

The situation of trade relation between Vietnam and ASEAN

Nhung Thi Thai

In 1988, a year before the Soviet Union collapsed, the 13th National Congress of the Communist Party of Vietnam adopted a resolution to have ‘more friends and fewer enemies’. So it was not surprising when Vietnam expressed interest in joining ASEAN as early as 1992, or when it did in fact join in July 1995. Joining ASEAN had crucial social, political, economic and security implications for Vietnam. Vietnam’s membership of the grouping integrated its security with the whole of Southeast Asia and created a favourable environment for economic development. This, in turn, raised Vietnam’s global image, leading to increased cooperation with multiple players in the region and greater bargaining clout with super powers like the United States and China.⁵

Vietnam has undertaken domestic changes to integrate itself with the grouping. The country has gradually restructured its administrative apparatus to suit a market economy. A year after joining ASEAN it reorganized its bureaucracy by creating a National ASEAN Committee, to be headed by the deputy prime minister. This body is responsible for coordinating all the institutions that interact with ASEAN or ASEAN-affiliated bodies. It also established an ASEAN Department in its Foreign Ministry.⁵ In a result, the success of Vietnam – ASEAN relationship is reflected in the growth of Vietnam–ASEAN trade. According to Nhan Dan Online, trade between Vietnam and ASEAN countries sees steady growth.⁴

1. Exports

Exports in Vietnam averaged 4763.88 USD Million from 1990 until 2016, reaching an all time high of 14481 USD Million in August of 2015 and a record low of 537 USD Million in February of 1997.² Specific export value in Vietnam is reported by the General Statistics Office of Vietnam as Figure 1.



Figure 1: The export values of Vietnam in period of 2006 – February, 2016
Source: General Statistics Office of Vietnam²

From Figure 1, it can be seen that in the last 5 years, Vietnam's exports have doubled as competitive minimum wage and low costs of utilities boosted foreign direct investment. Vietnam main exports are: miscellaneous articles including clothing and footwear (30% of the total shipments) and machinery, transports and equipment (23%). Others include: food and live animals (18%), manufactured goods (11%) and fuel (11%). Main export partners are: the United States (18% of the total exports), Japan (11%) and China (11%). Others include: South Korea (5%), Malaysia (4%) and Germany (4%).²

Regionally, Vietnam exported primary products such as crude oil and rice and ASEAN is an important export market of Vietnam with export turnovers seen on an uptrend during past years. Statistics organization of ASEAN (ASEAN stats) said that ASEAN is a leading trade partner of Vietnam and a stimulator for the country to maintain the economic growth and export growth.⁸

Vietnam exports to ASEAN reached a mere US\$2.6 billion in 2000 but increased to US\$5.7 billion, US\$18.4 billion in 2005, 2010, 2013 respectively, in which Malaysia is one of the 10 leading trade partner of Vietnam.⁶ For example, according to Vietnam's trade mission in Malaysia, exports to the country reached US\$1.97 billion in January-May, 2013 up 23.2 from 2012. Crude oil was Vietnam's top export to Malaysia, grossing US\$493.5 million, followed by computers and smart phones, with estimated values of US\$415.2 million and US\$264.5 million, respectively.⁴ Malaysia has been the long-standing rice exporting partner of Vietnam. Statistics by the Vietnam's General Customs show that Vietnam exported 465.977 tons and 472.893 tons in 2013 and 2014 respectively. Malaysia has been in the top 5 largest rice consumers of Vietnam, importing approximately 1 million ton annually.⁶ Specially, in 2013, Malaysian investors have poured over US\$10 billion into 441 projects in Vietnam.⁴ Also, according to the General Department of Customs, Vietnam's exports to Singapore rose 16.8 year-on-year, to US\$1.04 billion in the first five months of 2013. Vietnam's major exports to Singapore include computers, transport vehicles and smart phones. These industries grossed US\$175 million, US\$151 million and US\$136 million respectively.⁴

On the other hand, electronics exports registered outstanding growth of nearly 86% year-on-year in 2012 due to trade with the ASEAN+3 (ASEAN + Japan, Korea, China). Additionally, according to the bank's experts, the ASEAN+6, which includes China, South Korea, Japan, India, Australia and New Zealand, now generates a total gross domestic growth (GDP) of about \$20 trillion or nearly 30% of the global GDP.⁷

According to Louis Taylor, CEO of the Standard Chartered Bank in Viet Nam, Laos and Cambodia, "Exports are likely to be a key driver to the country's economic growth. We expect the shift of manufacturing to Viet Nam from other developing countries to continue to benefit its trading sector. Free trade agreements currently under negotiation are also likely to favour continued improvement in external trade in the coming years," he explained.⁷ And the economic experts expect that "Intra-bloc trade will continue to grow as member countries turn to new trade corridors to reduce their dependence on Europe and the US. Further regional economic integration would benefit Viet Nam more and particularly help it increase capital and investment flows".⁷

2. Imports

Imports in Vietnam decreased to 14,000 USD Million in January of 2016 from 14,300 USD Million in December of 2015. For full year of 2015, purchases reached 165,600 USD million. Imports in Vietnam averaged 5323.97 USD Million from 1990 until 2016, reaching an all time high of 14938 USD Million in May of 2015 and a record low of 740 USD Million in February of 1999.³ Imports in Vietnam are reported by the General Statistics Office of Vietnam as Figure 2.



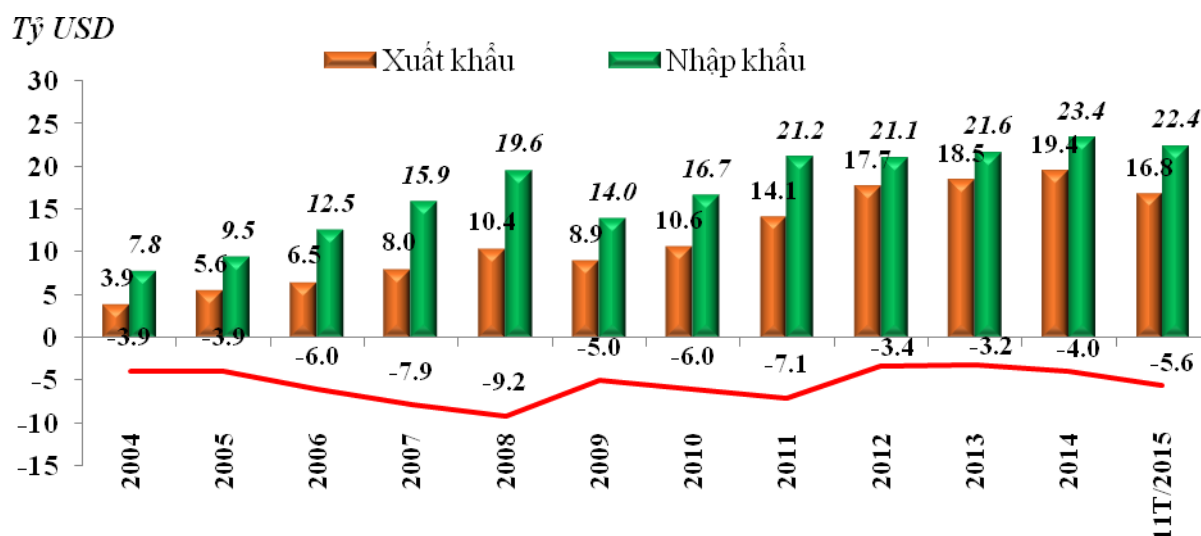
Figure 2. The import values of Vietnam in period of 2006 – February, 2016

Source: General Statistics Office of Vietnam³

Vietnam main imports are machinery, transports and equipment (32% of the total shipments) and manufactured goods (24%). Others include: chemicals (14.2%), fuels (10%), food and live animals (7%) and crude materials except fuels (6%). Main import partners are China (28% of the total imports), ASEAN countries (20%), and Korea (15%). Others include: Japan (9%) and Taiwan (8%).³

Hence, ASEAN is the second-largest supplier to the Vietnam, accounting for 20% of the nation's total imports, in which Thailand account for 6% and Singapore account for 6%. Regionally, Vietnam imported higher-end products including refined oil and electronic parts.⁷

3. Balance of trade



Note: The orange – brown color is export value and the green color is import value; the measured unit is billion USD.

Figure 3: Value of export, import and trade balance between Vietnam - ASEAN in period of 2005-2014 and 11/ 2015

Source: Vietnam's General Customs, 2015¹

The statistics of the General Department of Customs show that the trade relation between Vietnam and the members of ASEAN had a lot of fluctuation in the last 10 years.

Figure 3 shows that Vietnam remained in trade deficit with ASEAN members in the past 10 years. However, in recent years, the growth of export value is higher than the growth of import value from this market; therefore it is smaller trade deficit with ASEAN. Specifically, the trade deficit was only \$3.9 billion in 2005; \$6 billion in 2010; \$4 billion in 2014; and \$5.5 billion in 2015.¹

In the period of 2005-2008: The statistics in this period showed the merchandise trade relations between Vietnam and the ASEAN member countries achieved positive increasingly growth. The value of two-way trade of goods in the period of 2005-2008 continued to rise over the years, with an average growth rate of about 26% per year.¹

In 2009, due to the effects of the world economic crisis, the total value of trade between Vietnam with all ASEAN countries reached only 22.89 billion dollars, down 24% from a year earlier.¹

In the period 2010-2012: After the world economic crisis in 2009, trade between Vietnam-ASEAN rebounded, the average growth rate even reached 19% per year. Specifically, in 2012, the total import-export turnover between Vietnam and ASEAN reached of the \$38.7 billion.¹

In the period from 2013 to date: Two-way trade between Vietnam and ASEAN has achieved positive growth, but slowing down. Particularly, in 2014, total export value reached of the \$42.85 billion (6.9%); only a slight increase of 0.1 compared to the results of the same period in 2013.¹

In conclusion, Vietnam is beginning to integrate further with the global community, and cooperation with ASEAN will always be an important pillar in its foreign policy. However, although Viet Nam was witnessing a huge marketplace, but the country would have to assure policy consistency, improve goods quality, increase products' domestic content and upgrade shipping infrastructure if it targeted market expansion. On the other hand, the formation of ASEAN Economic Community in 2015 is expected to bring opportunities to Vietnamese firms to boost exports but also challenges. Many Vietnamese firms would encounter difficulties even in foreign markets and even in the domestic market if they did not improve their competitiveness.

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