



**EE361 ECONOMICS OF CLMV COUNTRIES**  
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**Opportunities and Challenges of Vietnam's Rice Export Sector, 1986 - 2020**

**GROUP 2**

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## **Background**

Agriculture has historically been a key sector of the Vietnamese economy, employing a large portion of the country's population and contributing significantly to its GDP. Today, Vietnam is one of the world's leading agricultural exporters, with key products including rice, coffee, seafood, and rubber. In recent years, Vietnam's overall economic performance has been strong, with GDP growth averaging around 6-7% annually. The country has benefited from a combination of factors, including its growing export-oriented economy, low labor costs, and strategic location as a gateway to Southeast Asia. Rice is the most important crop in Vietnam's agriculture. It is grown principally in the Red and Mekong river deltas.

During the period of 1989-2020, rice export in Vietnam was important for several reasons. First, it contributed significantly to the country's economic growth, as exports of rice generated valuable foreign exchange earnings and supported rural livelihoods. Second, it helped to increase Vietnam's global profile as a major agricultural exporter, contributing to the country's overall reputation and influence in the international community. Third, it played an important role in addressing food security concerns in other countries, particularly in Asia, where rice is a staple food. Finally, rice export helped to promote technological advancements and productivity improvements in Vietnam's agriculture sector, as farmers and producers sought to increase their yields and quality to meet export demand.

There are 4 main important events of rice export in Vietnam between 1989-2020. To begin with, in 1986 Embark doi moi, the start of rice export in Vietnam, pushed Vietnam to middle income status at an impressive rate. What is more, in 2012 the price of rice in the world market declined sharply, causing the price of rice to export in Vietnam fall dramatically as well. Additionally, Vietnam faced difficulties caused by fluctuation in exchange rate which made the purchasing power of import countries declined in 2016. Lastly, the impact of climate change affects rice production and decreases the competitiveness of Vietnam.

As Vietnam is a country that prioritizes rice production and exports. While exporting rice brings many benefits to the country's economy, Vietnam has also encountered several challenges and issues in the process.

## Key issues and challenges

Before 1986, Vietnam's economy was struggling and facing a number of significant challenges. Vietnam had recently emerged from a long and devastating war with the United States, which had left the country with a weak economy and an infrastructure in need of significant investment and reconstruction. The economic system in place at the time was a centrally planned system, modeled after the Soviet Union, in which the state controlled most aspects of the economy. This system was characterized by low productivity, inefficiency, and a lack of incentives for innovation and growth. The state-controlled economy was also heavily bureaucratic, with many regulations and restrictions that made it difficult for private enterprise to thrive.

As a result of these economic challenges, Vietnam was one of the poorest countries in the world, with low living standards, limited access to goods and services, and high levels of poverty. There were also significant shortages of basic necessities such as food, clothing, and housing. In addition to these economic challenges, Vietnam was also facing political and social instability, with a government that was struggling to maintain control in the wake of the war. Corruption was rampant, and there was a lack of trust between the government and the people.

Table 1. Volume, turnover, average price of rice exports of Vietnam in the period 2010 - 2020

Year	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Volume (million tons)	6.9	7.1	8.0	6.6	6.3	6.6	4.8	5.8	6.1	6.4	6.2
Turnover (billion USD)	3.2	3.7	3.7	2.9	2.9	2.8	2.2	2.6	3.1	2.8	3.1
Average export price of rice (USD/ton)	465	514	458	444	464	426	449	453	501	441	499

Source: Data collection and processing from the General Statistics Office

### **Table1: Volume, turnover, average price of rice exports of Vietnam in the period 2010-2020**

In 2012, the price of rice in the world market declined sharply, causing the export price of Vietnam's rice to decrease to US\$458/ton compared with US\$514/ton in 2011.

In 2016, the purchasing power of China, which accounts for nearly 35 percent of Vietnam's export volume, is declining. In addition, the export of Vietnamese rice is facing

difficulties caused by fluctuations in exchange rates. The depreciation of the euro is expected to affect exports to Africa, while the weak yuan also discourages Vietnamese businesses from shipping more rice to China. A decrease in prices of Thai rice is also putting pressure on Vietnamese rice exporters.

The impacts of climate change, sea-level rise, drought, disease, and strict market requirements on standards, food safety, and environmental protection are very high because rice is a sensitive commodity, many countries tend to be self-sufficient in rice, limiting imports. Some countries apply technology and science to rice production to improve productivity. This makes the rice market very competitive, not only in the world market, but Vietnamese rice is also under competitive pressure in the domestic market (especially in big cities) with Thailand's rice. The quality of exported rice is still low, the percentage of rice above 15% broken still accounts for 36%.

In conclusion, Vietnam encountered numerous challenges during the period between 1986 and 2020, including a weak economic structure, fluctuations in exchange rates, declining prices, intense market competition resulting in price cutting, climate change, and low technological advancement. Consequently, the government played a crucial role in implementing appropriate solutions to address these challenges, thereby ensuring the maintenance and improvement of Vietnam's economic situation.

## **Government/State Strategies, Policies and Legislation**

In 1986, Doi Moi policy was implemented and aimed to solve economic problems by transitioning Vietnam's economy from a centrally planned system to a market-oriented system that emphasized private enterprise and foreign investment. The policy has been widely regarded as a success, with Vietnam experiencing rapid economic growth and development since its implementation.

In order to increase market's competitiveness, the Vietnamese government is implementing a range of strategies to address the challenges facing its export sector, which includes reducing reliance on China as the main export destination by exploring other markets, promoting the development of value-added products to increase competitiveness, supporting rice farmers by providing subsidies and assistance in finding new export markets, and investing in improving infrastructure such as ports and roads to reduce transport costs and increase efficiency in the export sector. By taking a comprehensive approach, the government aims to promote sustainable economic growth in Vietnam. Moreover, the government provides financial support to rice farmers, such as subsidies and low-interest loans, to improve production and reduce costs. The government also provides financial support to rice exporters to promote exports and reduce costs. They also implement policies that support foreign investors to attract foreign investors to invest in the country, so they can produce and export more. They also increased diversification of exports to many more countries, so Vietnam can explore markets beyond the Philippines, Malaysia, Indonesia, and China to reduce its reliance on a few countries. To stay competitive in the global market, Vietnam also focuses on improving its agricultural productivity, reducing production costs, and ensuring product quality meets international standards.

the Ministry of Industry and Trade continues to actively and regularly coordinate with the Ministry of Agriculture and Rural Development, which is assigned to assume the prime responsibility for concentrated production, drastically and synchronously deploying solutions related to restructuring on the rice industry, improve the value and quality of Vietnamese rice, and build and develop the Vietnamese rice brand.

Rice exporters, as well as farmers, need to actively improve their knowledge of FTAs; actively research and well implement documents guiding the implementation of FTAs of the Government and related ministries and sectors, especially EVFTA, RCEP...; proactively prepare capacity and source of goods, improve competitiveness through building long-term and methodical plans, improve production and business capacity through application of science and technology to increase product value. Enterprises need to learn and apply existing successful models to have the best preparation when facing competitive pressure in the domestic market.

## **Conclusion**

In conclusion, agriculture has historically been a significant sector of the Vietnamese economy, contributing to the country's GDP and employing a large portion of the population. Rice export has played a crucial role in Vietnam's economic growth and has benefited the country in various ways, such as generating foreign exchange earnings, increasing the country's global profile, addressing food security concerns in other countries, and promoting technological advancements and productivity improvements in Vietnam's agriculture sector. However, Vietnam has encountered numerous challenges and issues in the process, including a weak economic structure, fluctuating prices, intense market competition, climate change, and low technological advancements. The government has implemented various policies and strategies to address these challenges, such as reducing reliance on China as the main export destination, promoting value-added products, providing subsidies and assistance to rice farmers, and investing in infrastructure improvements. By taking a comprehensive approach, the government aims to promote sustainable economic growth in Vietnam.

Based on the analysis and lessons learnt of the challenges faced by Vietnam's rice exports and the emphasis placed on agriculture, it becomes apparent that agriculture holds a crucial position in the economy of the country. This observation aligns with the lesson content of the course, which highlights the susceptibility of agriculture to adverse weather conditions and the need for technological advancements to address this vulnerability. In this context, countries with superior technological capabilities are better positioned to gain a competitive advantage in agriculture. Furthermore, agriculture plays a crucial role in ensuring food security, particularly for developing countries that rely on it as a means of subsistence.

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