

BOOSTING EXPORTS OF VIETNAMESE AGRICULTURAL PRODUCTS TO THE CHINESE MARKET

Nguyen Tuan Dat¹, Ho Lan Ngoc²
Ba Ria - Vung Tau University, Vietnam

ABSTRACT

China is one of the major import markets for Vietnam's agricultural products, with many agricultural products accounting for 40 to 70 percent of the total export market share. However, since 2019, the export of Vietnamese agricultural products to the Chinese market is showing signs of slowing down due to many barriers from China and the impact of the Covid-19 pandemic. In order to boost exports, Vietnam needs to synchronously implement a number of solutions to remove remaining difficulties. The article analyzes the current situation of Vietnam's agricultural product exports to the Chinese market in recent years and proposes directions to boost Vietnam's agricultural exports in the coming time.

Keyword: *Export, agricultural products, market, China, Vietnam.*

1. THE SITUATION OF EXPORTING VIETNAMESE AGRICULTURAL PRODUCTS TO CHINA

China is Vietnam's major trading partner. In the period 2009-2019, the export of agricultural products of Vietnamese enterprises to the Chinese market has achieved some remarkable achievements. The export turnover of agricultural products has increased 3.63 times,

from 1.63 billion USD in 2009 to 5.92 billion in 2019, accounting for 32% of the total export turnover of goods to this market on average. In 2021, the export of goods to the Chinese market reached nearly 56 billion USD, up 14% over the same period last year. In January 2022, China was Vietnam's largest import market.

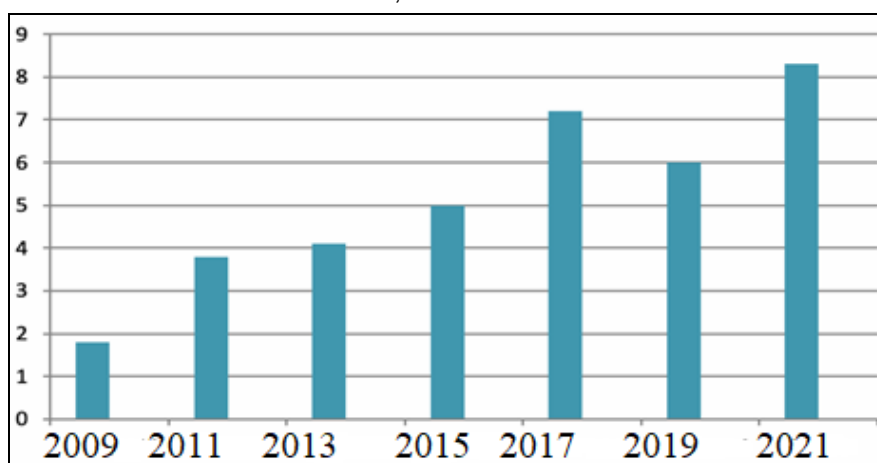


Figure 1. Vietnam's agricultural export turnover to the Chinese market in the period of 2009 – 2021

(Source: Author compiled from data of the General Statistics Office)

However, the growth rate is not stable, from 2011-2019, the GDP export turnover increased from 3.7 billion USD to 7.3 billion USD, the

growth rate reached 17.3% per year. Until the period of 2018 - 2019, when China strengthens the implementation of regulations on

traceability, animal and plant quarantine supervision and quality of imported agricultural and aquatic products. During the whole period of 2009 - 2019, the export turnover of agricultural products had an average growth rate of 13.77%. Despite the complicated developments of the Covid-19 epidemic, Vietnam's agricultural export turnover to the Chinese market still grew to US\$8.4 billion. This is considered a bright spot in Vietnam's export

turnover in 2020. This also evaluates the two countries' efforts to promote trade in the complicated situation of the pandemic.

Although the export turnover of Vietnamese agricultural products to China reached a high level, the profit before tax of enterprises was not commensurate, only 15-35% of the total turnover. The main reason is due to the high cost of production, transportation, and export procedures.

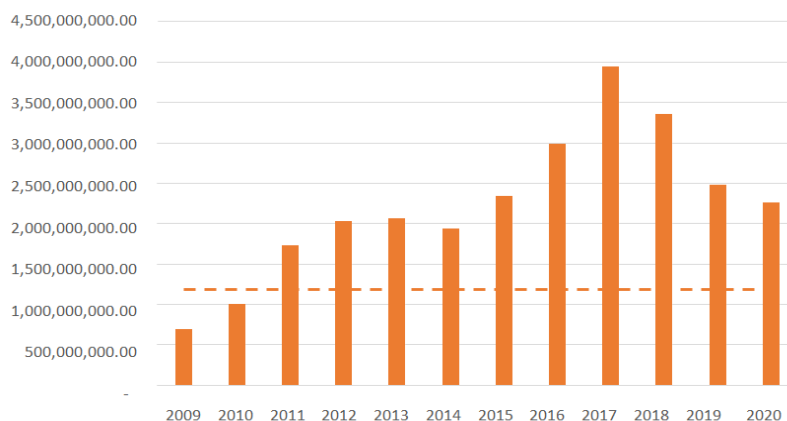


Figure 2. Profits from Vietnam's agricultural exports to the Chinese market in the period of 2009 – 2020, Unit: USD.

(Source: Author compiled from data of the General Department of Customs)

Because the method of preserving agricultural products currently applied in enterprises is still simple, leading to large post-harvest losses, ranging from 10 to 25%; semi-processed products with low added value account for 70-80%; At the same time, products with high convenience such as ready-made and ready-to-eat products are still low, mainly semi-finished products for further processing. Therefore, businesses reduce profits and reduce costs to increase competitiveness with agricultural products of other countries exporting to China, instead of relying on quality or variety of goods to prevail.

From January 2019, the General Administration of Customs of China tightened quality control and traceability, encouraged official exports and gradually restricted informal trade. Most of the shipments are inspected, causing delays in delivery, congestion, and increasing transportation costs many times over.

In addition, since the outbreak of the Covid-19 epidemic, transporting goods from southern

provinces through many checkpoints and drivers has to be tested continuously, this incurs costs for businesses. Logistics costs for agricultural exports of Vietnam on average account for about 20-25%, quite high compared to other countries in the region (about 10-15%). This directly affects the price competitiveness of Vietnamese agricultural products as well as the profits earned by businesses.

From 2018 up to now, after rearranging the agencies directly under the Government, whereby, the system of testing - quarantine agencies was merged into the General Department of Customs of China, the Chinese side has implemented a contract. A set of measures to ensure strict and complete implementation of regulations that China has long issued on testing - quarantine, traceability, packaging, labeling... This is one of reasons for the export of agricultural products of Vietnamese enterprises to China has slowed down and decreased in the past 2 years after many years of growth. In 2020 and 2021, due

to the impact of the Covid-19 pandemic and strict requirements from China, Vietnam's agricultural products exported to the Chinese market continued to decline.

Due to the advantage of geographical position, Vietnamese fruit exports to China mainly in the form of border trade. Although many of the above 09 fruits are eligible for official export to China with the tax rate of 0%. However, the form of buying and selling border residents is still used by Chinese traders because VAT is avoided. Therefore, fruit exported to China is still dependent on this potentially risky form of transaction, causing congestion at the land border gate area during the peak harvest season. .

Fruit is a Chinese commodity with high consumer demand, especially for fresh tropical fruit. The specificity of the Chinese market is that it prefers to consume fresh fruit (not

canned) while Vietnam has a great advantage in the field of production and export of this product group. Vietnamese fruit is popular among Chinese consumers, but not all consumers know that it is Vietnamese fruit. In the coming time, China will still be a suitable and high-demand market for Vietnamese fruit exporters.

2. ORGANIZATIONS INVOLVED IN EXPORTING AGRICULTURAL PRODUCTS TO CHINA

The number of Vietnamese enterprises participating in exporting agricultural products to the Chinese market in the period 2016 - 2019 increased quite rapidly. The total number of enterprises exporting agricultural products of Vietnam in this period has increased by an average of 32% per year from 286 enterprises in 2016 to 716 enterprises in 2019.

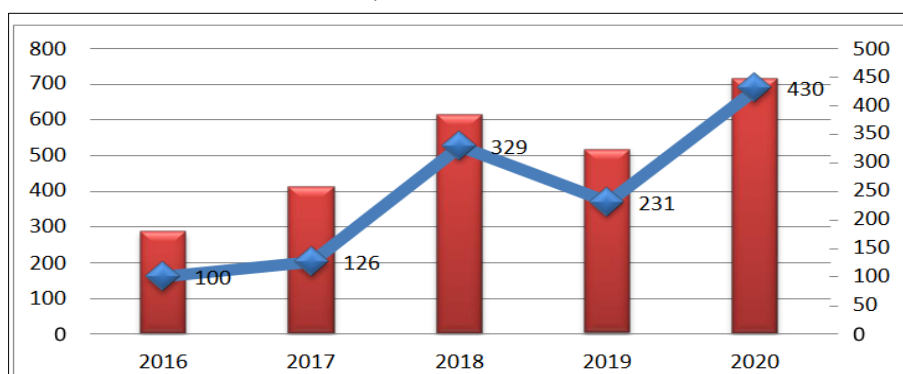


Figure 3. Number and growth rate of Vietnamese agricultural export enterprises to the Chinese market

(Source: General Administration of Customs)

China has always been a traditional export market for Vietnamese agricultural products because the two countries share a border, but the traditional form of export is a small quota, so Vietnamese agricultural product exporters face a lot of problems such as forced goods prices, late payments, etc. In recent years, the business environment between the two countries has improved thanks to agreements signed between the two sides such as ACFTA, Vietnam - China border trade agreement, Vietnam - China Agreement on assurance import and export goods quality and mutual recognition, Payment Agreement on

cooperation between the Government Bank of Vietnam and the People's Bank of China People's Republic of China... so the number of enterprises Vietnam's agricultural exports are also increasing day by day.

The number of Vietnamese enterprises exporting to China is continuing to increase over time although there was a decrease in 2019 as China tightened technical standards to control the source of goods. However, after the two governments found a way to remove and overcome difficulties to continue clearing agricultural products, by 2020 the total export turnover of Vietnam's agricultural products to

the Chinese market has shown signs of improvement. The signal increased again and so the companies engaged in the export of agricultural products also increased.

3. DIRECTIONS TO DEVELOP TRADE IN AGRICULTURAL PRODUCTS BETWEEN VIETNAM AND CHINA

The development of trade in agricultural products between Vietnam and China must be based on the two countries' common commitments on trade, ensuring harmony and transparency in trade in accordance with the two countries' laws, making the most of WTO and ACFTA preferences to export agricultural products to China.

Developing agricultural trade with China is based on building long-term, reliable investment partnerships or linkages with end consumers, building main distribution systems or linking investment and production in Vietnam. The biggest ones are those with large commercial scale (rice, rubber, etc.) or perishable (aquatic products, vegetables, etc.). Vietnam needs to be more proactive in its policy of cross-border trade and gradually shift from small-scale to official trade. In cross-border trade, it is necessary to be more proactive to give appropriate responses to promote agricultural trade between the two countries. While China is promoting official trade, Vietnam needs to take advantage of this opportunity to gradually shift the informal trade relationship, which lacks transparency and is difficult to manage, to a formal trade relationship through foreign policy.

Policies and solutions to support trade are built on the basis of considering China as a traditional and important trading partner of Vietnam's agricultural sector. For this market, it is necessary to gradually develop in-depth on the basis of formalization, limit intermediaries, continue to promote the advantages of border

trade and step by step promote formal trade to penetrate deeply into the Chinese domestic market.

It is necessary to focus on effective policies and solutions to support the improvement of product quality as well as the ability to adapt to changes in conditions and regulations, increasing competitiveness for agricultural export enterprises. Vietnamese products in order to meet the strict standards and strict regulations of this market, and at the same time increase the product value, win the hearts of consumers, thereby gaining a foothold in China's agricultural market.

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