THE IMPACTS OF DEPENDING ON TRADITIONAL EXPORT MARKETS DURING THE RECESSION AND SOLUTIONS FOR VIETNAMESE EXPORTERS IN THE INTEGRATION PERIOD

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ABSTRACT:

After more than 35 years of implementing the Doi Moi policy, Vietnam has achieved many great international economic integration achievements. However, once the global economy faces difficulties or falls into a recession, Vietnam will also be affected. This study analyzed the negative impacts when Vietnam is overly dependent on traditional markets and proposed some solutions for Vietnamese exporters to take advantage of the integration achievements to overcome global recessions.

Keywords: dependence, export, FTA, impact, traditional.

1. Introduction

After officially becoming the 150th member of the World Trade Organization (WTO) in 2007, Vietnam has signed many free trade agreements (FTAs) with countries and regions in the world. Up to now, our country has had 16 bilateral and multilateral FTAs in progress, including new generation agreements of high quality and comprehensiveness such as the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP), the EU-Vietnam Free Trade Agreement (EVFTA) and the Vietnam - UK Free Trade Agreement (UKVFTA). Furthermore, Vietnam is actively negotiating FTAs with EFTA States, UAE, and Canada. The implementation of FTAs has greatly affected the economic growth of our country as well as the exchange of goods with other countries, creating opportunities for Vietnamese goods to penetrate deeply into the world market.

Global trade in recent years has been adversely affected by many factors such as trade war, trend of trade protectionism, Covid-19 pandemic... The most recent heavy impacts can be mentioned as the prolonged conflict in Ukraine with mutual sanctions, persistently high inflation, tighter monetary policy, and financial instability that have made the world economy more and more difficult with the tightening of consumption. Leading economies such as the USA, the EU, China... fall into recession or have weak growth, their trade activities slow down and imports decline.

Accordingly, Vietnam's imports and exports are also facing great challenges, with a marked decrease in some traditional markets. The article aims to review the export situation and key markets of Vietnam, identify the negative effects of depending on these markets during the recession and propose solutions for Vietnamese enterprises in the new integration period.

2. The current situation of Vietnam's exports - Main markets

According to the data of the General Statistics Office (GSO), Vietnam's total import-export turnover in 2022 reached USD 732.5 billion, an increase of 9.5% compared to 2021 and 6.5 times higher than that of the first year Vietnam joined the WTO (in 2007). The export of goods in 2022 reached USD 371.85 billion, up 10.6% compared to the previous year. The trade balance in 2022 had a surplus of USD 11.2 billion, and this was the 7th consecutive year that Vietnam had a trade surplus. In 2023, due to the decline in global consumption demand, the tightening of imports in Vietnam’s key markets..., the export turnover in the first 10 months had a decline of 7.1% compared to the same period of last year and only reached USD 291.28 billion.

Regarding the export of goods by continent, Asia currently accounts for the highest proportion of Vietnam’s total export turnover. In 2022, exports to this continent reached USD 177.26 billion, up 9.5% compared to 2021 and accounting for 47.7%. Vietnam's exports to America ranked second with a turnover of USD 128.09 billion, up 12.2% and accounting for 34.5%. Next was Europe with USD 55.73 billion, up 9.2% and accounting for 15%. The export turnover to Africa and Oceania accounted for only a small proportion.

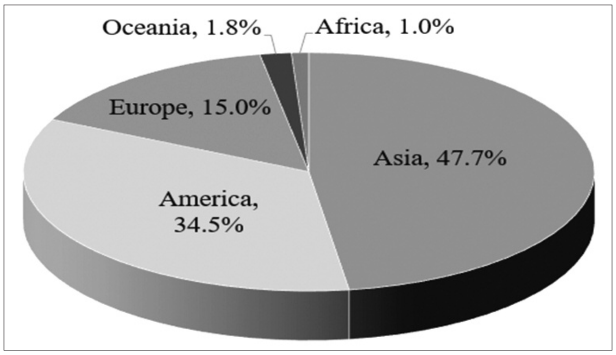
Among more than 200 countries and territories that have had foreign trade relations with Vietnam, there were 6 markets with export turnover of over USD 20 billion in 2022 including the USA, China, the EU-27, ASEAN, South Korea and Japan (Chart 2 below). They are also Vietnam's main export markets for many years and are expected to maintain the leading position in the year 2023.

2.1. US market

According to the WTO Center, goods exchange between Vietnam and the USA has grown impressively after the two countries normalized the relations in 1995, especially since the Vietnam - US Bilateral Trade Agreement (BTA) took effect on December 10, 2001. This was Vietnam's largest export market with a turnover of USD 109.4 billion in 2022, up 13.6% compared to 2021 and accounting for 29.5% of Vietnam's export turnover. The USA was also the market where Vietnam had the largest trade surplus with $94.9 billion in 2022, up 17% compared to 2021 (Ministry of Industry and Trade, 2023). In the first 10 months of 2023, the total export value of goods to the USA reached USD 78.6 billion, down 15.8% over the same period of last year (Vietnam Customs, 2023).

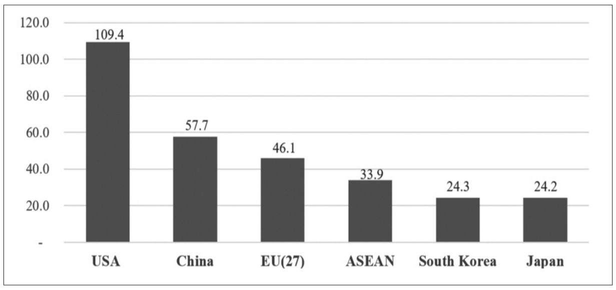
Major exports to the USA are machinery and equipment, textiles, computers, electronic products, phones, wood and wood products, footwear, seafood, bags, agricultural products, etc.

Chart 1: Vietnam's exports to the continents in 2022



Source: General Department of Customs

Chart 2:Vietnam's goods exports by main markets in 2022



Source: General Department of Customs

2.2. Chinese market

Since Vietnam - China normalized relations in

1991, the trade activities have increased rapidly. China is the second largest export market of Vietnam, after the USA. According to Vietnam Export - Import Report 2022, Vietnam's exports to China in 2022 reached USD 57.70 billion (accounting for 15.5% of total export turnover) and increased 3.2% compared to 2021. However, this was a market where Vietnam continuously had a trade deficit of USD 60.2 billion in 2022 (Ministry of Industry and Trade, 2023). In the first 10 months of 2023, the total export value of goods to China reached USD 49.4 billion, up 4.7% over the same period of last year (Vietnam Customs, 2023).

The main groups of goods exported to China are phones, computers, electronic products, cameras, machinery and equipment, rubber, fibers, textile fibers, wood and wood products, footwear, aquatic products, vegetables and fruits, textiles, rice, etc.

2.3. EU market (27 countries)

The EU-27 was Vietnam's third largest export market with a total export turnover of nearly USD 46.1 billion in 2022, up 15% over the previous year and accounting for 12.4% of Vietnam's total export turnover. Vietnam's trade surplus with the EU-27 reached USD 30.81 billion in 2022 (Ministry of Industry and Trade, 2023). As of the first 10 months of 2023, the export turnover to the EU reached USD 36.2 billion, decreased by 8.9% over the same period of last year (Vietnam Customs, 2023).

The main export markets of Vietnam to the EU-27 are the Netherlands, Germany, Italy, Belgium, France, Spain, Austria, and Poland, continuing to maintain an export value of over USD 2 billion per market in 2022 (Ministry of Industry and Trade, 2023). The major groups of exports to the EU are phones, computers, electronic products, shoes, machinery and equipment, textiles, coffee, iron and steel, seafood, wood and wood products, cashew nuts, bags...

2.4. ASEAN market

ASEAN is currently in the top 4 largest import and export markets of Vietnamese enterprises. Vietnam's export turnover to ASEAN in 2022 reached USD 33.9 billion (up 17.7% compared to 2021) and accounted for 9.1% of Vietnam's total export turnover (Ministry of Industry and Trade, 2023). In the first 10 months of 2023, the total export value of goods to ASEAN reached USD 27 billion, down 6.2% over the same period of 2022 (Vietnam Customs, 2023).

Vietnam's major markets are Thailand, Cambodia, Malaysia, the Philippines, Indonesia and Singapore. Vietnamese goods exported to ASEAN include computers, electronic products, machinery and equipment, iron and steel, textiles, telephones, rice, crude oil, footwear, seafood...

2.5. Korean market

Vietnam's goods export turnover to South Korea in 2022 reached $24.3 billion, up 10.7% compared to 2021 and accounting for 6.5% of Vietnam's export turnover (Ministry of Industry and Trade, 2023). In the first 10 months of 2023, the export turnover of goods to Korea reached USD 19.9 billion, down 3.6% over the same period of last year (Vietnam Customs, 2023).

The major groups of goods exported to South Korea are phones, computers, electronic products, textiles, machinery and equipment, wood and wood products, aquatic products, vehicles, shoes...

2.6. Japanese market

Japan was Vietnam's fifth largest export market with an export turnover of USD 24.2 billion in 2022, up 20.4% compared to 2021 and accounting for about 6.5% of Vietnam's total export turnover (Ministry of Industry and Trade, 2023). In the first 10 months of 2023, the export turnover of goods to Japan reached USD 19.2 billion, decreased by 4.2% over the same period of 2022 (Vietnam Customs, 2023).

The main groups of goods exported to Japan are textiles, machinery and equipment, vehicles, wood and wood products, aquatic products, computers, electronic products, shoes, bags, agricultural products...

According to the OECD's forecast, world GDP growth will decrease to 2.2% in the whole year of 2023. Vietnam's two largest markets, the USA and Europe, are forecasted that the economic growth will drop below 1% and continue to face difficulties (GSO, 2023). This is a negative signal for our country's export activities, especially in the traditional markets.

3. Negative impacts of relying on traditional markets in the recession

The above analysis of the export markets shows that Vietnamese enterprises have made efforts to exploit FTAs to boost their exports, but still mainly focus on leading economies such as the USA, China, EU, ASEAN, South Korea, and Japan. Such excessive dependence on traditional markets has caused the following consequences for Vietnam:

- The trend of globalization and deepening economic integration not only brings many benefits but also causes adverse, complicated and unpredictable fluctuations. Once there are epidemics, natural disasters, political conflicts, trade wars, economic recession, or sanctions, affected countries, especially large markets, tend to tighten their import of goods.

- With more FTAs, exporters in general and Vietnam will have more opportunities to increase their share in the key markets. However, if the goods flood the import markets excessively, causing difficulties for domestic producers, they will be able to restrict the imports with more difficult, sophisticated trade barriers to protect consumers and their domestic market.

- The export turnover almost depends on the two largest markets (the USA and the EU), which will bring uncertainty and risks for Vietnam. Once their needs and tastes change, it will have a very strong impact on maintaining our exports.

- China, right next to our country, is the largest trading partner for many years. Their purchasing demand is very large and suitable for our export capacity. However, China's policy is unstable, and the market is volatile and risky, so it can be detrimental at any time to a large number of Vietnamese agricultural products which still have to be exported to China by unofficial channels. China’s recent "Zero covid" policy sharply reduced Vietnam’s exports, especially agro-forestry-fishery products to this market, and disrupted the input supply for the production and export of Vietnam's goods.

- Many manufacturing industries in Vietnam are still small and fragmented, and the number of small and medium-sized enterprises accounts for the majority with certain limitations in terms of updating market information, trade promotion activities, the ability to meet the rules of origin, compliance with regulations and standards of the developed market, etc. These lead to the risk of Vietnamese goods being warned or rejected if they cannot meet the requirements of the fastidious markets.

- Several following reasons also reduce the competitiveness of Vietnamese goods: The increasingly fierce competition among exporting countries with similar structures of exports, the tendency of import partners from large markets to prioritize ordering exporters who can meet better requirements in terms of sustainable development investment and environmentally friendly production, the limitation of Vietnam's supporting industry to supply raw materials...

4. Proposed solutions for businesses

- Enterprises need to deeply study FTAs and take advantage of the bloc’s special favor to maintain traditional markets as well as seek and expand potential markets that have not fully been exploited such as Africa, Latin America, the Middle East, Northern Europe, etc.

- Enterprises should do better in market research, update market information and regulations, forecast market fluctuations... In addition, it is necessary to strengthen promotion, product introduction, participation in international fairs...

- Improve product quality, innovate technology, restructure export products, or move to higher segments, compete by design and brand prestige, control input/output costs and food safety, etc.

- Diversify import markets of raw materials and accessories to be proactive in production and export activities, promote the development of raw material production areas and support industries for export.

- In addition, businesses need to actively contact state agencies, industry associations... to receive support in finding customers and diversifying sources of goods, assisting with market information and barriers as well as trade promotion activities, increasing exports by sea to the Chinese market, promoting material area planning, branding, managing product quality, etc.

- The government should strengthen the diversification of strategic cooperation relations with partners as well as speed up the negotiation of FTAs with EFTA, Canada, and the UAE. Furthermore, it is important to ensure the effective and synchronous organization of forecasting, warning and timely response when the markets have abnormal fluctuations. Besides, the Government needs to improve institutional capacity towards more transparency, create a more favorable environment for import-export activities.

5. Conclusion

Over the years, the global economy has faced many challenges, especially the persistent economic downturn creating risks for Vietnam's exports, which are still largely dependent on several traditional markets. Accordingly, the article has proposed some practical solutions in the current period of deep integration to help export enterprises overcome difficulties and avoid negative impacts, aiming for the long-term and sustainable development of trade activities in Vietnam ■

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NHỮNG TÁC ĐỘNG CỦA VIỆC PHỤ THUỘC VÀO THỊ TRƯỜNG XUẤT KHẨU TRUYỀN THỐNG TRONG THỜI KỲ SUY THOÁI VÀ GIẢI PHÁP CHO DOANH NGHIỆP XUẤT KHẨU VIỆT NAM TRONG GIAI ĐOẠN HỘI NHẬP

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TÓM TẮT:

Qua hơn 35 năm thực hiện chính sách đổi mới, Việt Nam đã đạt được nhiều thành tựu hội nhập kinh tế quốc tế to lớn. Tuy nhiên, khi kinh tế toàn cầu gặp nhiều khó khăn, rơi vào suy thoái, Việt Nam cũng chịu nhiều tác động kéo theo. Nghiên cứu này phân tích những hệ lụy khi Việt Nam phụ thuộc quá nhiều vào các thị trường truyền thống và đề xuất một số giải pháp cho doanh nghiệp xuất khẩu Việt Nam tận dụng thành quả hội nhập để sớm vượt qua giai đoạn suy thoái.

Từ khóa: phụ thuộc, xuất khẩu, FTA, tác động, truyền thống.