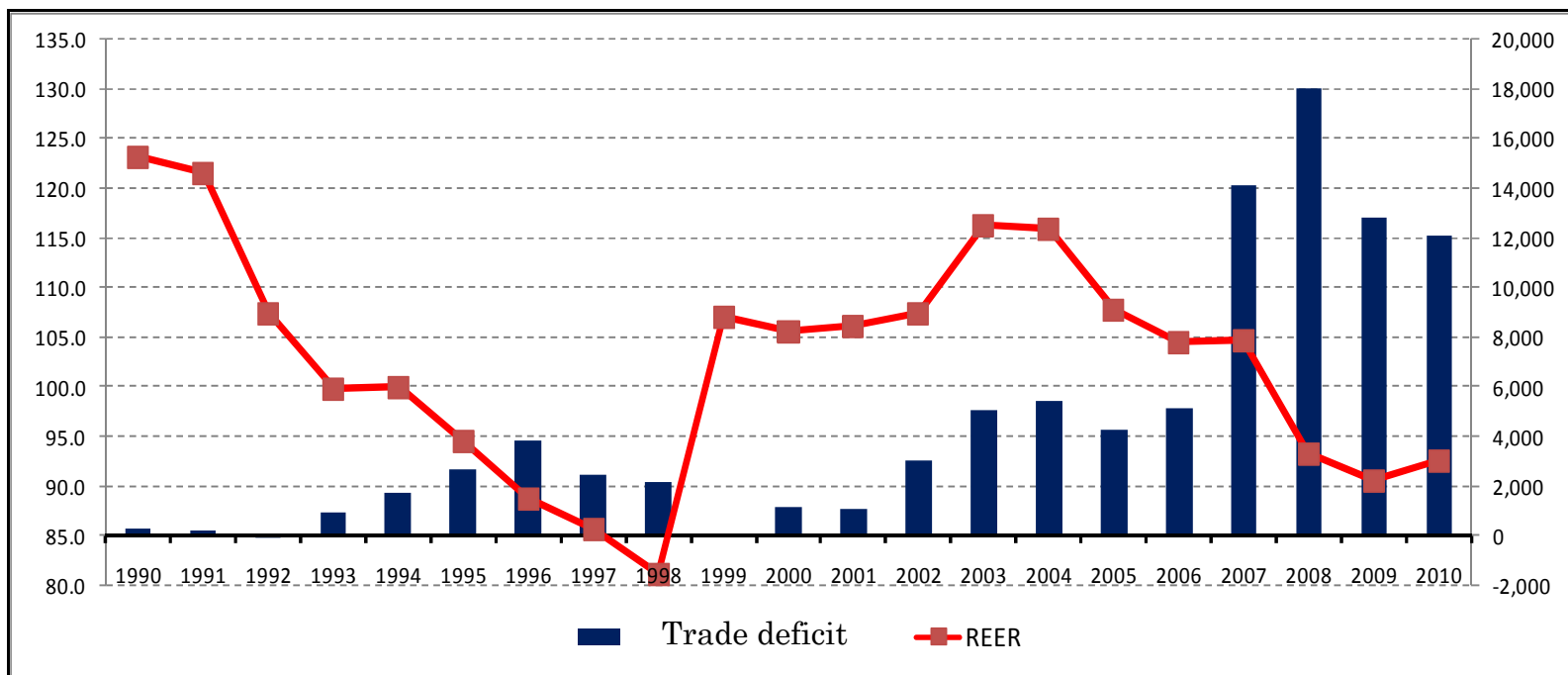
- Imports: 2006: \$44.9 bil.; 2011: \$106.7 bil. (average: 18.9% p.a.); as percentage of GDP: 87.1% in 2011;
 - Imports expanded rapidly immediately after joining the WTO, albeit slowing down recently (due to domestic economic hardship + capability to control imports). Other factors: nominal exchange rate + FDI.
 - Imports mainly came from several key markets (accounted for about 72-77%). Imports from China grew most considerably, and accounted for the largest share of VN's import value.
 - Share intermediate goods is largest, despite slight decrease (2006: 62.4%; 2011: 58.7%). The proportions of capital goods and consumer goods recovered.



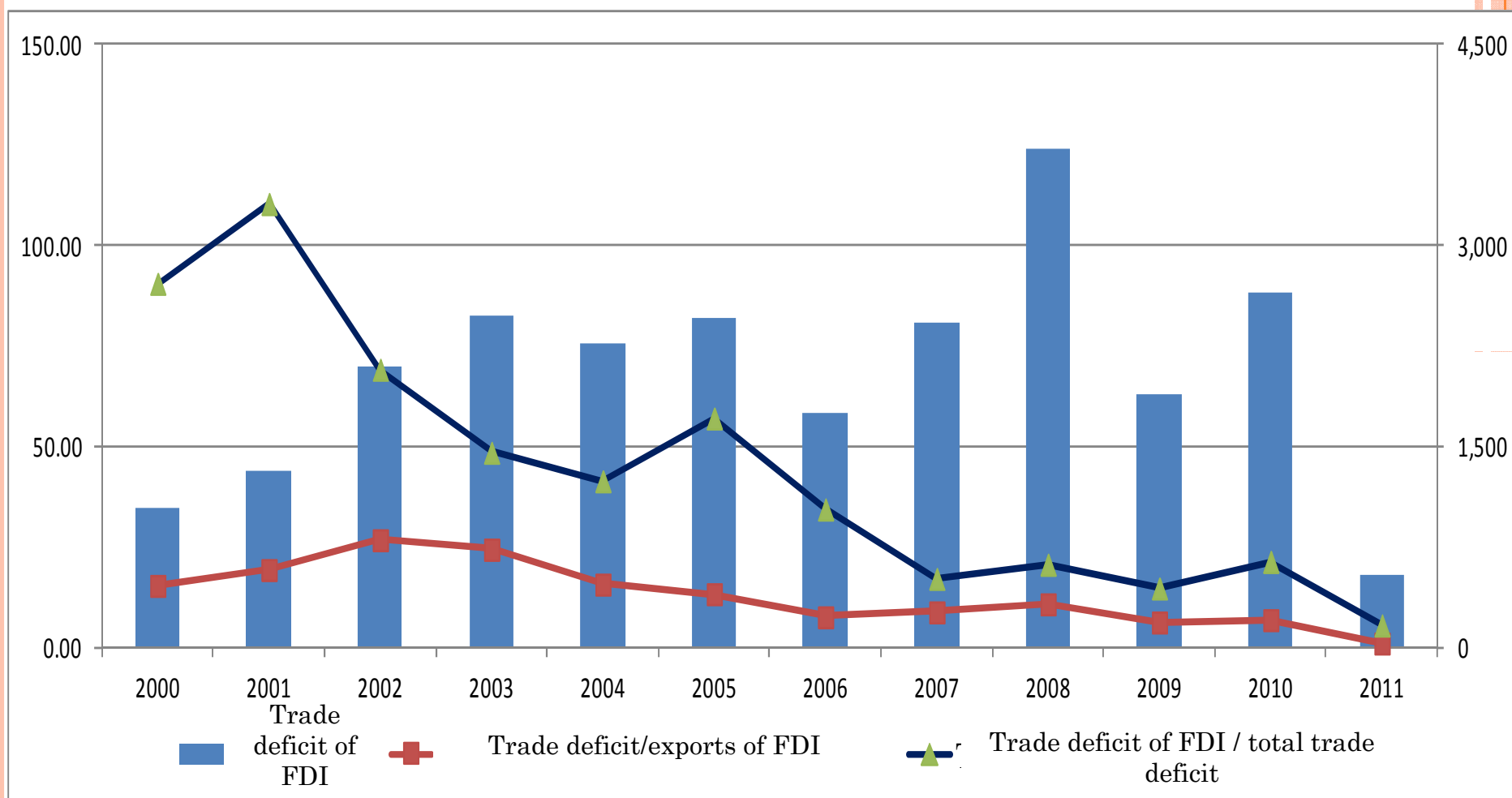
- Trade deficit: continuously widened until 2008, and narrowed since 2009 (mostly because of domestic economic downturn).
- At the expense of trade deficit, export-oriented production capacity of VN improved very insignificantly in 2007-2008, but has showed improvement recently.
- Trade deficit, especially since 2007, was closely related to considerable domestic savings-investment gap, macroeconomic (fiscal, monetary, exchange rate) and trade policies



REER and trade deficit in VN, 1990-2010



Trade deficit of FDI sector (excluding crude oil)



Domestic trade

- Retail sales of goods and services increased continuously (even excluding price increase).
 - Including price increase: change insignificantly compared to pre-WTO accession, though still higher than inflation.
 - Excluding price increase: on average, increased 12.8% p.a. in 2008-2011;
 - Domestic trade boosted even in 2009 → foundation to maintain and foster production.
 - Few structural changes: mostly contributed by non-state sector; by industry: focused on trading (77-79.4%).
 - Attractiveness of domestic retail market was undermined recently (because of slow economic development + difficulty in expanding retailing scale)

Lessons

- To maintain a favourable, effective and low cost investment environment is among key factors for trade promotion. Foreign enterprises constitute an important substance for a more competitive market for exports, imports and domestic trade.
- Positive effects from trade will rise in long-term if supporting industries are developed accordingly, thereby creating foundation for developing key industries and/or export-oriented ones.
- Trade policy innovation is necessary to meet new contextual requirements, but trade policy need to be transparent and predictable while insufficiencies of trade policy development and implementation should be solved.




- Trade is no longer a purely economic issue, but increasingly affected by geo-political factors. Thus, relation among nations and partners should be more adequately identified.
- Import and export activities need to be closely linked with domestic trade through reorganizing enterprises and markets of services sectors that link imports-exports and domestic trade.
- Assessing impacts of international trade agreements should be carried out with multi-dimensional perspective, and through an adequate period of time to appropriately identify how management capability has changed.



Context and Policy recommendations

Context and prospects

- Global economy expected to recover (slightly), and unpredictable. Economic and export-import expansion mainly occurs in developing countries (especially in Asia). Commodity prices are still high, but may decrease in the coming years.
 - VN economy predicted to encounter many difficulties. Growth relatively low, at least until 2013. Imports and exports continue to rise, while economic restructure is initiated. FTA negotiation and implementation are under way. ODA will be less preferential.
 - International economic integration (including FTAs) may create both negative and positive impacts, but net impacts on VN economy will be positive. Benefits will be greater if international economic integration is coupled with domestic reform. Financial risk and macroeconomic instability should be taken into consideration.
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Principles

- Trade policy has to be harmonized and consistent with other policies;
- Amend scope and concept of trade policy (market, industry, value chain);
- Strengthen regulatory capacity in order to sufficiently, precisely and scientifically design and implement necessary protection measures within the framework of VN's commitments;
- Targeting consumers and strengthening consumers' confidence;
- Review import and export tariff structure on inputs and outputs (inter-sectoral thinking);
- Establish alliance among strategic industries.



Policy orientation on import-export

- Improve import-export management mechanism;
 - Increase added value of exports, reduce export of raw materials;
 - Promote linkages between material suppliers with export enterprises, improve preservation and processing facilities;
 - Ensure stable production and consumption capacity of key aqua-agricultural products;
 - Improve capacity to forecast supply-demand and prices in the international market;
 - Strengthen cooperation with important export partners;
 - Facilitate trade activities.



Policy orientation on import-export (cont.)

- Implement effective and rational investment policy in order to improve export and control import;
- Exchange rate policy should help maintain competitiveness of VN's goods in international market (and also to stabilize the macroeconomy);
- Guiding and controlling import.



Policy orientation on domestic trade

- Strengthen confidence of households and individuals (macroeconomic stabilization + supervision of goods' quality).
- Restructure domestic retail market, especially in industries with SOE participation toward a more competitive and effective market.
- Quickly finalize master plan on developing domestic distribution system.



Policy orientation on domestic trade (cont.)

- Support economic entities of all ownership types to improve distribution system, facilitate the establishment of large distribution enterprises of VN that have modern facilities, sufficient competitiveness and are able to lead the market.
- Encourage the establishment of enterprises jointly owned by material producers, manufacturers with distributors.
- Pay attention to develop market in rural areas.
- Develop e-commerce and logistics services.



Thank you!

