

EE361/EE363 ECONOMICS OF CLMV COUNTRIES
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Trade in Vietnam

GROUP 4

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The overview contains
several highlights and
key points that can be
developed further.

The issues and challenges sectors
provided a good start but need
to be elaborated further.
However the policies sectors as
well as lessons learned is
still weak and need
to be linked to
issues and
has.

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Topic Selection : Trade in Vietnam

Overview :

After the 20 years Vietnam war (Second Indochina War) ended in 1975, the country was considered as one of the poorest countries in the world. By the 1980s, GDP per capita remained between \$200 and \$300, considering the government's subsequent five-year central plans as weak. However, the year 1986 led the light into Vietnam's economy again by embarking economic reforms. The government introduced "Đổi Mới" (Doi Moi), which is a series of economic and political reforms, and steered the country to become a socialist-oriented market economy. According to the open door policy (Doi Moi), it set down the foundation for the flow in foreign direct investment (FDI) to inflow in the 1990s, particularly from East Asian countries.

The trade-related reform seems to be the key integral of the open door policy, leading to economic growth afterwards. To specify, Hongkong, Taiwan, Singapore, and South Korea became the top investors in Vietnam, regarding the industry of services, light manufacturing, and hotel and tourism. This economic rise incident can be explained by three main factors according to the World Bank. First, Vietnam embraced trade liberalization with pleasure. Second, the country has enhanced the external liberalization with domestic reforms through deregulation and lowering the cost of conducting business. Last thing is that Vietnam has invested majourly in human and physical capital, principally through public investments. Today, Vietnam's economic rivals China from almost 7 percent economic growth, not to mention the value of the export. As stated above, now, Vietnam is one of the leaders of the emerging markets countries.

Identification of Key Issues and Challenges:

Vietnam's international exchange was mostly dependent on ruble barter arrangements with other CMEA1 participants under the central planning regime, and it was subject to the state's tight supervision and coordination. Numerous restrictions still remain, particularly in the form of non-tariff barriers aimed at protecting domestic industries.

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. The system was initially revised to allow individual firms to obtain a trading permit if they met the necessary criteria, but authorization was still required for each individual shipment.

Quotas

Quotas In 1989, Vietnam drastically restructured its complex system of quantitative restrictions that applied to all imports. Except all import quotas were eliminated, and the number of products subject to quota restrictions was reduced in subsequent years. However, depending on market demand, temporary import bans on certain consumer goods may be imposed.

Tariffs

Vietnam's tariff structure still has several problems. First, tax rates are complex and subject to frequent and frequent adjustments that create uncertainty and discourage long-term investment by the private sector. Another problem is that tax cuts for luxury items are often accompanied by high excise taxes.

Export Promotion

They can only build on their limited success. For reasons ranging from a limited investment environment to poor management.

Government/ State Strategies, Policies and Legislation:

1. Doi Moi and Vietnam's Open Door Policy ✓

A vital turning point of Vietnam derived from the flagging of the establishment of renovation, Doi Moi, and the adoption of an open door policy in the 1980s. 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:

1. Reversal of the socialist industrialization model giving priority to heavy industry, and placing a new emphasis on agriculture and light industry
2. Acceptance of a market economy and introduction of measures to ensure that the market mechanism could work
3. Acceptance of private ownership
4. Adoption of an 'open door policy' in foreign economic relations.

With regards to the Doi Moi policy, the foreign investment and trade regime became one of the first targets of reform. A new Law on Foreign Investment combined with several amendments that followed, created a relatively favorable environment for foreign investors.

2. Apec and its implications

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 :

Followed by initiating diplomatic relations with the US in 1995, given rise to commercial relations between Vietnam and the US.

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 was admitted in 1997, providing closer cooperation with APEC members. This opportunity flagged the basis of formulated concrete plans for trade liberalization in the future.

WTO :

Joining the WTO in 2007, which is considered a vital step toward achieving Vietnam's long-term goal, let Vietnam boost its economy. For example, improved access to world export and capital markets enhance Vietnam balance payments.

Being a part of these organizations directly impacts trade policy of Vietnam in many aspects. These communities shape Vietnam's policies to invest more on human capital, focus on expanding heavy industry at low cost, and embrace trade liberalization, leading to positive impact economics towards today.

The Role of Various Development Actors

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:

P.s. link these with key issues & problem sector.

— need to discuss more

- Other actors?*
- Private sector*
- Business owners*
- Government*
- Workers?*

- Proposing projects and strategies to the government for the improvement of industry support activities, national branding strategies, and investment in manufacturing and trade development
- Providing trade support organizations and businesses with market knowledge
- Performing market research and study in order to establish national trade promotion policies
- Providing assistance to Vietnamese and international businesses in discovering market prospects, clients, suppliers, and partners by dispatching trade missions abroad, hosting foreign business missions in Vietnam, and arranging business meetings, workshops, and conferences for Vietnamese and international businesses.
- All commercial advertising activities, sales promotion activities, and trade fairs in Vietnam are controlled in collaboration with relevant authorities.
- Managing the National Branding Program and assisting Vietnamese companies in creating, promoting, and securing their product brands.
- Managing the National Trade Promotion Program in collaboration with relevant authorities;
- Assisting and directing local industry and trade agencies, trade support organizations in Vietnam, and international trade representative offices in trade and investment promotion for industry development;
- Offering trade and investment promotion training to Vietnamese companies and trade support institutions in order to facilitate industry growth.
- Producing trade and industry-related television shows;
- Cooperating with domestic and foreign organisations to promote trade and investment for the growth of industry.

these are
not linked
to the main text

Lessons learned?
Conclusion?