SUSTAINABLE TRADE DEVELOPMENT IN VIETNAM: OPPORTUNITIES AND CHALLENGES

● LE NGUYEN DIEU ANH

ABTRACTS:

Sustainable trade development is the development that the results of trade development meet the requirements of sustainable development, which is manifested by the rapid and stable development of scale, reasonable structure and quality assurance for economic growth, poverty reduction and environmental protection. The article points out three opportunities and five challenges in developing sustainable trade in Vietnam. The opportunities include: the trend of trade is towards sustainable development; an opportunity for Vietnam to take advantages related to free trade agreements and opportunities to participate in global value chains; FTAs can create new opportunities to trade green goods. The challenges include: increasing the added value of exports; focusing on regulating domestic trade contributes; reorganizing the supply chain and market; perfecting the legal system of State management of environmental trade; preparing to deal with difficulties and challenges. The article also outlined five solutions to help Vietnam take advantage of opportunities and overcome challenges in developing sustainable trade in the current period.

Key words: trade, sustainable trade development, global value chain, opportunities, challenges.

1. Introduction

In the context of international integration, trade development is the way to exploit the country's potential and strengths, attract foreign investment, promote industrialization and modernization of the country, towards the goal of sustainable development. Sustainable trade development is the development that the results of trade development meet the requirements of sustainable development, which is manifested by the rapid and stable development of scale, reasonable structure and quality assurance for econnomic growth, poverty reduction and environmental protection. Trade development is not continuous, containing many risks when there are fluctuations due to unreasonable structure, causing macroeconomic instability; or trade development depends on relying on resources, causing depletion of natural resources and environmental pollution; or trade only brings benefits to groups of people, causing social inequality, then it is not sustainable trade development. Sustainable trade development must be trade development whose results meet the requirements of sustainability - macroeconomic stability, job creation, poverty reduction and environmental improvement.

After implementing the Doi Moi policy, Vietnam's economy has become an open economy, with a relatively strong level of liberalization, Vietnam's business environment and economic institutions are more suitable for the new world standards and basic market standards. According to the General Statistics Office (2023), the scale of GDP at current prices in 2022 is estimated to reach 9,513 million billion VND, equivalent to 409 billion USD. GDP per capita in 2022 at current prices is estimated to reach 95.6 million VND/person, equivalent to 4,110 USD, an increase of 393 USD compared to 2021. However, in the current economic situation of Vietnam, sustainable trade development has many development opportunities but also challenges such as the structure of products according to the level of processing and not focusing on in-depth development; excessive dependence on world markets for export activities; the trade policy system still has some limitations, especially trade policies associated with environmental protection goals.

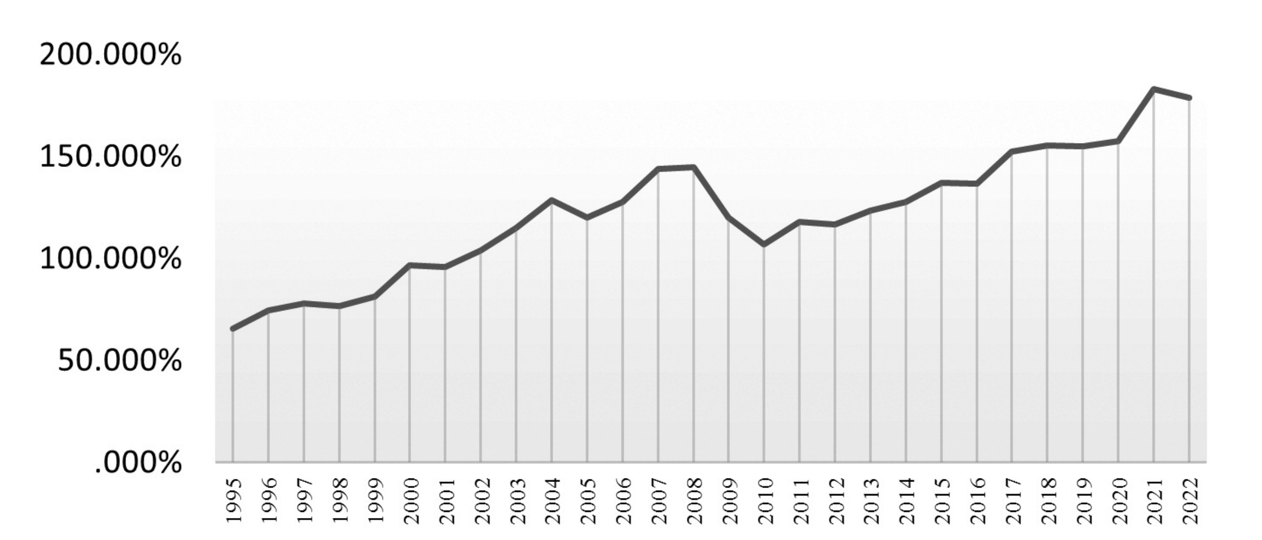
2. Current situation of economic development in Vietnam

After implementing the innovation policy, Vietnam has expanded cooperative relations with other countries, increased trade exchanges, attracted foreign investment, and signed multilateral and bilateral agreements. According to the General Statistics Office (2023), the scale of GDP at current prices in 2022 is estimated to reach 9,513 trillion VND, equivalent to 409 billion USD. The GDP per capita in 2022 at current prices is estimated to reach 95.6 million VND/person, equivalent to 4,110 USD, an increase of 393 USD compared to 2021. Vietnam's economy has become more open, with high level of liberalization. The country's business environment and economic institutions are now more consistent with global practices and basic market economic standards.

However, with economic openness reaching 200% of GDP, Vietnam's economy is becoming vulnerable and highly sensitive to external fluctuations.Firstly, Vietnam's growth model heavily relies on export growth, with China and the US being its two largest foreign trade partners. Therefore, conflicts between these major partners can have significant impacts on Vietnam's import and export activities. When conflicts arise between China and the US, there are certain repercussions for Vietnam. Limitations on Chinese goods exported to the US may result in a surplus that could flow into the Vietnamese market, exerting competitive pressure on Vietnamese businesses. On the other hand, exporting goods from Vietnam to China becomes more challenging as China prioritizes domestic consumption. In 2022, the export proportion of Vietnam's total turnover with China is 15.5%, a decrease of 1.14% compared to 2021. The import proportion of Vietnam's total turnover with China was 32.84%, a decrease of 0.21% compared to 2021). The US, as Vietnam's largest export market faced challenges in the first 9 months of 2023, with a turnover of 70.9 billion USD, accounting for 23.7% of the economy's total export turnover. This marked a significant decline of 16.8%. The trade surplus with the US also decreased by 18% compared to the same period last year.

Secondly, there is a pressing issue involving Chinese goods utilizing Vietnam as an intermediary to evade US taxes. This practice not only diminishes the market share of Vietnamese businesses but also raises the risk of sanctions against Vietnam. Some incidents such as: US Customs discovered that FINEWOOD Vietnam Company imported plywood products from China, altered the labels at their factory, and then exported them to the US as made in Viet Nam. Enterprises have been found falsifying Certificates of Origin (C/O) issued by Vietnam, misrepresenting that the goods were either not imported into Vietnam or had already been exported from Vietnamese territory, with fake C/O from outside Vietnamese territory (NIF, 2019). On January 27, 2022, the US Customs

Figure 1: Vietnam's economic openness



Source: GSO (2023)

and Border Protection (CBP) released a document determining that BGI Group Joint Stock Company engaged in acts of evading the anti-selling order dumping and anti-subsidy taxes on Chinese wooden cabinets and dressing table products. These items were imported into Vietnam, processed at HOCA Vietnam Company, and falsely claimed Vietnamese origin to benefit from preferential treatment.

Thirdly, the Russia-Ukraine war affects Vietnam's gasoline prices. Now, rising fuel prices are a matter of concern. Since the beginning of September 2023, world crude oil prices have exceeded the threshold of 90 USD/barrel, causing domestic gasoline prices to increase 7 times in a row (up 3.54% over the previous month, up 5.64% over the previous month). September 2022), pushing domestic retail gasoline prices to nearly 26,000 VND/liter. Vietnam's gasoline prices always depend on the increase and decrease in selling prices on the international market, causing passivity for businesses.

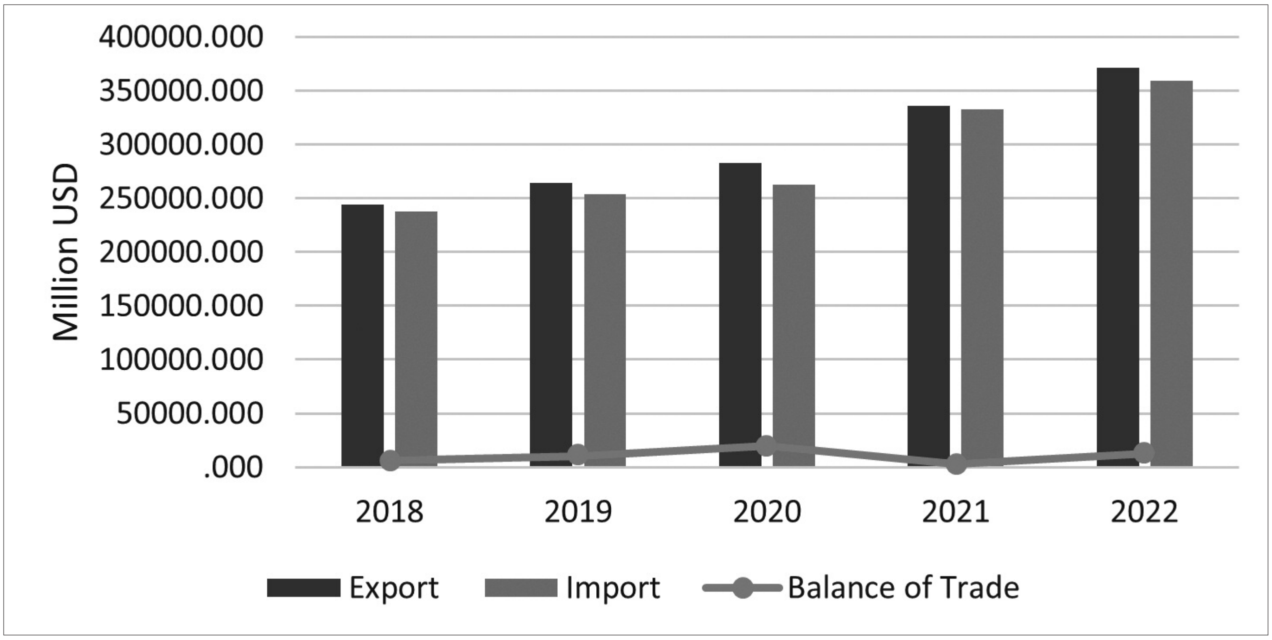
3. Current situation of sustainable trade development in Vietnam in the period 2018 - 2023

3.1. Trade scale

Merchandise export turnover in 2022 reached 371.85 billion USD, reflecting a notable of 10.6% compared to the previous year. With this, the domestic economic sector reached 95.09 billion USD, an increase of 6.5% and contributing 25.6% of total export turnover; Concurrently, the foreign-invested sector (including crude oil) reached 276.76 billion USD, indicating a substantial growth of 12.1% and constituting 74.4% of the total. For the year 2022 2022, there will be 36 items with export turnover of over 1 billion USD, accounting for 94% of total export turnover (there are 08 export items with export turnover of over 10 billion USD, accounting for 70.1%). (General Statistics Office, 2023).

Along with the rapid increase in export turnover of goods, import turnover of goods has also increased steadily over the years (except 2009), from 8.1554 billion USD in 1995 to 360.65 billion USD in 2022. The rapid increase in the scale of imported goods shows the economic openness of, as well as the increasingly high level of socio-economic development of our country. At the same time, it makes an important contribution to the country's industrialization and modernization process through the import of modern machinery, equipment, and spare parts to serve production.

Figure 2: Vietnam's import-export turnover in the period 2018 - 2022



Source: GSO (2023)

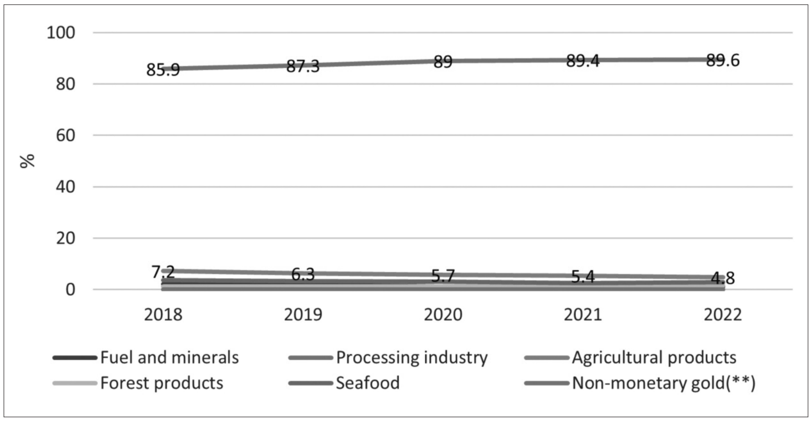
3.2. Trade structure

a. Export and import structure by product group

The structure of Vietnam's export goods has undergone a distinct shift, gradually reducing the proportion of raw and semi-processed goods while progressively augmenting the proportion of processed and manufactured goods. The percentage of processed industrial goods has risen from 85.9% in 2018 to 89.6% in 2022. Conversely, percentage of agricultural products has seen a decline from 7.2% in 2018 to 4.8% in 2022.

Trade-orient sustainable development has changed the position and structure of export commodity groups within the economy. The general trend in trade has imfluenced economic restructuring, aiming to stimulate commodity groups/products with comparative advantages and export potential. The structure of fuel and mineral goods decreased from 2.1% in 2018 to 1.2% in 2022. That is due to the State's policy of restricting the export of mineral resources such as crude oil and coal.From 2018 to present, the structure of processed industrial goods accounts for the highest proportion of total exported goods (accounting for 89.6% in 2022). This notable shift is mainly due to the sudden increase in the export of phone and hardware products, with a significant portion originationg form FDI sector. While this

Figure 3: Structure of Vietnam's export goods by product group in the period 2018 - 2022



Source: GSO (2023)

marks a positive transformation in Vietnam's export structure, moving away from heavy reliance on natural resources and raw materials, there exists a potential concern for unsustainable development due to the limited increase in the export value of value-added products. Vietnam's phone, component and semi-finished products are mainly processed goods for foreign companies, so the export value from this product group does not show Vietnam's high export capacity.

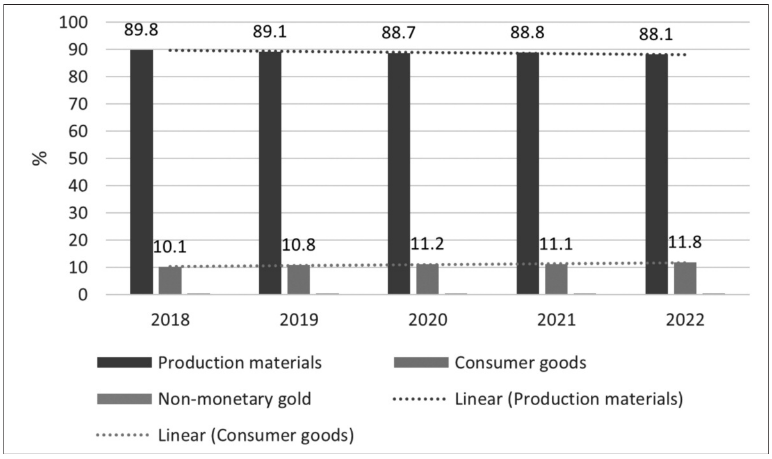
The group of agricultural, forestry and aquatic products has a decreasing trend and does not increase in the long term. Proportion of agricultural, forestry and fishery products: decrease from 12% in 2018 to 9.2% in 2022 while the world demand for agricultural products is increasing, especially high quality agricultural products. Agriculture is considered Vietnam's strength. Key agricultural products such as seafood, coffee, rice... although increasing in quantity, have not yet found a sustainable export path, there are still many problems. difficult and need support to participate in the global value chain.

The structure of imported goods is shifting in the direction of reducing the proportion of imported capital goods (from 89.8% in 2018 to 88.1% in 2022), and increasing the proportion of importing consumer goods (from 10% in 2018 to 11.8% in 2022). However, the structure of Vietnam's imported goods is not oriented towards the core part of sustainable development. Specifically, compared to China or Malaysia, Vietnam mainly imports machinery and means of transport, especially processed goods and chemicals that cannot be produced domestically. The large import rate of raw materials and fuels, especially raw materials and fuels for production processing... That shows outsourcing in the industry is still large, highly dependent on overseas supply markets in terms of price and quantity, unable to proactively control domestic production costs when world prices fluctuate, reducing the competitiveness of exported goods. The cause of the above situation is because the supporting industry in Vietnam is not capable of providing input materials for production but still has to import from markets (even without preferential prices).

b. Export and import structure by market

In the period 2018 - 2022, Vietnam's export markets continue to be maintained and expanded. The effective exploitation of opportunities arising from integration commitments has played a pivotal role in this success. All markets where Vietnam has signed free trade agreements (FTAs) have recorded good growth, and export market shares in key markets have been confirmed. The growth in exports to several markets has been particularly impressive, with double-digit increases observed in to China, exports to ASEAN markets, exports to Japan, and exports to Korea.

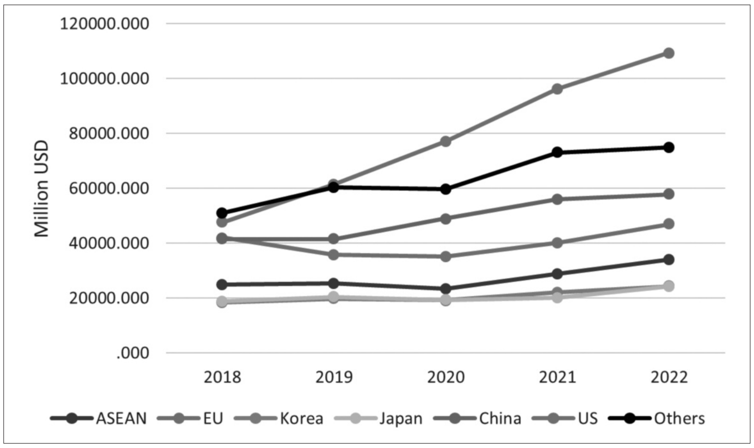
Figure 4: Structure of Vietnam's imported goods by product group in the period 2018-2022



Source: GSO (2023)

The structure of Vietnam's commodity import market has shifted in a positive direction but is still slow. Vietnam's primary export partners align closely with its main import partners.. In 2022, the six countries and regions collectively constitute 78.13% of Vietnam's total import turnover. Over the period from 2018 until now, China has surpassed the ASEAN region to become Vietnam's largest import partner (accounting for 32.84% of total import value in 2022). The value and proportion of imported

Figure 5: Structure of Vietnam's export goods by market in the period 2018-2022



Source: GSO (2023)

goods from China continuously increase during this period.

The rate of trade deficit from China compared to Vietnam's total trade deficit increased by 11.1% compared to 2021. The more Vietnam's exports to other markets increase, the more its dependence on the Chinese market increases through increased import of raw materials for production. This is a paradox of Vietnam's trade growth and this seriously affects the sustainability of Vietnam's trade balance.

To sum up, the process of shifting the structure of Vietnam's goods circulation is not sustainable and is at a disadvantage in international competition. Vietnam's trade development mainly takes advantage of available advantages in resources, and cheap labor... but has not yet promoted the potential of competitive advantages to develop exports of products with high technology content. high, has not created a connection between industries to develop together and create increasingly high added value.

4. Opportunities and challenges for trade-orient sustainable development in Vietnam

4.1 Opportunities for trade-orient sustainable development in Vietnam

Firstly, the trend of trade is towards sustainable development. New-generation FTAs are not limited to trade and services but also cover other areas, including the environment and sustainable development. The provisions on environment and sustainable development are integrated and become a separate chapter in the conferences. Since the Vietnam - EU Free Trade Agreement (EVFTA) took effect, Vietnam - EU bilateral trade has grown very positively. EU countries encourage the development of green energy sources and renewable energy in Vietnam. European businesses also want to share experience, technology, and invest financial resources in areas that promote the sustainability of the Vietnamese economy. In Vietnam, serveral businesses have

Table 1: Vietnam's imported goods by market in the period 2018-2022

Unit: Million USD

	2018	2019	2020	2021	2022
TOTAL	237.241,60	253.696,50	262.791,00	332.969,70	358.901,90
ASEAN	31.879,90	32.260,60	30.484,90	41.197,80	47.283,50
EU	13.949,70	14.097,20	14.660,30	16.862,50	15.340,60
Korea	47.629,30	47.058,00	46.926,00	56.213,30	62.088,60
Japan	19.108,10	19.621,10	20.369,10	22.805,90	23.373,80
China	65.573,20	75.508,20	84.195,70	110.075,40	117.866,60
US	12.747,60	14.434,00	13.712,30	15.270,70	14.470,60

Source: GSO (2023)

proactively improved their capacity and adjusted their production and business strategies accordingly to quickly adapt and develop along a green and sustainable roadmap.

Secondly, an opportunity for Vietnam to take advantage related to free trade agreements and opportunities to participate in global value chains to promote sustainable production for export products. of the country. The growing demand for environmentally friendly products in export markets and the environmental, social and governance commitments of large companies in more developed countries will be additional drivers for Vietnam can take advantage of the opportunity to continue comprehensively improving its environmental standards. This helps the country's export products have strength in the market and at the same time be positioned as environmentally friendly products in major markets in developed countries.

Thirdly, FTAs can create new opportunities to trade green goods. For example, the Carbon Border Adjustment Mechanism (CBAM) in the EU Green Deal creates opportunities for products with low carbon emission intensity such as computers, electronic and optical equipment... Currently Today, Vietnam has now become a major player in solar power equipment but can position itself as a country in electrical equipment and wind power technology. Vietnam needs to strengthen its pioneering position and export capacity in this field by diversify its export markets. That is a way to protect against trading partners (importing countries) issuing unreasonable policies that affect that position, thereby affecting trade in those goods.

4.2 Challenges for sustainable trade development in Vietnam

Besides opportunities, trade-orient sustainable development in Vietnam also faces many challenges, such as:

Firstly, the product structure categorized by the level of processing exhibits a lack of sustainability, primarily favoring breadth over depth in development. The restructuring of export goods has has not focused strongly on fine-deep processing, neglecting the cultivation of export products with high technological and intellectual content. The added value of exported goods is still low because it mainly relies on exploiting available factors such as natural conditions and cheap labor sources. The manufacturing and processing industry group has low added value and limited technology and intelligence content. A significant portion of imports serves processing and assembly activities to produce final products exported to consumer markets.

Secondly, Vietnam's exports are overly dependent on the world market, thus easily posing risks when there are unstable fluctuations, affecting macroeconomic stability. The primary import market for Vietnam continues to be in Asia, includingChina and Korea...), while the proportion of imports from technology advanced regions such as the EU and North America remains relatively small. Moreover, the high percentage of imports from Asian markets, which typically have average technology levels and maintain trade surpluses with source technology markets, poses challenges for achieving rapid and transformative development. This situation hinders the ability to advance quickly and secure a prominent position for the country in the global value chainThirdly, because Vietnam's export capacity has increased rapidly, Vietnamese export goods have become subject to trade defense measures. By the end of November 2022, Vietnam's exported goods had been investigated by 22 countries/territories and applied trade defense measures with a total of 225 cases. Not only items with large export turnover such as wood products, pangasius fish, basa fish, shrimp... but also items with smaller export turnover such as honey, ceramic tiles, etc. have also been investigated.

Fourtly, the trade policy system still has some limitations, especially trade policies associated with environmental protection goals. The application of trade defense measures in international trade is not really effective, relevant legal documents are lacking or existing documents do not have circulars guiding their implementation, leading to many difficulties.

Fifthly, in the process of implementing international treaties and commitments on environmental protection, Vietnam still faces difficulties from internal problems such as combating climate change. A full legal framework according to international standards has not yet been issued to implement commitments to combat climate change.

5. Recommendations and solutions

Firstly, there is a need to enhance the added value of exports. This entails a gradually adjustment and shift the strategic orientation, moving from the current empasis on rapid and expansive expansive production and export of goods to a focus on quality and efficiency. It is essential to establish policies that encourage businesses to construct and nurture value chains for highly competitive goods within the country. This serves as a prerequisite and condition for active participation in the global value chain.Encourage businesses to develop separate value chains for some industries in a way that allows them to take shortcuts and stay ahead of the curve without necessarily having to follow the steps of the value-added chain sequentially; Invest in technology to increase added value and increase exports

Secondly, there should be a focuss on regulating domestic trade contributes to stabilizing and developing the domestic market in an organic relationship with production development and foreign market expansion. Associate commercial business activities with economic restructuring requirements, associate domestic goods circulation with trade liberalization and international economic integration, contributing to industrialization and modernization of the country, reducing the gap between rich and poor, towards social justice and sustainable development.

Thirdly, there is a need to reorganize the supply chain and market. To ensure local and regional links, it is necessary to have a broader perspective on the region's mission, not from a single province perspective. The development of vertical links in the supply chain necessitates support from various ministries and branches, including industry and trade, agriculture and rural development, science and technology, among others. The active participation of associations and businesses is also vital, with businesses playing a pivotal role as catalysts in proactively establishing connections within the supply chain. This collaborative approach enhances coordination and efficiency across the entire supply network..

Fourthly, there is a crucial need to perfect the legal system of State management of environmental trade. Current legal regulations on commercial activities need to be reviewed, amended, supplemented, annulled, and new legal regulations promulgated in accordance with the provisions of the Law on Environmental Protection to create favorable conditions. Favorable conditions for businesses, policy makers, and local agencies to proactively plan their management and business activities. The Commerce sector needs to supplement and complete legal documents on environmental management and protection. It is necessary to focus on researching and building trade policies towards sustainable development, harmoniously resolving the relationship between trade policy and environmental policy.Fifthly, Vietnam is prepared to deal with difficulties and challenges.

To minimize risks for businesses, the State needs to implement a number of solutions: Guide and support businesses on preventing and handling lawsuits related to dumping, providing information on regulations anti-dumping in countries, improving the professional capacity of consulting agencies, handling trade disputes, establishing more specific research agencies on trade disputes and solutions to advise businesses when sued or want to sue ■

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Received date: November 10, 2023
Reviewed date: November 22, 2023
Accepted date: December 5, 2023

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PHÁT TRIỂN THƯƠNG MẠI THEO HƯỚNG BỀN VỮNG Ở VIỆT NAM - CƠ HỘI VÀ THÁCH THỨC

● **TS. LÊ NGUYỄN DIỆU ANH**
Trường Đại học Thương mại

TÓM TẮT:

Phát triển thương mại theo hướng bền vững là sự phát triển thương mại mà kết quả của nó đáp ứng các yêu cầu của phát triển bền vững. Đó là sự phát triển nhanh và ổn định về quy mô, cơ cấu hợp lý để đảm bảo chất lượng cho tăng trưởng kinh tế, giảm nghèo và bảo vệ môi trường. Bài viết chỉ ra 3 cơ hội và 5 thách thức trong phát triển thương mại theo hướng bền vững ở Việt Nam. Các cơ hội bao gồm: xu hướng thương mại hướng tới phát triển bền vững, cơ hội để Việt Nam tận dụng các lợi thế liên quan đến các hiệp định thương mại tự do và cơ hội tham gia chuỗi giá trị toàn cầu. Các FTA có thể tạo ra những cơ hội mới để buôn bán hàng hóa xanh. Những thách thức bao gồm: tăng giá trị gia tăng xuất khẩu, tập trung điều tiết thương mại nội địa góp phần, tổ chức lại chuỗi cung ứng và thị trường, hoàn thiện hệ thống pháp luật quản lý nhà nước về thương mại môi trường, chuẩn bị đương đầu với những khó khăn, thử thách. Bài viết cũng nêu ra 5 giải pháp đối với Việt Nam nhằm tận dụng cơ hội, vượt qua thách thức để phát triển thương mại bền vững trong giai đoạn hiện nay.

Từ khóa: thương mại, phát triển thương mại theo hướng bền vững, chuỗi giá trị toàn cầu, cơ hội, thách thức.