# TRADE IN VIETNAM

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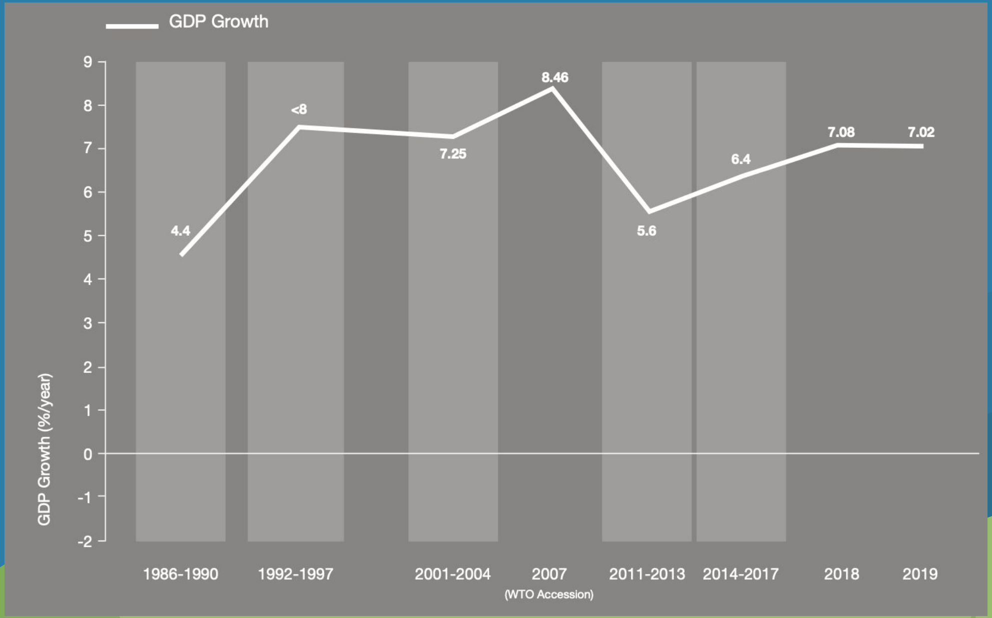
# OVERVIEW

## ECONOMY

### Doi Moi Effect

Over 30 years since Doi Moi (in 1986), Vietnam's economy has grown from being one of the poorest in the world to one of the rising stars of the emerging markets, according to the World Economic Forum (WEF).



# OVERVIEW

## Country Profile

*Vietnam's economy continues its fast growth driven by free trade agreements (FTAs) with major developed countries and increasingly deregulated business environment*

### Vietnam's Status

Strategically located at the centre of Southeast Asia with convenient access to commodity and cultural exchange.

A stable political environment, and an attractive business environment with high incentives for foreign investors.

Competitive production cost compared to neighboring countries.

16 FTAs with major developed markets.

A youthful and vibrant country with digitally-savvy and well-educated workforce, a developing culture of entrepreneurship, and openness to new ideas.

Fast growing economy with GDP growth projected to be between 6% to 7% during 2016-2019 period.

Overview

Identification of Key Issues and Challenges

Policies and Legislation

Role of Various Development Actors

Lessons Learned

Conclusion

# OVERVIEW

## Vietnam: The road to integration

### 1986 — DOI MOI (RENOVATION)

"Đổi mới" were initiated in Vietnam with *a goal of creating a "socialist-oriented market economy".* The country started to *open up to foreign investment and trade*

### 1993 — WORLD BANK, IMF, ...

Partnerships with the World Bank, IMF and others, *made important contributions to Vietnam's remarkable socio-economic development* over the past few decades

### 1995 — ASEAN & US-VIET RELATION

- Vietnam has forged new bilateral and multilateral relations within ASEAN
- Vietnam and the U.S. announced the formal normalisation of their diplomatic ties, followed by *booming trade volumes between the two countries*

### 1998 — APEC

*A big step forward* in Vietnam's efforts in multilateralization and international economic integration, *leading to a positive impact on Vietnam's development and reforms*

### 2007 — WTO ACCESSION

The accession to the WTO *opened a wide door for the country to enter the global playground* with bilateral and multilateral *free trade agreements.*

WTO led the economy to gradually *increase the GDP contributions of industry and services while at the same time reduce the dominant share of agriculture*

# OVERVIEW

## Vietnam: The road to integration

### 2008 — VJEPA

The Agreement between Vietnam and Japan for an Economic Partnership (VJEPA), *leading to the positive economic consequences* for both countries

### 2015 — AEC

ASEAN Economic Community (AEC) led the region *move from a less developed region to a prosperous and dynamic region*

### 2018 — CPTPP SIGNED

Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) *opened up new opportunities for trade* and create more motivation to reform its economic institutions and business environment

### 2019 — EVFTA

The EU - Vietnam Free Trade Agreement (EVFTA) and the Investment Protection Agreement (EVIPA) is expected to bring new opportunities for market diversification and help *Vietnam to reduce its reliance on certain trade partners*

### 2020 — EVFTA Ratification

The deal was ratified by the European Parliament. The European Commission has described the EVFTA as the most ambitious free trade deal. *EVFTA is believed to give much-needed boost to Vietnam's industries, such as manufacturing, and create new motivation for exports post COVID-19 pandemic*

# IDENTIFICATION

## THE TRADE LICENSING SYSTEM

Prior to the reforms, all trade transactions were handled by state-owned trading firms that had a monopoly on some goods.

## QUOTAS

In order to protect domestic manufacturers, the government announced a series of import controls on a number of essential consumer goods in 1997.

## TARIFFS

Average tariff rates have decreased in recent years, Vietnam's tariff system also has a range of flaws.

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# IDENTIFICATION

## EXPORT PROMOTION

Produced only limited success for reasons ranging from the restrictive investment environment to poor management.

## BUSINESS COMMUNITY

The SOE's present a specific problem partly relating to the need to increase their competitiveness in international trade and thus reduce costs and overheads with management often unused to competition.

## GOVERNANCE

→ Considerable investments in information and training

→ Developing and enhancing capacity in monitoring and policy analysis of the complex relations between increasing international trade

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# POLICIES AND LEGISLATION

## Doi Moi and Vietnam's Open Door Policy

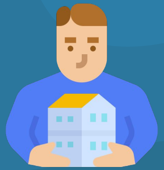
The development strategy focused on achieving central control of the economy and expanding heavy industry at the expense of light industry. The key components of the Doi Moi Policy can be outlined in four major keys.

### 01

→ Reversal of the socialist industrialization model giving priority to heavy industry, and placing a new emphasis on agriculture and light industry

### 02

→ Acceptance of a market economy and introduction of measures to ensure that the market mechanism could work



### 03

→ Acceptance of private ownership

### 04

→ Adoption of an 'open door policy' in foreign economic relations

# POLICIES AND LEGISLATION

## Asia-Pacific Economic Cooperation

Vietnam has formed efforts to build economic, commercial, and political relations with other countries since the beginning of open door policy. As an ex-isolation country for a long period, The country seems to put its interest on integrating into the international community.

### Agreement on Textile and Garments

The agreement was officially signed in 1996, leading to the expansion of Vietnam's exports of these products to EU countries.

### IMF and the World Bank

The contract gave the opportunity for Vietnam to access the world's capital markets.

### US embargo

The U.S joined the Vietnam War to stop communism from spreading, but foreign policy, economic ambitions, and strategic agendas all played a part.

# Asia-Pacific Economic Cooperation

## ASEAN

Vietnam was formally admitted as the seventh member, which can be deemed as an important step in Vietnam's integration into the world economy

## Common Effective Preferential Tariffs (CEPT)

Vietnam has comply with the tariff reduction program in 2006

## APEC

Vietnam has increasingly developed its business regime as part of its renewal process in order to promote comprehensive incorporation into the global economy.

## WTO

Joining the WTO in 2007, which is considered a vital step toward achieving Vietnam's long-term goal, let Vietnam boost its economy.

# ROLE OF VARIOUS DEVELOPMENT ACTORS

## THE VIETNAM TRADE PROMOTION AGENCY (VIETRADE)

The Vietnam Trade Promotion Agency (VIETRADE) is a Vietnamese government agency in charge of national trade policy and investment promotion for business and trade growth.

Their ***vision*** and ***dedication*** are as follows:

➔ Success for enterprises

➔ Trade development

➔ Optimization of every resource

Main ***activities***:

- Providing trade support organizations and businesses with **market knowledge**
- Cooperating with ***domestic and foreign*** organisations to promote trade and investment for the growth of industry.

# ROLE OF VARIOUS DEVELOPMENT ACTORS

## ENTREPRENEURS AND BUSINESSES EMERGE IN VIETNAM

In 2019, the number of ***newly licensed businesses*** rose by **29.4%** over 2008

- ➔ Almost all of them were **privately owned** and controlled by **foreigners**
- ➔ State-owned businesses made up just **2%** of the overall number of businesses at the time.
- ➔ In 2003, Vietnam had **5,600 state-owned** companies and **150,000 commercial** businesses.

**The Ho Chi Minh City Securities Trading Center**

- ➔ Vietnam's **first** stock exchange
- ➔ The number of businesses listed on the exchange had **grown to 28** by the spring of 2005
- ➔ with a combined market capitalization of just **US$270 million**
- ➔ Vietnam launched the **Hanoi Securities Trading Center**, an over-the-counter exchange, in March 2005.

# THE GOVERNMENT IS THE MOST ESSENTIAL OF VIETNAM ECONOMICS

## OPERATIVE POLICIES

**the trade licensing system**

- the licensor can more easily enter the market
- this system was clearance to state-owned enterprises and foreign firms

## INOPERATIVE POLICIES

**the tariff**

- it would take time to get an investment certificate
- the highest rate applies to the luxury goods and consumer goods

## THE ROLE OF VARIOUS DEVELOPMENT ACTORS

this open approach has been combined with effective residential agricultural development

# CONCLUSION

Since the end of Indochina war Vietnam faced several challenges and Doi Moi in the solution

Vietnam economic reform makes them one of the most successful country in emerging countries.

# THANK YOU