

# THE INFLUENCE OF MOTIVATION FACTORS ON MULTINATIONAL COMPANIES' DECISION TO INVEST IN LAOS

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*Foreign direct investment (FDI) has been recognized as an important resource for economic development. However, there are very few empiricall studies on the attraction of the host country to FDI inflows. This study uses regression modeling to analyze data collected from 190/206MNCs in Laos. The results of the survey indicate that indicators that reflect the Laos' investment environment attraction to FDI inflows just slightly above medium levels. There are six main factors that represent 75.57% all factors which belong to Laos' environment that affect the FDI inflow located into Laos. They are "Tax incentives", "Market-seeking dimension", "Efficiency-seeking dimension", "FDI promote policies", "Trade Agreement", and "Infrastructure". The findings from this research significantly benefit improves their performances in order to attract Multinational Companies (MNCs) investing to the country. To do so in an efficient way, Laotian government should focus on improving their FDI promote policies which include provide more supports for manufacturing and services industries, introduce and implement a firm intellectual property rights law, and integrate stronger to neighbor countries such as Vietnam and China who were the leading investors to Laos.*

**Keywords:** Foreign direct investment (FDI); Laos; Multinational Company (MNC).

## Introduction

Foreign direct investment (FDI) has been recognized as an important resource for economic development. Many people argue that the flows of FDI could fill the gap between desired investments and domestically mobilized saving. It also may increase tax revenues and improve management, technology, as well as labor skills in host countries. Additionally, FDI may help the host country to break out of the vicious cycle of underdevelopment (Hayami & Godo, 2005).

Lao People's Democratic Republic (Lao PDR) has implemented the incentive investment policies in order to attract the foreign direct investment inflows into the country after Lao PDR has transformed from the central planning

economy to market mechanism in 1986, by opening more cooperation with many countries, and building necessary conditions to attract FDI from around the world.

Lao PDR has been reasonably successful in attracting FDI since it implemented its Foreign Investment Law in 1994 which was revised in 2016. According to Ministry of Planning and Investment, from 2000 to the end of 2017, total FDI inflows to Lao PDR were approximately US\$ 6.629 billion. Last two decades Lao government has highly attempted to improve Investment law in order to attract large amount FDI inflows to Laos. As evidenced by allowing 100% foreign ownership of investment in 1988, it followed by extending of investment concession from 20 years in 1999 to 99 years in 2009, establishing the special economic zones,

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granting import duties free and income taxes exemption, which depends on promoting zones and investment areas. As a consequence cause FDI inflows to Laos has rapidly increased from US\$ 58.54 million in 1991 to a peak of US\$ 1.421 billion in 2015, the FDI inflows to Laos is dominated by hydropower and mining sectors, which accounted for 56% of total FDI during the period 1988-2017 (InvestLaos, 2019). While major sources of foreign investors are from China, Thailand and Vietnam, the three countries covered for 78.26% of the total FDI in during period 1989-2015.

FDI is considered to be significant capital sources to support social economic development in Laos, and it becomes a crucial factor to stimulate an economic growth (Phommahaxay, 2013a). However, after reaching a peak of US\$1.421 in 2015 the FDI inflows to Laos has reduced gradually in recent years. FDI inflows was down to US\$997.4 million in 2016 and US\$ 813 million in 2017 (InvestLaos, 2019). The drop in the amount of FDI inflows requires studies examining factors affecting the attraction of Laos to FDI.

Despite a considerable number of studies examining the determinants of FDI inflows, there are very few empirical studies on the attraction of the host country to FDI inflows. This paper aims not only to review the literature regarding the factors affecting the attraction of host countries to foreign investors, but also to introduce factors and validate them in the context of Laos, with the aim of enhancing the current literature with regards to motivation to invest into Laos.

## 1. Literature Review

### 1.1. Foreign Direct Investment

There are many different definitions of foreign direct investment (FDI). For example, Boskin and Gale (1987) defined FDI as the

infusion of funds into a subsidiary by the foreign parent or the retention of earnings by that subsidiary. More simply, Drabek and Payne (2002) defined FDI as investment in capital stock or assets by a company abroad. Slemrod (1990) considered that FDI consists of earnings retained by subsidiaries and branches of foreign partners and transfers of funds from the foreign parents to the US firms, including both debt and equity transfers. Dunning and Lundan (2008, p.7) provided a detailed definition as follows: “Foreign Direct Investment is different from foreign portfolio (or indirect) investment in two important respects. Almost all of these definitions are based on a general concept that FDI is capital in the form of money or materials invested by investors in foreign nations to capture ownership or to control or to manage some economic entities in that country, with the aim of maximising investment profits.

According to the Organization for Economic Cooperation and Development’s (OECD) glossary of standard economic terms “Foreign direct investment (FDI) is the category of international investment that reflects the objective of a resident entity in one economy to obtain a lasting interest in an enterprise resident in another economy” (OECD, 2001). ‘Lasting interest’ implies the existence of a long-term relationship between the direct investor and the enterprise, and a significant degree of influence by the direct investor on the management of the direct investment enterprise. Direct investment involves both the initial transaction between the two entities and all subsequent capital transactions between them and among affiliated enterprises; both incorporated and unincorporated. The key difference between FDI and other forms of foreign investment and multinational corporation (MNC) activity is, therefore, its long-term focus. The lasting commitment associated with FDI often means

that the investment is higher risk and involves a *greater* number of variables and uncertainty than other forms of MNC activity such as importing/exporting. Accordingly, the decision-making processes that *lead* to FDI location choice are often more complex and *require greater* resource commitment than other forms of investment, and thus *require* separate analysis in *research*. For the purpose of this *research*, the FDI definition used is based on the *OECD's* definition described above.

### 1.2. The influence of motivation factors on MNCs' decision to invest in Laos

The literature presented in previous sections provides an overall picture of factors affecting the choice of multinational companies to invest in a country. There is a number of *empirical* studies which have *been* conducted in Asian countries, such as China (Kang and Lee, 2007), Malaysia (Ali *et al.*, 2010), Thailand (Sangiam, 2006) and Vietnam (Nguyen, 2014) suggested that market-seeking motives, *efficiency-seeking* motives and government policies are the main determinants of the host country's attraction to FDI inflows. However, these studies have not *reached* a consensus on the *relationship between* FDI inflows and all of these variables (Sangiam, 2006). Therefore, the current study develops a *theoretical* framework that includes a number of variables (market-seeking motives, *efficiency-seeking* motives, and government policies) to be *examined* in the context of Lao PDR.

Drawing from the literature review, Figure 1 presents the broad-spectrum framework of the current study. This

framework represents relationships between the independent variables (including market-seeking motives, efficiency-seeking motives, and government policies) and the dependent variable (FDI inflows attraction).

Market-seeking motives includes factors relating to market attraction such as market size, market openness, market potential, market growth. After interviews with directors and managers of multinational companies in Laos, three factors including market size, market openness and market potential are identified appropriately to Laos' context.

Efficiency-seeking motives imply that firms often seek to increase their cost efficiency by transferring business, totally or in part, to low labour cost locations. The interviews suggest that three factors including labour cost, labour quality and other issues are appropriate to be measured.

The Government policies refers to institutional characteristics in Laos. Data from interviews suggests five institutional characteristics in the Laos setting, namely the FDI promotion policies, trade agreements, tax incentives, natural resource policies and infrastructure. These five factors were used to measure the government policies variable.

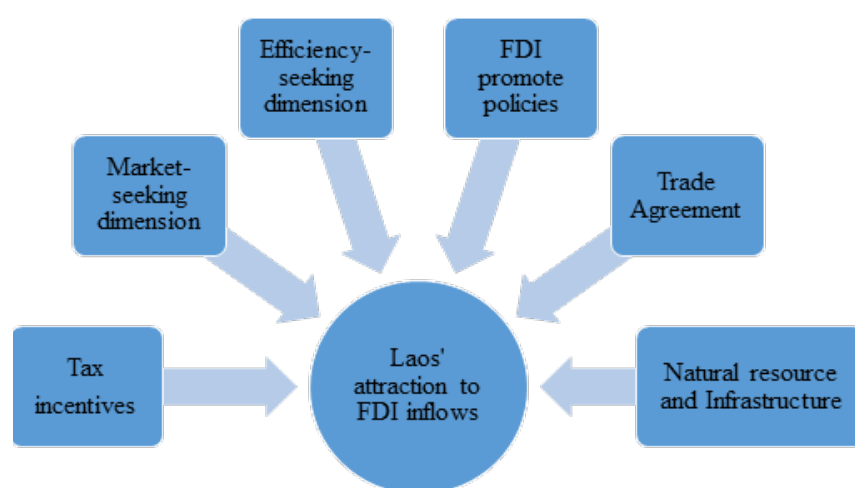


Figure 1. Proposed research model

FDI inflows attraction refers to FDI inflows in Laos. FDI attraction was measured by the general perception of foreign investors about the attraction of investment environment in Laos.

After finalizing the theoretical framework, the questionnaires are developed to collect data via survey to measure the factors and test the relationships between these factors and the attraction of Laos to FDI inflows.

## 2. Methodology

### 2.1. Research context

This study focused on examining the perceptions of senior management staff (such as CEOs or persons in top managerial level) on the factors that motivate MNCs to invest in the Laos setting. An underlying assumption in this study is that senior management staff act as agents in making investment and employment decisions for an MNC. This assumption was used widely in previous studies, e.g. Graham and Harvey (2002). In Laos, most staff in the top managerial level of MNCs are foreigners who represent holding companies which control and manage directly the company located in Laos. Thus, they are the key decision makers in their companies and they are the most suitable and relevant respondents to give views on investment decisions in the Laotian market. Therefore, staff in the top managerial level of MNCs in Vientiane were chosen as the target respondents.

**Table 1. Descriptive statistics of demographic characteristics (n = 190)**

		Count	%
What industry is your company operating in Laos?	Manufacturing	70	36.8
	Services	75	39.5
	Construction	17	8.9
	Others	28	14.7
	Total	190	100.0
What is your type of ownership?	Partnership	34	17.9
	Joint-venture	59	31.1
	Wholly foreign owned	69	36.3
	Others	28	14.7
	Total	190	100.0
What is your foreign nationality?	Vietnam	47	24.7
	China	68	35.8
	Thailan	36	18.9
	Korea	21	11.1
	Others	18	9.5
	Total	190	100.0
How many employees are working for you in Laos?	Below 10	25	13.2
	11 - 49	47	24.7
	50 - 200	76	40.0
	201 - 300	29	15.3
	Over 300	13	6.8
	Total	190	100.0
Total investment capital in Laos (in million USD)	Less than 5	28	14.7
	5 - 10	42	22.1
	10 - 20	63	33.2
	20 - 50	42	22.1
	More than 50	15	7.9
	Total	190	100.0
Length of establishment in Laos? (years)	Less than 2	48	25.3
	3 - 5	89	46.8
	6 - 10	39	20.5
	More than 10	14	7.4
	Total	190	100.0

In this study, the initial quota sample of 250 MNCs in Laos selected by the researcher based on the quota characteristics. A total of 206 responses received reach the percentage of 82.4%. After refining the data, 190 responses satisfied for analyzing accounting for 92.23% of total received responses. Table 1 describes information of the satisfied sample.

## 2.2. Measures

The measures in the model were developed from previous studies and through preliminary qualitative research. The second section (Section B) of the questionnaires was designed to investigate the company's motivation factors to invest in Laos (market-seeking motives, efficiency-seeking motives, government policies) those influence MNCs' decisions to invest to Laos. This section is based on the Eclectic Paradigm and the institution theory as discussed in the literature review. The survey instrument was developed from hypotheses one to five. Section C of the questionnaires was a question asking for general perception of MNCs about the degree of attraction of Laos to FDI inflows.

Most of these measurement items were modified from previous studies such as (Alfaro et al., (2004), Lei and Chen (2011), Saleh and Harvie (2010), Sandhu (2007) and World Bank (WB 2002) so as to apply to the Laotian context, The purpose of this section was to identify the influence of these factors on MNCs' decisions to invest in the Laotian industries. Each measurement was measured by a subjective rating relative to managerial perceptions of the MNCs' motivation to enter new foreign markets on a five-point Likert scale. Each construct (market-seeking motives, efficiency-seeking motives, government policies) is measured from 1 (strongly

disagree) to 5 (Strongly agree). FDI location construct was also measured from 1 (strongly disagree) and 5 (strongly agree).

## 2.3. Data analysis

For the reliability analysis, the Cronbach's coefficients were calculated separately for the potential and the extracted constructs to assess the consistency of the service quality indicators for each construct of interest. The construct with Cronbach's a coefficient exceeding 0.7 is considered to possess satisfactory internal consistency.

Exploratory factor analysis (EFA) was used to extract the constructs of service quality from the retained indicators for telecommunication service. Prior to the factor extractions, the correlations between service quality indicators were examined and refined. The pair indicators with correlations exceeding 0.9 (Field, 2013) were carefully reviewed and examined to determine the tradeoff of the indicators for further EFA.

The purpose of regression analysis method is to measure the impact degree of each factor on the attraction of Laos in attracting FDI inflows in detail. The impact degree of each factor manifests through regression coefficients in regression equation (Beta<sub>i</sub>). Accordingly, factor which has larger Beta<sub>i</sub> will have more important impact on FDI inflows attraction and factor which has positive Beta<sub>i</sub> will have positive impact on FDI inflows attraction and vice versa.

## 3. Findings

### 3.1. Reliability and value of the measures

Exploratory factor analysis was performed to extract FDI location constructs for the 38 FDI motivation indicators which belong to host country environment. The Kaiser–

**Table 2. EFA analysis**

	Component					
	1	2	3	4	5	6
Q15	.798					
Q29	.659					
Q33	.701					
Q34	.775					
Q35	.756					
Q36	.562					
Q37	.792					
Q38	.841					
Q39	.805					
Q40	.893					
Q8		.620				
Q9		.742				
Q10		.763				
Q11		.645				
Q12		.837				
Q13		.672				
Q14			.656			
Q17			.566			
Q21			.668			
Q22			.742			
Q23				.670		
Q24				.839		
Q26				.681		
Q28				.871		
Q27					.773	
Q30					.784	
Q31					.640	
Q32					.641	
Q41						.553
Q42						.779
Q43						.602
Q44						.691

Mayer–Olkin (KMO) test and Bartlett’s test of sphericity were examined to determine whether the sampling data was adequate for proceeding satisfactory factor analysis, and whether the correlation matrix of indicators is an identity matrix. The KMO test result was 0.865, exceeding the 0.5 threshold value suggested for use in this investigation by various academics (Field, 2005; George & Mallery, 2003), and the probability value of the Bartlett’s test of sphericity was 0.000. Both results indicate that the sampling data with 190 valid responses gathered for the 32 motivation indicators can be used for factor analysis.

### ***3.2. Evaluate structural relationships and hypotheses verification***

Regression analysis was employed to test the relationship between motivation factors and the attraction of Laos to FDI inflows context. The attraction of Laos to FDI inflows was considered as dependent variable Y (Q45 “Overall judgment on the attraction of Laos to FDI inflows”), interdependent variables were indicators of motivation measurement scale derived from the result of above EFA procedure. Regression model was proposed as below:

$$\hat{Y} = \beta_0 + \beta_1 F_1 + \beta_2 F_2 + \beta_3 F_3 + \beta_4 F_4 + \beta_5 F_5 + \beta_6 F_6$$

In which  $\beta_i$  regression coefficients reflecting the impact of each factor to the variance of dependent variable. Regression model is good of fit when regression coefficients are significant (assessed by testing the significance of regression coefficients) and there is no multicollinearity phenomenon. The variance inflation factors (VIF) of factors were all less than 10 that mean there is no multicollinearity phenomenon. The regression equation is then formed as below:

$$\hat{Y} = 0.285 + 0.11F_1 + 0.176F_2 + 0.122F_3 + 0.201F_4 + 0.114F_5 + 0.16F_6$$

Testing the significance of the regression coefficients showed that all factors had level of statistical significance below 0.05 that means these factors were all significant in the model. All the coefficients of factors had positive values supporting a positive impact of motivation factors on the attraction of Laos to FDI inflows. In other word, the hypotheses H1, H2, H3 have been confirmed. Factor F4 “FDI promote policies” had biggest Standardized Coefficients at 0.201 that leads to its strongest impact on FDI attraction. Following by factor F2 “Market-seeking dimension” and factor F6 “Natural resource and Infrastructure” with Standardized Coefficients at 0.176 and 0.16 respectively.

#### 4. Theoretical and Practical Implications

##### 4.1. Theoretical Implications

This paper contributes to the knowledge with a model of factors affecting the attraction of Laos to FDI inflows that contains 6 factors including: tax incentives; market-seeking;

efficiency seeking; FDI promote policies; trade agreement; natural resources and infrastructure.

##### 4.2. Practical Implications

As can be seen from the findings, Laotian government should improve their performances in order to attract MNCs investing to the country. To do so in an efficient way, Laotian government should focus on improving their FDI promote policies which include provide more supports for manufacturing and services industries, introduce and implement a firm intellectual property rights law, and integrate stronger to neighbor countries such as Vietnam and China who were the leading investors to Laos.

Besides, Laos should spend more investment to improve their infrastructure system which includes improving utilities (electricity, clean water and waste treatment facilities), transportation( road, highway, railway, ports, bridges and airports), the availability of industrial zones in Laos, and telecommunications (landline phone, mobile phone, network and internet).

##### 4.3. Limitation and Future Research

The quota and snowball sampling methods are non-random, and may introduce sampling bias, threatening external validity. The results obtained by the quota and snowball sampling method were difficult to generalize to the population because a quota and snowball sampling method was a type of non-probability sampling and the characteristics of data-producing samples partially matched those of quota samples.

This current study has two limitations regarding theoretical conceptualisation. First, the study used only three important dimensions (market-seeking and efficiency-

seeking, government policies). Future studies may include other potential variables for comprehensive analysis, such as cultural dimension and business networks which may play an important role in determining FDI location in Laos.

The second limitation relates to the narrow focus on the hypothesis relationships. It is recognised that there can be other possible relationships among the variables used in the current study. For example, there may be a moderator variable (for example, corruption, language, education) that moderates the mutual relationship between market-seeking, efficiency-seeking, government policies.

Future studies may also employ SEM with Mplus analysis to analyse the determinants of FDIs within the industries and between subindustries in order to gain more knowledge about the MNCs' motivation in the Laos context.

Finally, more understanding of the relationship of market-seeking with FDI location, the relationship of efficiency-seeking with FDI location, the relationship of government policies with FDI location, the relationship of the culture dimension with FDI location and the relationship of business networks with FDI location may be accomplished by the implementation of a qualitative approach to comprehensively identify the key factors that could influence FDI inflow in Laos. Future research may also explain specific variables that could be influential upon such relationships./.



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# BOOSTING VIETNAM'S EXPORTS TO AUSTRALIA AND NEW ZEALAND IN THE NEW CONTEXT: OPPORTUNITIES, CHALLENGES AND PROPOSED SOLUTIONS

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*In today's world, global and regional affairs continue to transpire in the direction of peace, cooperation, and development but not without latent complications. Globalization and international integration are expanding, accompanied by the rise of protectionism and populism. The world economy is influenced by multiple factors such as pandemics, natural disasters, climate change, trade and political tensions between major countries as well as in several regions of the world, the booming fourth industrial revolution with its achievements used in all aspects of social life, and especially the digital economy model, which have opened up numerous opportunities and challenges for global trade as well as trade between Vietnam and Australia and New Zealand. To better exploit trade benefits with Australia and New Zealand and promote Vietnam's commodity exports to these markets under new conditions and in the new context, Vietnam needs to adopt several measures to promote its exports to Australia and New Zealand – and this is also the goal of the article.*

**Keywords:** Australia; Challenges; Export; New Zealand; Opportunities.

## 1. A market overview of Australia and New Zealand, and the countries' trade relations with Vietnam

Australia and New Zealand are two important markets in Oceania, which both enjoy stable growth and high degrees of economic openness. Australia and New Zealand have entered numerous free trade agreements and have been actively promoting trade cooperation with their partners in such agreements. These are two potential markets with ample opportunities for commodities from other countries and from Vietnam since Australia and New Zealand are both highly dependent on imports to provide for domestic production and consumption.

Up to now, free trade agreements to which Vietnam, Australia, and New Zealand are members include the ASEAN-Australia-New Zealand Trade in Goods Agreement (AANZFTA), the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP), and the Regional Comprehensive Economic Partnership (RCEP). These agreements provide several commitments on tax incentives, commitments to support the improvement of sanitary standards, sanitary and phytosanitary measures and technical standards, rules of origin, and so on have been creating tremendous opportunities for commodities of the member countries to access and enter each other's markets.

In the period 2011-2021, bilateral trade between Vietnam and Australia, and New Zealand has seen great achievements. The total trade between Vietnam and Australia has

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increased nearly threefold (from 4.6 billion USD in 2011 to 12.4 billion USD in 2021). Specifically, the value of Vietnam's exports to Australia has almost doubled (from 2.5 billion USD in 2011 to 4.6 billion USD in 2021). As for New Zealand, the total bilateral trade of goods between Vietnam and New Zealand has increased 2.5 times (from 535 million USD in 2011 to 1,337 billion USD in 2021), with the value of Vietnam's exports to New Zealand increasing more than fourfold (from 151 million USD in 2011 to 702 million USD in 2021). The structure of exported goods from Vietnam to Australia and to New Zealand has also changed markedly with processed and manufactured goods accounting for increasing proportions while the proportions of raw and preliminary goods, as well as mineral fuels, are decreasing. The quality of exported goods is also gradually improved to meet the demanding requirements of food hygiene and safety, and the high technical standards of Australia and New Zealand.

However, there exist limitations to Vietnam's exports to Australia and New Zealand during this period in the sense the export scale is yet to be commensurate with Vietnam's export potential and the import demand of Australia and New Zealand; the competitiveness of Vietnamese goods in Australia and New Zealand is rather modest; and there are cases of Vietnam's exports violating biosecurity and food standards and regulations of these countries.

## **2. Opportunities for Vietnam's commodity exports to Australia and New Zealand in the new context**

- The global economy in the post-pandemic era is in the process of recovery. Although the recovery is being made at a modest speed and continues to be affected by other crises, some sectors have shown clear signs of recovery, creating ample opportunities for Vietnam's exports. The economies of Australia and

New Zealand are regaining momentum, followed by increasing demand for imported goods. Every year, the two countries need to import a large volume of goods from ASEAN countries and Vietnam to meet production and consumption demands. Taking advantage of these opportunities will enable Vietnamese enterprises to promote production and export activities, including exports to Australia and New Zealand.

- The Asia-Pacific region continues to be a driving force in the growth of global commodity trade in the foreseeable future, and Australia and New Zealand are oriented toward developing international trade with Asia and the ASEAN countries. While China's role in world trade growth has relatively decreased due to the impact of its "Zero Covid" policy and trade tensions with major countries such as the US and Australia, intra-ASEAN integration has been promoted and ASEAN has affirmed its central role in the regional integration process. Countries in the region are pushing for deeper economic and trade cooperation with ASEAN, with both Australia and New Zealand identifying ASEAN as an important trading partner in reality and in both countries' long-term strategies.

Vietnam is a member of ASEAN - the center of the most dynamic economic development area in the Asia-Pacific. If the countries can leverage their geoeconomic advantages and embrace trends in regional and global trade development, bilateral trade relations between Vietnam and Australia as well as Vietnam and New Zealand are certain to be strengthened and developed in the coming time.

= Free trade agreements signed in the region such as AANZFTA, CPTPP, and RCEP have been bringing plenty of opportunities for Vietnam's exports to Australia and New Zealand.

+ The ASEAN-Australia-New Zealand Free Trade Agreement (AANZFTA), which came into effect on January 1, 2010, has connected 12 markets with about 650 million people and a total GDP of up to 4.1 trillion USD, playing an important role in promoting economic, trade and investment relations between ASEAN and Australia, New Zealand in general and between Vietnam and Australia and New Zealand in particular. The agreement has been bringing key benefits to ASEAN and Australia and New Zealand such as allowing greater market access for exporters/producers in the region, promoting production cost reduction, creating opportunities to expand job networks and strengthening cooperation between businesses in the region. For Vietnam, products that are Vietnam's strong suit such as agricultural and aquatic products, furniture, textiles, footwear, etc are those that benefit from Australia and New Zealand's tariff reduction commitments. By 2020, tariffs on these products have generally reduced to 0%. These also are the products that Australia and New Zealand import a lot from Vietnam. Therefore, Vietnam can further promote such to Australia and New Zealand in the near future.

+ The Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) is a new-generation FTA, consisting of 11 member countries, namely Australia, Brunei, Canada, Chile, Japan, Malaysia, Mexico, New Zealand, Peru, Singapore and Vietnam. The Agreement officially took effect on December 30, 2018 for the first 6 countries to complete the ratification procedures for the Agreement including Mexico, Japan, Singapore, New Zealand, Canada and Australia. CPTPP member countries account for 13.5% of global GDP with total trade of more than 10 trillion USD. The CPTPP opens up ample opportunities to form new supply chains. Entering CPTPP is an important condition that allows countries

to enhance the level of development of their economies, increase labor productivity, gradually reduce assembly processing, and participate in production stages with higher added value, thereby entering the stage of developing the electronics, high technology and green agriculture industries.

Within the framework of the CPTPP Agreement, Australia commits to cut 93% of the tariff lines, which will correspond to 95.8% of Vietnam's exports to this market (about 2.9 billion USD) as soon as the Agreement was implemented, Vietnam's major export products are entitled to Australia's 0% tax rate as soon as the Agreement took effects. These include vegetables and fruits, tea, coffee, pepper, cashew nuts, seafood, textiles, footwear, timber and products made of timber. Tariffs on the remaining products were eliminated according to schedule in the 4th year (since January 1, 2021). Meanwhile, New Zealand commits to eliminate 94.6% of tariff lines as soon as the Agreement came into effect, equivalent to 69% of Vietnam's exports to this market (about 101 million USD). In the 7th year since the implementation of the Agreement, the remaining tariff lines will gradually be eliminated. In addition, the CPTPP allows for the accumulation of raw materials from member countries, which means that Vietnamese goods produced from raw materials imported from CPTPP countries will enjoy preferential treatment when exporting to Australia and New Zealand. Therefore, Vietnamese goods manufactured from raw materials imported from TPP countries will enjoy preferential treatment when exporting to Australia and New Zealand. This is a favorable condition for exporters of such products to seek suppliers of raw materials from CPTPP member countries to be eligible for preferential tariff treatment when their country is a member to the CPTPP.

+ The Regional Comprehensive Economic Partnership (RCEP), officially effective from January 1, 2022, is a free trade agreement with market size of up to 2.2 billion consumers with a GDP of 28,500 billion USD (as of 2020) with 15 member countries (10 ASEAN countries and 5 ASEAN partners including China, Japan, Australia, New Zealand and South Korea). Trade among RCEP member countries has amounted to over 10,700 billion USD, accounting for 30.3% of the total value of trade globally in 2020.

With commitments on reasonable customs procedures and uniform rules of origin, RCEP creates opportunities for Vietnam to improve market access, while helping to gradually recover and strengthen supply chain linkages between Vietnamese enterprises and intra-RCEP partners. Vietnam's main sectors that are expected to benefit from RCEP include information technology, footwear, agriculture, automotive, telecommunications and e-commerce.

The greatest advantage that RCEP brings is the harmonious rules of origin, accumulating raw materials originating from throughout the bloc, enabling Vietnamese enterprises to take advantage of the diverse sources of raw materials for imports in the RCEP block when several export industries of Vietnam are relying on imported production materials. Vietnam has the opportunity to increase exports to Australia and New Zealand. There are also opportunities for Vietnam to boost exports of its traditional products such as agricultural products and fisheries to partner markets.

- In the wake of the fourth industrial revolution and digital economy, the development of e-commerce creates opportunities for Vietnamese businesses to take advantage of new, faster and more convenient export opportunities. The hyper-connected environment also revolutionizes transactions, payments and logistics, bringing great opportunities for

Vietnamese small and medium enterprises to engage more deeply in regional and global value chains. Anchored to the strong development of e-commerce in the region and the world at large, Vietnam can put its products on e-commerce platforms to reach business and individual customers in other countries, including Australia and New Zealand.

- The shifting trend of international investment flows as a result of trade tensions between major countries, especially between Australia and China, has created a number of opportunities for Vietnam's exports to Australia and New Zealand. Vietnam is one of the destinations chosen by many multinational corporations and companies producing and processing high technology when moving their production facilities out of China (Korea's Hanwha or Taiwan's Goertek, for example.). In addition, impacted by restrictions in their trade tensions, import and export activities between Australia and China have become difficult. As a result, Australia is seeking alternative markets, and Vietnam is one of the priorities. New Zealand has also shown support for Australia on China-related issues. Vietnam has more opportunities to export to Australia and New Zealand more high-tech and industrial products such as electronics, phones, machinery or textile products, leather shoes, bags, umbrellas, etc.

### **3. Challenges facing Vietnamese exports to Australia and New Zealand in the new context**

- The world economy has shown tendencies of recovery yet there still exist substantial potential risks and instability, causing Vietnam's exports, particularly its exports to Australia and New Zealand to encounter several challenges: (i) The possibility of supply chain disruption remains, meaning that the sources of imported raw materials which Vietnam's exports depend on remain unstable; (ii) Instability of logistics activities, scarcity of empty containers, risks

of pandemics, etc. are driving the cost of transporting commodities upwards, reducing their competitiveness.

- Australia and New Zealand are highly demanding markets for imported commodities. Although the two countries have fairly transparent policies for trade and tariffs, highly stringent non-tariff barriers (such as food sanitation and safety standards, technical standards, etc.) are in place, especially for agricultural, fishery and forestry products. To be imported into Australia and New Zealand, fruits and agricultural products must undergo disease risk analysis and have to meet certain standards. Since this process is time-consuming, it poses limits to the possibility of some commodities, especially Vietnamese agricultural products, being exported to these two markets.

- Besides bringing out opportunities, CPTPP and RCEP commitments also create several challenges and intense pressure for Vietnamese businesses: (i) Along with the regulations of Australia and New Zealand, commitments on non-tariff barriers in CPTPP and RCEP require businesses to improve their competitiveness, standards and quality of their products to satisfy more demanding requirements to penetrate these markets; (ii) Similar opportunities enjoyed by member states of such Agreements also create stiffer competition for Vietnamese products. Vietnamese goods will have to compete fiercely with similar goods of other RCEP member countries since said countries are given the same opportunities as Vietnam. Given the high level of similarity in the commodity structures of Vietnam, China and ASEAN member states, Vietnam is in direct competition with China and ASEAN.

- Vietnamese businesses still have difficulties in getting to know the markets of Australia and New Zealand and are hesitant to conduct trade promotion in this region. Australia and New Zealand are geographically distant from

Vietnam and consumer preferences in these markets differ drastically from Vietnamese consumers. Australia and New Zealand have a combined consumer market of more than 30 million people but is spread over a large area. This creates a sense of hesitation among Vietnamese businesses regarding the possible high-cost but low-efficiency trade promotion activities, and cultural differences. In fact, trade promotion activities in the two markets so far have been mainly organized by state management agencies that call for and support the participation of Vietnamese businesses, while there has been little initiative from businesses and industry associations.

#### **4. Proposed solutions to boosting Vietnamese exports to Australia and New Zealand in the new context**

##### ***4.1. Solutions to be adopted by state management agencies***

##### ***(1) Completing and promoting cooperation mechanisms to facilitate trade between Vietnam and Australia and New Zealand***

- Vietnam and Australia have been Comprehensive Strategic Partners since 2018 and are aiming for a Comprehensive Strategic Partnership by 2023. To implement the aforementioned partnership, Vietnam and Australia have launched the Vietnam - Australia Plan of Action for the Strategic Partnership for the period of 2020-2023. In the coming time, the two countries will continue to strengthen the operation of the Trade Working Group under the “Vietnam-Australia Economic Partnership Ministerial Meeting” to support the resolution of issues arising in trade relations and promote trade cooperation between the two countries.

- Vietnam and New Zealand have established their Strategic Partnership since 2020, along with a phased Plan of Action to implement the aforementioned partnership. State management agencies of the two sides should integrate into the Plan of Action objectives on

trade promotion, trade values, and appropriate trade cooperation orientations for Vietnam and New Zealand. At the moment, Vietnam and New Zealand is maintaining the mechanism of the Joint Economic and Trade Committee. It is crucial to utilize and maximize the benefits of this mechanism in promoting exports and strengthening cooperation between the two countries.

***(2) Facilitating businesses in utilizing opportunities from free trade agreements to which Vietnam, Australia and New Zealand are members***

- State management agencies should put efforts into simplifying, modernizing, organizing the flow of enterprises in the process of granting preferential Certificate of Origin (C/O), and at the same time, promoting C/O issuance through online channels and self-certification of origin.

- They should also promote information dissemination activities for businesses so that they can have a clear, proper and thorough understanding of the nature of trade commitments in trade agreements. Information on each industry and commodity should also be available so that recommendations can be made on how to utilize opportunities brought about by the agreements.

***(3) Enhancing the efficiency of trade and export promotion activities***

- It is important that appropriate participants are selected for trade promotion programs: (i) Priority should be given to reputable, certified businesses that have participated in quality management programs, possessed national brands, and that can potentially become industry leaders; (ii) Priority should also be given to organizations, units and localities that take initiatives to integrate trade promotion activities into locally based international programs and projects to optimize resources given limited funding; (iii) Priority should be given to

activities applying information technology, innovative projects, as well as businesses and associations with digital applications (such as traceability in agricultural and aquatic products or product data for digital marketing).

- There should be a focus on trade and export promotion activities for commodity groups with potential for enhanced export, in accordance with the trade promotion orientation of the Ministry of Industry and Trade until 2025. In particular, for the processed and manufactured industrial commodity group, the focus of trade promotion should be on textiles, leather and footwear, bags, timber products; for the agro-forestry and fishery commodity group, the focus of trade promotion should be on fisheries, fresh fruits, tea, coffee, cashew nuts, pepper, rubber, rice.

- Trade promotion activities, especially activities under the annual National Trade Promotion Program should continue to be promoted, innovated and improved to suit the nature of each industry, in order to support Vietnamese businesses in seeking partners, increasing their market shares in Australia and New Zealand.

- The application of information technology in trade promotion activities in Australia and New Zealand should be strengthened. The information technology can be applied in trade promotion activities in various manners, including: (i) online exhibition, introduction and export of commodities via common booths for member businesses on international e-commerce trading platforms; (ii) assistance for businesses in opening accounts and maintaining membership on international e-commerce trading platforms; (iii) consultation and legal support for product trademark registration in the export market at the request of trading platforms and the market, as well as redoing packaging and labels according to the standards of the trading platforms and the market, managing and promoting common booths through social

networks, search engines, etc.; (iv) launching applications that allow smartphone users/representatives of businesses to participate directly in online fairs and exhibitions related to the markets of Australian and New Zealand.

***(4) Bolstering support for businesses to respond to trade remedies applied by Australia and New Zealand; developing a system of technical standards and application of trade remedies***

- Competent authorities should strengthen the warning and information dissemination activities to provide information on the adjustment of technical trade barriers of Australia and New Zealand on imports, thereby enabling businesses to promptly respond to trade barriers imposed by Australia and New Zealand.

Competent authorities should disseminate information to businesses and support them in actively implementing production processes and processing technologies that are up to SPS and TBT standards of Australia and New Zealand, to increase competitiveness and promote exports to this market.

- A system of qualified central and local quality management and certification agencies, as well as a system of standards for commodities that are in harmony with international standards should be developed. There should also be an unscheduled monitoring mechanism for commodities/businesses that regularly violate import standards of Australia and New Zealand to work out thorough solutions to avoid adverse impacts on Vietnam's exports.

- There should be negotiations with Australia and New Zealand to encourage the countries to accept mutual recognition of standards and inspections for Vietnamese exports, especially agricultural and aquatic products to facilitate these items in entering the Australian and New Zealand markets.

- Publications and information manuals on the system of common standards for products imported into Australia and New Zealand, as well as guidebooks for businesses in accessing the Australian and New Zealand markets should be available.

***(5) Enhancing information dissemination and market research***

- There should be policies to support trade information services which enable Vietnamese businesses to search for information about the markets of Australia and New Zealand.

- Vietnam Trade Offices in Australia and New Zealand need to step up their support for Vietnamese businesses in seeking market information and partners to export to Australia and New Zealand.

- There should be policies and measures to encourage diversification of exports to Australia and New Zealand, especially to encourage the expansion of production and export of new and high-value-added items in order to both expand the scale and value of Vietnam's exports.

***(6) Expediting market opening negotiations for Vietnam's agricultural and fishery products***

- Competent authorities should carry out thorough research and evaluation of the production capacity and export demand of agricultural and aquatic products of domestic businesses, the market demand of Australia and New Zealand, potential competitors and so on to develop plans and strategies for negotiation of market opening for each agricultural and aquatic product.

- The negotiation process should have the close participation and coordination of relevant ministries, sectors, associations and businesses and be implemented on the basis of carefully studied and evaluated negotiation plans.

- Results of negotiations and market opening commitments should be communicated and widely disseminated to domestic businesses for



implementation. In addition, relevant ministries, sectors and business associations should periodically review and evaluate businesses' export to make timely interventions and remove difficulties as well as limit violations to avoid impacts of violations committed by a single exporter on other exporters.

#### ***4.2. Solutions to be adopted by industry associations and businesses***

##### ***(1) Actively analyze and utilize preferences provided by trade agreements between Vietnam and Australia and New Zealand***

- For the AANZFTA, businesses need to take initiative in analyzing its rules of origin and actively work out measures to overcome limitations in their ability to meet the requirements of rules of origin (requirements for the origin of raw materials from domestic and/or from ASEAN, Australia and New Zealand).

Businesses producing and exporting textile, footwear and furniture timber products are advised to: (i) Actively develop raw material centers for production; (ii) Actively consult and coordinate with authorities in the development of supporting industries in the coming period; (iii) Work closely with domestic businesses producing quality raw materials to ensure a stable supply of input materials for export production; at the same time, businesses should also consider linking with ASEAN counterparts to source raw materials that cannot be produced domestically, or can be produced but with low quality.

Businesses exporting agricultural and fishery products should establish close relationships with producers such as farmers and aquaculture farmers; strictly carry out inspection and quality monitoring of their inputs and outputs.

- As for the CPTPP, since this Agreement has just come into effect in 2019, a great number of businesses still do not have a full understanding of the Agreement and the opportunities brought by it. Therefore, businesses need to actively

seek information, and participate in information dissemination activities of the authorities in order to gain a proper comprehension of tariff and non-tariff commitments for appropriate application.

The origin of raw materials is a prerequisite for considering whether businesses can benefit from tariff preferences in the CPTPP. To take advantage of the Agreement, enterprises need to satisfy the rules of origin, which requires that raw materials must be sourced domestically or from CPTPP member states. However, at the moment, the majority of raw materials used by businesses, especially those in the textiles, garments, fisheries and agriculture sectors are sourced not from these states.

- As for the RCEP, since its entry into force from January 1, 2022, the biggest benefit of the RCEP is that the rules of origin are more harmonious and looser than in other agreements, thus benefiting many key export sectors of Vietnam, especially textiles and agricultural and fishery products. Businesses need to actively learn to thoroughly understand how to utilize the rules of origin in the RCEP to take advantage of opportunities from the Agreement. Because the RCEP creates similar opportunities for businesses of other RCEP member states, it can also create competitive pressure for Vietnamese commodities in Australia and New Zealand. Therefore, Vietnamese businesses need to improve their competitiveness, raise their product standards to satisfy higher demand and overcome fiercer competitiveness.

##### ***(2) Actively participating in market information dissemination activities, trade promotion activities organized by trade promotion agencies and organizations and methodically investing in trade promotion activities in Australia and New Zealand***

Full consideration and proper awareness of businesses on the importance of information

dissemination, market access guidance, and trade promotion activities hosted by state management agencies are called for. At the same time, businesses need to improve their awareness of the importance of Australia and New Zealand to make adjustments to their business customs and mindsets to invest and expand their networks, as well as find partners in Australia and New Zealand to diversify markets, avoid dependence on one or a number of certain markets to minimize harm in the case of risks.

In order to properly invest in trade promotion activities and increase Vietnamese exports to Australia and New Zealand, Vietnamese businesses are advised to: Develop marketing strategies and promote their exports to Australia and New Zealand; Actively seek partners to make offers through participation in fairs, exhibitions and seminars held in Vietnam, Australia and New Zealand; Remain in close contact with relevant authorities to gain information about the markets of Australia and New Zealand, as well as to promptly inform authorities of trade hurdles for guidance and support; Work closely with Australian and New Zealand businesses to understand the policies, import practices and consumer preferences of the two markets.

***(3) Improving production and processing capacity, competitiveness, quality control and devising suitable strategies for Australian and New Zealand markets***

- Businesses need to invest their resources in improving production and processing capacity and enhancing competitiveness by: Improving and upgrading production technology, innovating production and business models in line with sustainable development goals; Actively innovating business mindsets, improving management capacity, productivity, quality, standardizing production and business activities; investing in research about the changing trends of market demand, and about product design to create more added value;

Actively establishing connections, participating more deeply and effectively in regional production chains and value chains; Focusing on developing human resources to meet the requirements of technological innovation, the production of products with high quality and economic value.

- For the markets of Australia and New Zealand, businesses need to develop a long-term business strategy instead of focusing on individual deals, short-term profiteering, lack of alignment, and unfair competition. This can be done by: (i) Choosing a product strategy and a comprehensive market entry strategy covering the whole process from introducing products, building trust, establishing relationships and conducting business deals; (ii) Gradually improving product quality to enhance the ability to meet consumer demands as well as avoid technical barriers already in place and will potentially be imposed in the future; (iii) Strengthening linkages among Vietnamese businesses to build potentials and strengths in competition against exporters from other countries, while avoiding unfair competition among Vietnamese businesses.

***(4) Developing product brands and focusing on maintaining reputation in Australia and New Zealand markets***

- Businesses need to focus on building, improving and protecting their brands and images since these are important factors in enhancing their competitiveness.

- Vietnamese businesses need to pay great attention to maintaining trust with Australian and New Zealand partners by ensuring product quality and complying with commitments. The reputation of exporters as well as the quality of exported commodities are spread quickly in Australia and New Zealand, so there is no faster and better way to advertise companies and products than ensuring companies'

reputation and product quality. When doing business with a new customer, Australian and New Zealand importers typically place two or three test orders to ensure the supplier meets quality standards. Once found satisfactory, subsequent orders will be placed via email or fax and the number of orders may increase.

It is also worth noting that Australian and New Zealand importers will not tolerate their suppliers breaking their commitments of not selling to other importers./.

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## THE EXPERIENCE OF THAILAND AND CHINA ON STATE MANAGEMENT FOR “BORDER MARKETPLACES”

Dau Hai Nam<sup>1</sup>

*Border marketplaces play a significant role in promoting the purchase, sale and exchange of goods between two neighbour countries, contributing to the development of international trade as well as to socio-economic development and poverty reduction in border and remote areas. Every country has its own policy and measures to ensure the stability and development of border marketplaces. Their experience, namely Thailand and China, could be a valuable lesson for Vietnam state management of Vietnam, border market place.*

**Keywords:** Market place; Border trade; China.

### 1. Experience of Thailand

Thailand has a land border of 4,863 km with its neighboring countries including Malaysia, Myanmar and Cambodia. Along Thailand's border with neighboring countries, there are more than 100 border marketplaces operating to serve import-export business, trading and exchanging goods across the border.

Infrastructure and facilities in border marketplaces of Thailand are invested and built for permanent use. The business activities and operations of each of these border marketplaces are closely linked with the operation of a corresponding border gate with Malaysia, Myanmar, Laos and Cambodia. At border marketplaces with the bordering countries, Thailand allows the establishment of “free trade zones”. Goods traded here are exempt from duties and eligible for reduced fees and related charges. Border marketplaces have their own geographical boundaries, and specialized management forces like customs, immigration and quarantine etc., are assigned to function in these border marketplaces.

Thailand's border marketplaces are governed by regulations that are independent of those governing domestic marketplaces. Business conditions at border marketplaces are more flexible, allowing Thai businesses and residents as well as businesses and residents of the bordering countries or third countries to rent shops at the border marketplaces. Tourists or buyers as well as means of transport can easily enter border marketplaces from within Thailand or from other countries through the border gates with Thailand. Thailand has a support strategy for “Made in Thailand” goods traded at border marketplaces, and a policy to reduce import/export duties and other related fees and charges for shops doing import-export, or trading and exchanging Thai goods. Therefore, at most border marketplaces, 80-90% of goods are Thailand's products. Goods originating from a bordering country and from a third country usually account for a very small proportion of the ones traded at border marketplaces in Thailand.

Regarding payment, Thailand sets up bank branches or transaction offices at most of the border marketplaces to serve for bank payments or money exchange. At border marketplaces,

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the Baht is the only currency that is accepted for cash payment. However, there are many currency exchange counters at all border marketplaces and most currencies in the world, including freely convertible and other foreign currencies, can be quickly and conveniently converted to Baht.

Management activities at a border marketplace are carried out by a Market Management Board. The Market Management Board performs the function of managing construction investment, repair and maintenance, and at the same time organizes the activities of the border marketplace. The Border Market Management Board is also responsible for maintaining security, order and safety for tourists, residents and traders doing business or visiting, shopping at the market. In addition, the Management Board has the right to collect fees for renting shops, warehouses, transportation terminals, parking and other services. All revenues at border marketplaces are left to the Market Management Board for investment and development and other activities.

## 2. Experience of China

The border trade policy is the basis for the Chinese state to manage border trade in general and activities at border marketplaces in particular. Policies and regulations on management of border marketplaces in China are currently published by two levels, including central and local policies and regulations.

Border market management activities are regulated in the Foreign Trade Law of the People's Republic of China, dated April 6, 2004, in which Article 68 stipulates: *“The State adopts flexible measures, and provides preferential treatment and convenience to trade between the border areas of China and those of its neighboring countries as well as trade among*

*border residents. The specific measures in this regard shall be formulated by the State Council”.* Most of China's policies and regulations on management of border marketplaces are published by the State Council based on assessment of the development of border marketplaces. The Ministry of Commerce of China shall assume the prime responsibility for, together with relevant ministries and sectors, to publish policies applied nationwide on relevant sectors such as Customs, Goods Inspection, Immigration, Foreign Exchange, and on the basis of relevant regulations of the State Council, publish regulations in their respective fields, work out synchronous management measures. The policies and measures on the management of China's border marketplaces include: Policy on management of small-scale border trade and external economic and technical cooperation in border areas; Policy on management of trade between a pair of border marketplaces; Policies to promote economic and trade development in border areas; Policies and measures to manage test of imported goods at the border; Measures to manage foreign exchange related to border trade; Measures to manage specialized funds for border areas.

In addition, China has supportive policies related to the development of border marketplaces such as the state's ethnic policy and regional development policy. At the same time, the authorities of border provinces and autonomous regions, on the basis of policies and regulations published by the national level, have promulgated and published policies and regulations more suitable to the situation of the local border trade development.

China clearly stipulates that a “border market” or a “pair of border marketplaces” is considered as one of border trade forms. Trade at border marketplaces refers border residents'

exchange of goods value and volume of which does not exceed the prescribed thresholds on the value and quantity of traded goods at the marketplace located at the border openings or at one location within 20 km from the border line as designated by the government. Entities operating at border marketplaces (zones) include border trading enterprises and individuals. Small-scale border trade enterprises refer to enterprises approved by the China's trade authority to conduct border trade.

Regarding management of import and export activities implemented at border marketplaces: small-scale border trade enterprises are exempted from applying for quotas and permits for designated trading goods, but still subject to macro management of the Ministry of Commerce and the State Planning Commission (now called the National Development and Reform Commission). Collection of import duties on goods imported by an external economic-technical cooperation enterprise in a border area in the form of economic cooperation with a partner in a border area of a neighboring country shall be implemented in accordance with the import tax collection policy applicable to border marketplaces.

The current preferential policies for border marketplaces are mainly expressed in the form of allocation of specialized fund, taxes, customs management, foreign exchange management, inspection and quarantine of goods. The most important form of preferential policy is the allocation of specialized fund. Specifically, preferential policies:

(1) Regarding specialized fund: the allocation of specialized fund started from November 1<sup>st</sup>, 2008 replacing the preferential policy of collecting only half of import and export duties levied on goods traded at border

marketplaces applied during the period 1996 – 2008. The scale of these specialized funds has been increased over years, only used for financing the development of border trade activities at border marketplaces and capacity building for border trade enterprises operating at border marketplaces.

(2) Regarding tax incentives: regulation on exemption from import duties and value added tax levied on goods imported within a certain threshold in the form of border market trade. This threshold has been increased from RMB 100 in 1985 to RMB 8,000 in 2008. The policy is both applicable to normal trade and to border trade at border marketplaces. Specifically, since 1999, China has applied a policy to offset interest of loans taken for export activities in the form of border trade to generate foreign currency revenue or a policy to support the payment of initial costs of projects on foreign economic and technical cooperation. This is a form of the encouragement of the Chinese Government for the implementation of foreign economic and technical cooperation, in order to implement the “going-out” strategy, to support investment in the resource projects abroad, and to take advantage of the exploitation of natural resources abroad.

(3) Other management aspects: Simplify customs management procedures applicable to border market trade; Export tax refund for border trade activities with payment made in RMB.

(4) *China's* border market trade policy also defines the regulatory agencies and their responsibilities for border trade. In which, the Ministry of Commerce and the General Department of Customs unanimously promulgate regulations on management of trade activities at border marketplaces while the

authorities of border provinces are responsible for the organization of the implementation of such regulations.

### 3. Some implications for Vietnam

Having learnt the experience of Thailand and China on border market management, following lessons on the state management of border marketplaces can be drawn for Vietnam to adopt:

*Firstly*, it is necessary to pay due attention to the development of border marketplaces, consider goods trading and exchanging activities at border marketplaces as important factors to promote economic, social, trade development and poverty alleviation in difficult border areas.

*Secondly*, it is necessary to issue separate regulations on the management and administration of border market activities to ensure that trade in goods across land border gates is administrated and managed according to mechanisms and policies independent of those applied to trading activities at marketplaces in the domestic market or other forms of domestic trade.

*Thirdly*, policies to facilitate the entry and exit of people and means of transport engaging in activities at border marketplaces, not only to create favorable conditions for border traders and residents to engage in business activities at border marketplaces, but also to encourage tourists to buy goods at border marketplaces should be adopted.

*Fourthly*, there should be a separate policy on goods traded and exchanged at border marketplaces, on the one hand, to encourage the import of goods from the bordering countries for domestic production and consumption, on the other hand, to encourage the production of goods that can be exported to the bordering

countries' market or to serve tourists' shopping needs.

*Fifthly*, a mechanism to encourage and create favorable conditions for business entities doing business at border marketplaces who shall be eligible for exempt reduction of relevant taxes, fees and charges should be adopted.

*Sixthly*, the regulation on payment currency at border marketplaces is more flexible than the one applicable to international and domestic trade. The local currency of either of the bordering countries or freely convertible currency are accepted at border marketplaces. Payment can be made through branches or transaction offices of banks and credit institutions, or it can be made in cash.

*Seventhly*, it is necessary to simplify health quarantine, sanitary and phytosanitary procedures, goods quality inspection, food hygiene and safety control at border marketplaces; only tighten inspection and control when there is a notice of a threat to a particular goods item.

*Last but not least*, the Market Management Board ensures convenient environment for competent authorities to efficiently perform their inspection and control of functions and favorable conditions for organizations and individuals to travel, work and do businesses within border marketplaces; organizes the collection of taxes, fees and related charges to ensure the operation of border marketplaces./.

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# SHIFTING EXPORT STRUCTURE OF VIETNAM'S COMMODITY TO RUSSIAN FEDERATION BY 2030: REALITY AND SOLUTIONS

Do Quang<sup>1</sup>

*Shifting the export's structure to a certain market requires changes in export turnover, proportion and quality of export groups and products towards more adaptive to market demands, and promoting the comparative advantages of each group of commodities, creating a reasonable export structure and meeting export targets. Currently, shifting of Vietnam's exports to Russian market is facing a number of limitations such as: Lack of diversity in export products; agricultural, forestry and fishery products in raw or semi-processed form, with low added value; machinery, components and vehicles in form of foreign processing and depending on imported raw materials. Therefore, the article assesses the reality to find out the limitations, problems and causes, thereby proposing some solutions to shift the export's structure of Vietnam to Russian market.*

**Keywords:** Commodity; Export; Russia; Structure shifting.

## 1. The reality of export's structure shifting to Russian market

Based on UN-Comtrade data classified by SITC-Rev3, Export structure is classified into 03 large groups including: (1) Raw or processing commodities (SITC 0-4); (2) manufacturing commodities (SITC 5-8) and (3) Commodities nes... (SITC 9). Exports of Vietnam's commodities to the Russian market are 02 large groups of goods: Raw or processing commodities and manufacturing commodities, accounting for over 99% of the structure of exports. The group of Commodities nes... accounts for a very small proportion, less than 0.1%, so it is not significant in statistics of the export structure to the Russian market (Figure 1).

In 2010, the proportions of Raw or processing commodities and manufacturing commodities in the export's structure of Vietnam to the Russia were 45.14% and 54.86%, respectively. In 2016, the structure had a strong change

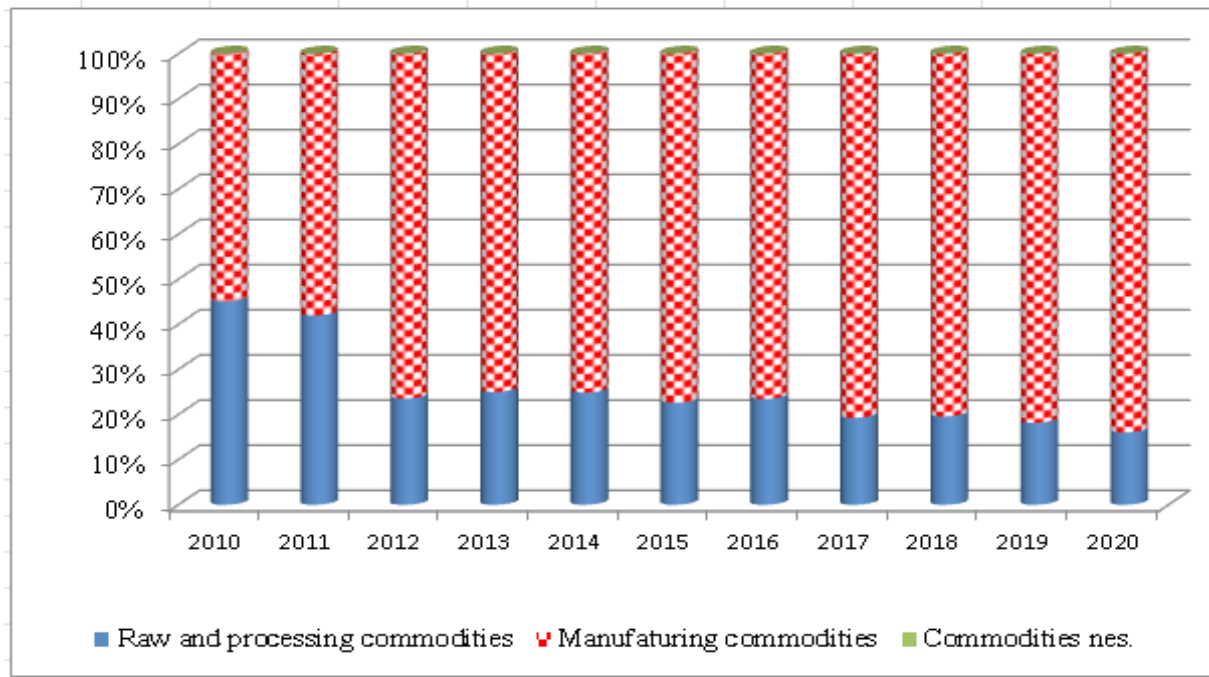
with the proportion of 23.50% and 76.50% respectively. In 2020, the export's structure continue towards decreasing the proportion of raw or newly-processed goods and increasing the proportion of processed or refined goods with the proportions of 16.04% and 83.95%, respectively (Figure 2).

Figure 2 shows the trend of export's structure shifting of Vietnam to Russia by commodity groups in 2010, 2016 and 2020. Export turnover of raw or processing commodities (SITC 0-4) increased slightly from US\$ 374.51 million in 2010 to US\$ 379.75 million in 2016 and US\$ 457.15 million in 2020. The year-on-year growth rate of this commodity group tends to increase (16.54%) in 2016, but in negative growth (- 5.87%) in 2020. The proportion of Raw or processing commodities tends to decrease over the years, respectively, to 45.14%, 23.50% and 16.04%.

As for the group of manufacturing commodities (SITC 5-8), the export turnover of the group tends to increase very strongly from US\$ 455.16 million in 2010 to US\$ 1236.32

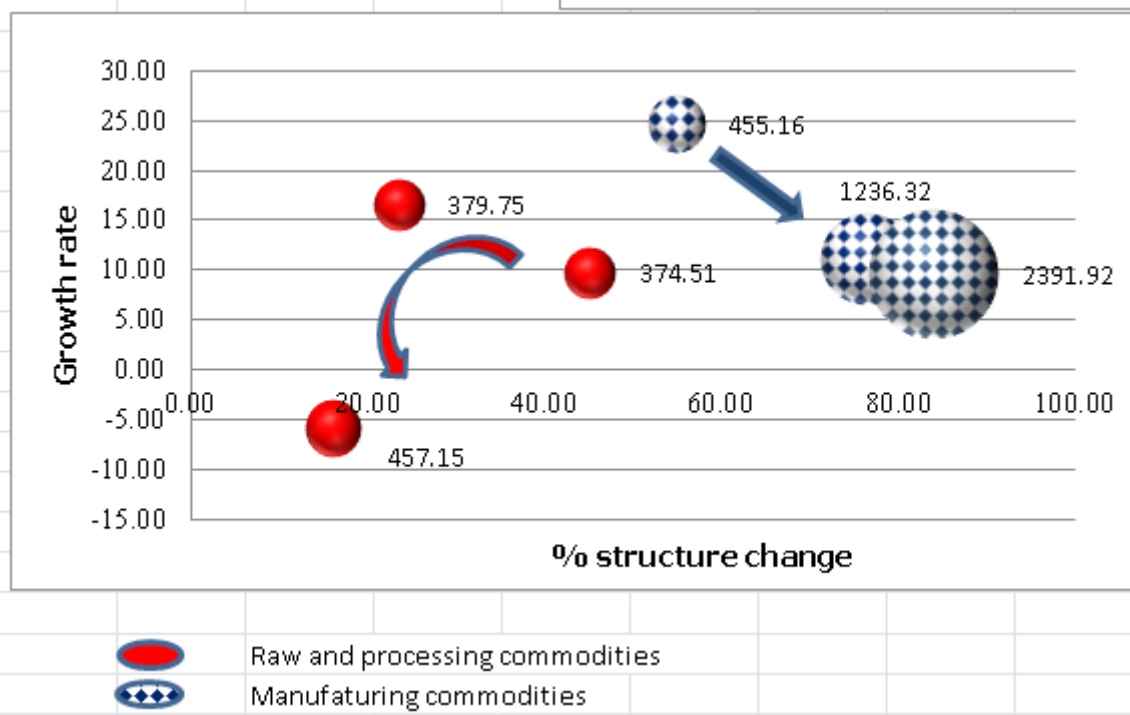
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**Figure 1. Export's structure shifting of Vietnam to Russia by commodity groups in the period 2010 – 2020**



Source: UN Comtrade, 2021

**Figure 2. The trend of export's structure shifting of Vietnam to Russia by commodity group**



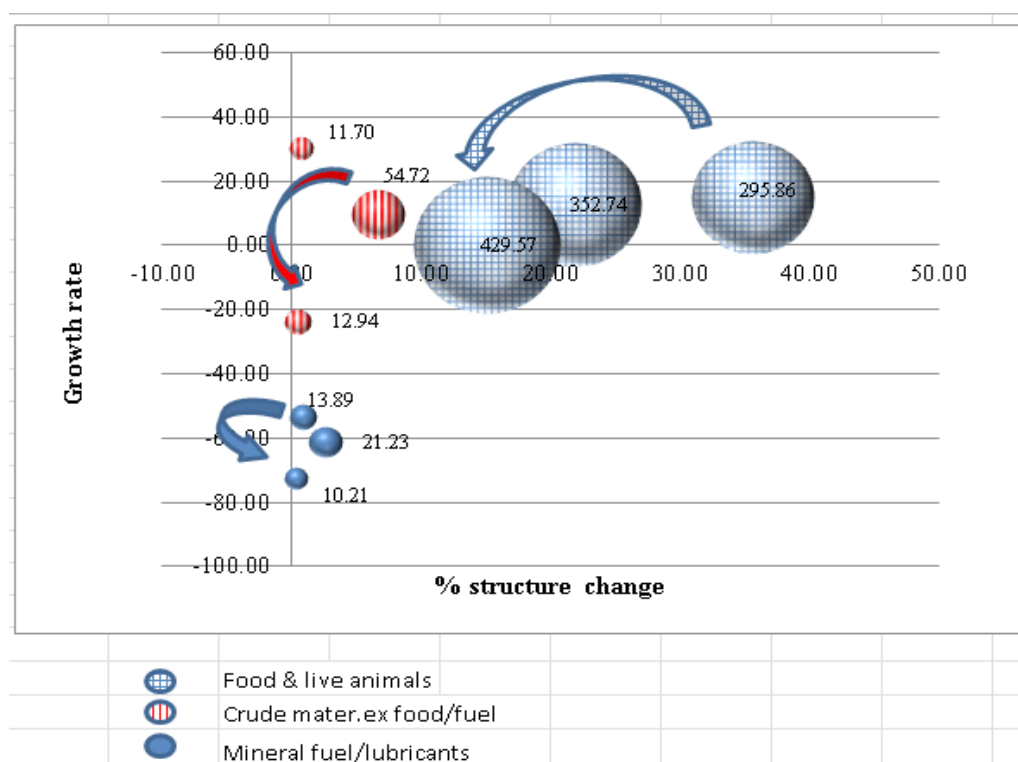
Source: UN Comtrade, 2021

Table 1. Export's structure shifting of Vietnam to Russia

SITC		2016		2020		% change
		Value (mil. US\$)	Proportion (%)	Value (mil. US\$)	Proportion (%)	
0	Food & live animals	352.74	21.83	429.57	15.08	-6.75
1	Beverages and tobacco	1.41	0.09	4.02	0.14	0.05
2	Crude mater.ex food/fuel	11.70	0.72	12.94	0.45	-0.27
3	Mineral fuel/lubricants	13.89	0.86	10.21	0.36	-0.50
4	Animal/veg oil/fat/wax	0.02	0.00	0.41	0.01	0.01
5	Chemicals/products n.e.s	16.78	1.04	27.46	0.96	-0.07
6	Manufactured goods	30.61	1.89	99.65	3.50	1.60
7	Machinery/transp equipment	923.12	57.12	1779.14	62.44	5.32
8	Miscellaneous manuf arts	265.81	16.45	485.67	17.05	0.60
9	Commodities n.e.s	0.01	0.00	0.13	0.00	0.00
	<b>Total</b>	<b>1616.09</b>	<b>100.00</b>	<b>2849.20</b>	<b>100.00</b>	

Source: UN Comtrade, 2021

Figure 3. The trend of export's structure shifting of Vietnam to Russia by sub-group of raw or processing commodities



Source: UN Comtrade, 2021

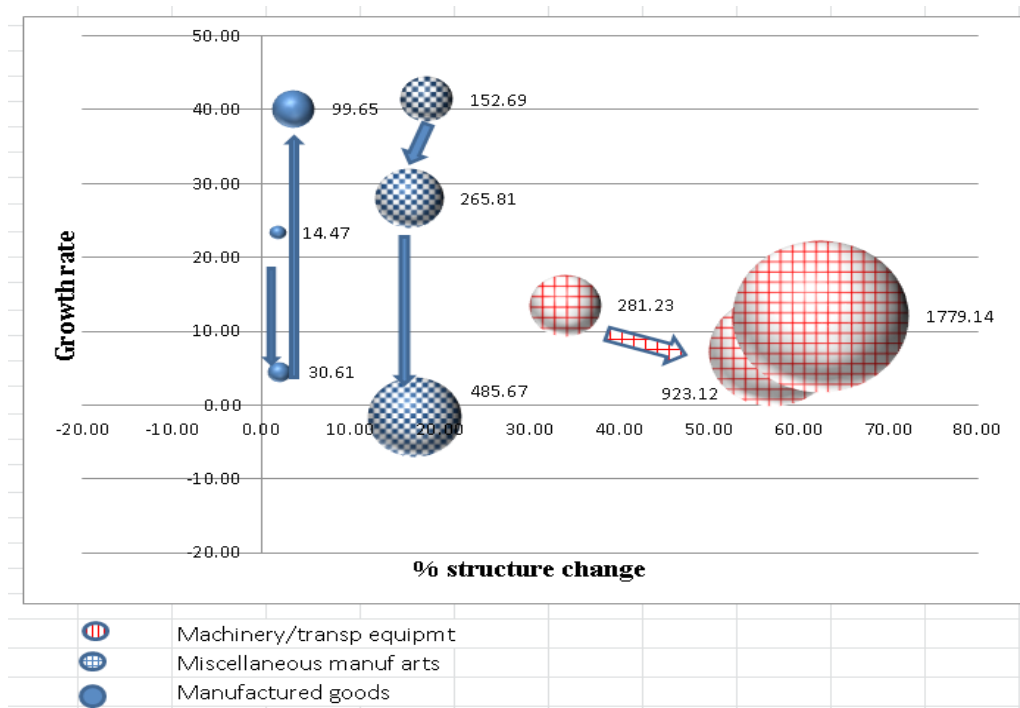
million and up to US\$ 2391.92 million in 2020. The year-on-year growth rate of the group has decreased gradually over the years 11.13 % in 2016 and 9.63 % in 2020. The proportion of manufacturing commodities tends to increase in Vietnam's exports to the Russia, increasing from 54.86% in 2010 to 76.50% in 2016 and 83.95% in 2020 (Table 1).

The export's structure shifting of Vietnam to the Russia in terms of sub-groups by SITC classification has certain changes when comparing export's structure in 2016 and 2020. The sub-groups of decreased proportion include: Food and live animals (6.75); Crude mater.ex food/fuel (0.27); Mineral fuel/lubricants (0.50); Chemicals (0.07). The sub-groups of increased proportion include: Beverages and tobacco (0.05); Animal/veg oil/fat/wax (0.01); Machinery/transp equipment (5.32); Miscellaneous manuf arts (0.60).

Figure 3 shows the trend of export's structure shifting of Vietnam to Russia by sub-group of raw or processing commodities (SITC group 0-4) in the years of 2010, 2016 and 2020. Export turnover of Food & live animals (SITC 0) increased by US\$ 295.86 million, US\$ 352.74 million, and US\$ 429.57 million respectively. The proportion of the sub-group decrease over years, respectively 35.65%; 21.82% and 15.07% of Vietnam's goods exports to the Russian market.

Export turnover of Crude mater. ex food/fuel (SITC 2) decreased from US\$ 54.72 million in 2010 to US\$ 12.94 million in 2020. The growth rate of the commodity group also tends to decreased over the years, the proportion of this group of goods gradually decreased over the years to 6.6%, 0.72% and 0.45% respectively in the export of Vietnamese goods to Russian market.

**Figure 4. The trend of export's structure shifting of Vietnam to Russia by sub-group of manufacturing commodities**



Source: UN Comtrade, 2021

Export turnover of Fuel, lubricants and related materials (SITC 3) decreased from US\$ 21.23 million in 2010 to US\$ 13.89 in 2016 and only US\$ 10.21 million in 2020, Growth rate The growth of this commodity group has tended to decrease sharply over the years. The proportion of this group of goods also shares the same downward trend, respectively 2.56%, 0.86% and 0.36% in the total export of Vietnamese goods to Russian market.

Beverages and tobacco (SITC-1) and Animal/veg oil/fat/wax (SITC-4) have negligible turnover, accounting for less than 0.2% of Vietnam's exports to Russia.

In the group of manufacturing commodities (SITC group 5-8), manufactured goods (SITC 6) tended to increase sharply from US\$ 14.47 million in 2010 to US\$ 30.61 million in 2016 and US\$ 99.65 million in 2020. The growth rate of this commodity group tends to increase (23.44%) in 2016 to 40.46% in 2020. The proportion of processed and refined products tends to increase in the export of Vietnamese goods to Russia, respectively, increased by 1.74%, 1.89% and 3.50%.

Export turnover of machinery/transp equipment (SITC 7) is the sub-group of the largest export turnover in the total export turnover of Vietnam to Russia, increasing sharply from US\$ 281.23 million in 2010 to US\$ 923.12 million in 2016 and US\$ 1779.14 million in 2020. The growth rate of this sub-group tends to increase (7.33%) in 2016 up to 12.08% in 2020.

Export turnover of miscellaneous manuf arts sub-group (SITC 8) increased sharply from US\$ 152.69 million in 2010 to US\$ 265.81 million in 2016 and US\$ 485.67 million in 2020. However, the growth rate of this commodity group tends to sharply decrease over years. The

proportion of this commodity sub-group has been relatively stable for many years, around 16.5% to 18.5% of Vietnam's goods exports to Russia.

## 2. Assessment the reality of export's structure shifting of Vietnam to Russian market

### 2.1. Outcomes

+ Gradually reduce the proportion of raw and semi-processed goods and gradually increase the proportion of manufacturing products;

+ The export's structure shifting meets the import needs of the Russian market with relatively stable growth.

+ Gradually reduce the proportion of labor-intensive goods and increase the proportion of high- technology commodities.

+ Change in export structure of commodity groups on the one hand shows that Vietnam's production has had a positive shift with the proportion of processed and manufacturing commodities, accounting for more than 83.95% of total export turnover, and on the other hand shows that the export strategy and policy of the State has been implemented in the right direction.

+ The continuous and long-term efforts of enterprises in overcoming the challenge of Russian strict regulations, especially non-tariff trade barriers and sometimes not following international standards.

+ The business community has deployed many solutions to change the export's structure, to promote the export of high-value-added products, and to withstand the pressure of the market. Many enterprises have applied technological advances in production of exports, especially in a number of industries such as manufacturing machinery,

transportation equipment, electrical and electronic components, etc.

+ Due to differences in geography, climate, production level and comparative advantage in certain industries, Vietnamese commodities are more complementary and mutually supportive than competitive against Russian commodities. Therefore, the index of competitive advantage, trade Intensity, export similarity between Vietnam and the Russia in recent years has always been at a favorable level.

+ Successful FDI attraction in the period 2016-2020 is an important factor to help innovate technology, improve Vietnam's production and export capacity in a number of commodity groups, leading to a positive export's structure shifting.

## **2.2. Shortcomings**

+ The total number of items, sub-group in each commodities group have not changed, showing the lack of diversification of Vietnam's exports to the Russia.

+ Although the proportion of manufacturing exports has improved, most of Vietnam's agricultural, forestry and fishery products exported to the Russian market are still in raw or semi-processed form. Many export manufacturing commodities such as machinery, components and vehicles are still processing and depending on imported materials and spare parts.

+ The added value of exported commodities is still low because of relying on available factors in terms of natural conditions and cheap labor. These types of commodities are natural resource and/or labor-intensive, maintaining low added value and tend not to be able to grow fast in turnover.

+ The quality of Vietnam's exports to Russia is still low, lacks diversity and competitiveness

is not high. Some export shipments have not yet met the standards of quality, food hygiene and safety of the Russia. The problem of exceeding the export quota, for example, Vietnam is only allowed to export 10 thousand tons of rice to Russia under the VN-EAEU FTA every year with the tax rate of 0% according to the tariff quota. If the quota is exceeded, Vietnam's rice exports will be taxed from 7-29.1% depending on the type.

+ Logistics, especially for transporting export commodities, are also an obstacle for Vietnamese enterprises to export to the Russian market. Due to the specific nature of agricultural, forestry and fishery products, especially processed foods, which must be stored in containers with refrigeration systems, frozen, and glazed, transportation costs are high. Moreover, because it has to be transported through European ports and then back to Russia, or to the port of Vladivostock and then along the route across Russia from East to West, from the Far East and Kamchatka peninsula to urban areas, the cost of shipping is much more expensive than that from China, Turkey, Iran, India...

## **3. Some solutions to shift the structure of Vietnam's exports to the Russian Federation market**

### ***- Promote bilateral cooperation activities on international trade***

Researching and promoting the negotiation, signing and implementation of trade agreements on a number of commodities that both sides have advantages; Proposing a cooperation mechanism with countries that have the same competitive advantages in export products to export and trans-ship Vietnamese goods to the Russia such as China and other countries in the EAEU; Strengthening the government-level information exchange mechanism, promoting

the implementation of results of the meetings of the Vietnam-Russia Inter-governmental Committee on economic, trade and scientific and technical cooperation.

***- Improve export mechanisms and policies***

In the process of implementing the VN-EAEU FTA commitments, Vietnam needs to adjust its export policy towards integration, trade liberalization and export promotion; Improving export mechanisms and policies in line with international practices, creating a legal basis for the development of bilateral trade relations, and shifting the export's structure of Vietnam to Russia.

***- Planning of industrial parks, export processing zones, industrial clusters***

The planning for development of industrial zones, export processing zones and industrial clusters must ensure the quality of the planning in association with the goal of sustainable development in both socio-economic and environmental terms, creating favorable conditions for enterprises in the industrial park. Industrial zones, export processing zones, industrial clusters. The planning needs to ensure feasibility, practicality and compliance with State regulations on planning construction, appraisal and approval. The development planning of industrial zones, export processing zones and industrial clusters is associated with the issue of ensuring land conditions, economical use of land funds and solutions for implementation.

***- Development of production, construction of specialized farming areas and raw material areas***

Implement measures to reorganize agricultural, forestry and fishery production in the direction of linkage; Developing specialized farming areas and raw material areas for export

production will ensure the quality of exports and contribute to accelerating the restructuring of raw or semi-processed goods (SITC 0-4) such as commodities. The development of specialized farming areas for large-scale production of vegetables, fruits, food, and industrial plants will create a source of raw materials for processing export goods with quality, ensure food hygiene and safety, and meet the requirements of agricultural, forestry and fishery products in the export market. Restructuring appropriate, main-season, off-season varieties (early ripening, main ripening, late ripening) in order to prolong the crop and overcome the high seasonality. Converting areas of poor quality fruit to other crops in order to improve product quality and economic value on cultivated land to improve the quality of raw materials and export products.

***- Supporting on information, propaganda and business consultation***

Supporting on information and communication on import and export policies, so that beneficiaries of the policy can fully grasp information, especially contact points and the processes, records and procedures to be carried out in order to benefit from the policy; The competent authorities need to announce the focal point of the bank participating in the loan according to each decision, the focal point to handle the import and export procedures of goods and create more favorable conditions for documents and procedures, and the time for application review, etc. so that businesses can easily access.

***- Investment and developing supply chains for a number of advantageous export industries***

For the group of raw or processing commodities (SITC 0-4), invest, build and

develop the supply chain from the construction of specialized farming areas and raw material areas for export processing; Planning of farming areas; Applying new techniques, advanced farming methods, producing according to VietGAP, GlobalGAP standards, bringing new varieties into production... Take advantage of FTAs to attract investment in the processing sector agricultural and aquatic products in order to rapidly increase the added value of exported agricultural and aquatic products.

For the group of manufacturing commodities (SITC 5-8), on the basis of the overall development strategy of each industry, it is necessary to focus on investing in the weak stages, the stage that creates a lot of added value, reduce production and processing stages. To build industrial parks, export processing zones, synchronous industrial clusters, and material and auxiliary centers in the direction of specialization. Develop supporting industries to ensure the supply of raw materials for the industry. Focusing on developing domestic linkage chains, creating products with high added value instead of outsourcing to foreign enterprises.

***- Enhancing the attraction of foreign investment***

Continuing to improve the investment environment, complete investment incentives and promotion policies on the principle of association with the inspection and supervision mechanism to ensure that foreign enterprises fulfill their investment commitments and comply with international standards. In the context of the complicated military campaign between the Russian Federation and Ukraine as well as the embargo from EU countries and the United States, production activities have been stopped, the demand for many types of goods in

the Federation Russia is on the rise. Therefore, Vietnam needs to take this opportunity to review the agreements on economic cooperation between Vietnam and the Russian Federation, thereby attracting businesses of the Russian Federation to invest and produce goods which are exported back to the Russian Federation market.

***- Strengthen and improve the efficiency of trade promotion activities with the market of the Russian Federation***

Continue to promote and innovate and improve trade promotion activities, especially those under the annual National Trade Promotion Program to help Vietnamese businesses find partners in Russia. Expanding market share in the Russian market; Organizing the forecasting and provision of information on the market, the adjustment of technical barriers to trade of the Russia; Enhancing the efficiency of construction work, improve the reputation of Russia. Vietnamese brands in the Russia through advertisements introduced on the mass media of Russia./.



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# SOME SOLUTIONS TO ENHANCE THE COMPETITIVENESS OF SMALL AND MEDIUM ENTERPRISES IN FISHERY INDUSTRY IN DA NANG CITY

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*Currently, small and medium enterprises (SMEs) are the central object in the Da Nang's economic development, accounting for 95% of the total number of operating enterprises. However, the competitiveness of SMEs in general and SMEs in fishery industry in particular in Da Nang City is still limited in many aspects such as investment capital, technology level, quality of human resources, product development capacity, branding, expansion of export markets and especially lack of cooperation, links in the fishery export supply chain. Fishery is one of the industries that has made a significant contribution to the economic development of Da Nang city by promoting the production, processing and export of quality fishery products, bringing the image of Da Nang closer to domestic customers as well as regional and international partners.*

**Keywords:** *Small and medium enterprises; Fishery, competitiveness, Da Nang*

## 1. Overview of fishery exports of Da Nang City

According to statistics of Da Nang Department of Industry and Trade in 2021, the total output of fishery products reached 20,124 tons, up 1.37% compared to 2020; in which, exploiting 19,000 tons, farming 1,124 tons. In general, the trend of increasing fishery production of Da Nang in recent years is consistent with the general trend of the developing city compared to other cities in the region. The production value of fishery processing industry of Da Nang city in 2021 reached 4,413 billion VND, up 15% compared to 2020; the average growth rate for the whole period 2017-2021 is 17.11%.

Regarding seafood export turnover, in 2021, fishery export turnover of Da Nang City reached 99.94 million USD, an increase of 7.35% compared to 2020, accounting for 28.89% of the total export turnover of the

whole city. Fishery is a commodity group that accounts for a large proportion of Da Nang's export turnover, with an average export growth of 4.16% in the period 2017-2021 (Table 1).

Regarding the structure of fishery exported of Da Nang city, leading in the main products is shrimp. In 2021, although shrimp prices dropped sharply, shrimp export output still increased, reaching 4,600 tons with an export value of 72 million USD, accounting for 72.04% of the city's total fishery export turnover. Due to the increasing demand but the catch is decreasing, so farmed shrimp plays an increasingly important role in the total fishery exports of Da Nang city. Next is frozen fish products, although there is an increase in output, the proportion of export value of this item in the structure of fishery export products of the city tends to decrease, from 18.7% in 2020 to 14.24% in 2021.

The fishery export market of Da Nang city is increasingly expanding, so far, it has been present in over 20 countries and penetrated difficult markets such as the EU, the US, and

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**Table 1. The value of fishery export turnover of Da Nang city period 2017-2021**

Unit: 1,000 USD

Target	2017	2018	2019	2020	2021
Total export turnover of the whole city	235.326	249.030	260.824	309.824	346.009
Fishery export turnover	85.000	87.389	88.639	93.100	99.943
The proportion of fishery exports in the structure of export turnover of the whole city (%)	36,12	35,09	33,98	30,01	28,89

Source: Vietnam Association of Seafood Exporters and Producers (VASEP), 2021

Japan, thereby gradually reducing dependence on traditional markets and limiting risks caused by fluctuations in the world market, as well as pressure from the protectionist trade policies of some countries recently introduced. In which, Japan is the most important export market, accounting for 49.5% of total fishery export value in 2017 and by 2021, this will decrease to 42.4% of total fishery export value; Next is the US market, with the proportion of fishery export value increasing from 19.4% in 2017 to 22.2% in 2021; ranked third is the EU with the proportion of fishery export value reaching 12.0% in 2021.

## 2. Some issues about competitiveness of small and medium-sized enterprises in the fishery industry in Da Nang city

*Firstly*, most of the fishery processing and exporting SMEs in Da Nang city are currently small and medium sized enterprises, lacking business capital, calling for foreign direct investment capital in Da Nang in the fishery processing industry is still very limited.

*Secondly*, the fishery SMEs in Da Nang city still lack trained workers, lack of professional technical staff and engineers for fishing, the quality of fisheries labor is not guaranteed and has not met the actual requirements. In fact, the labor shortage in fishing activities, seafood processing for export at peak times still often

occurs, causing significant difficulties for the realization of output or export targets.

*Thirdly*, the management staff in the SME fishery industry in Da Nang city are not fully equipped with advanced management knowledge, inadequate understanding of international law as well as regulations on technical standards, food hygiene, occupational safety, HACCP standards, social and environmental responsibility, so an overall business management strategy for the enterprise has not been developed.

*Fourthly*, in general, exploitation techniques, post-harvest preservation technology, processing and farming technology in fishery industry SMEs in Da Nang city are still backward; the infrastructure system and fisheries logistics services are not synchronized and have not been invested in upgrading; regional logistics centers have not been developed, nor have raw material supply centers have been established.

*Fifthly*, there are inadequacies in modern business culture and unfair competition among enterprises in the fishery industry in the raw material and product consumption markets. Da Nang currently has many enterprises of different economic sectors, different levels of production and processing in the fishery industry, doing business in the market. However, these independent businesses and business

units compete with each other in the locality in competing for the raw material market, causing the raw material purchase price to be pushed up unreasonably.

*Sixthly*, there is a lack of cooperation and linkage in the fishery export supply chain between enterprises in the same industry association, there has not been a close coordination between seed production enterprises, aquaculture and fishing enterprises and seafood processing and export enterprises, especially linking in seafood export supply chains with The leading role of the chain belongs to the weak export processing enterprises, while these chains play a huge role in the sustainable development of fishery exports. In addition, there are weaknesses in the organization and management of production and the lack of linkages and cooperation between Vietnamese fishery processing and exporting enterprises and FDI enterprises, the role of fishery industry associations is still weak.

*In summary*, in Da Nang city today, the competitiveness of small and medium-sized enterprises in fishery industry is still limited; the added value of exporting fishery products of enterprises in the supply chain is not high, which directly affects the performance of enterprises. In fact, fishery production is still unsustainable, the supply of products is interrupted and unstable, product productivity is not high, seed quality is low, there is always a potential risk of not ensuring food safety; the structure of processed products is not reasonable, the product categories are still monotonous, the export is mainly in the form of preliminary processing, so the added value is low; products of low quality, lack of competitiveness, products exported through many intermediaries increase costs, selling prices are often lower than products of the same type of countries in the region...

### 3. Solutions to improve the competitiveness of small and medium-sized enterprises in the fishery industry in Da Nang City

Vietnam's participation in the Trade Agreements requires that SMEs in the fishery industry in Da Nang city need to change their thinking about growth towards sustainable growth, attaching importance to quality, more efficiency than sales, focus on improving the competitiveness of enterprises and export fishery products. Some solutions to improve the competitiveness of SMEs in the fishery industry in Da Nang city are as follows:

*Firstly*, raising awareness and sense of responsibility of fishery enterprises, first of all, of business owners for sustainable development, ensuring the harmony between profit goals of enterprises associated with responsibilities for environmental protection, taking care of and improving the material and spiritual life of employees; warning about the application of trade remedies; at the same time capture and update information, encouragement, support and incentives from the State for enterprises in the fishery industry.

- Enterprises need to study, grasp and forecast food safety as well as regulations and standards of social responsibility related to production, business, import and export activities of enterprises; Update information on commitments related to the fishery industry in Free Trade Agreements (FTAs) to take full advantage of opportunities and minimize challenges.

- Forecast and warn about the application of trade remedies, especially the risk of being sued. Actively participate in quick response channels with FTA member countries to capture information, promptly solve problems and complaints in the export of fishery products, and minimize the retention of exports, or stay in

storage for too long waiting for the procedures to be resolved according to regulations, and at the same time fight for publicity, transparency and request to provide a scientific basis for setting quality standards and regulations on quality and food safety for fishery products.

- Regularly update, encourage, support and give incentives from the State and localities to enterprises in the seafood industry, in creating a favorable business environment so that they can improve their competitiveness. and export VAT.

*Secondly*, strengthen strategic corporate governance, effectively implement the formulation and adjustment of business strategies and export product strategies in each period in association with domestic and international market demands, ensuring ensure the sustainable development of enterprises.

- In order to succeed in business, each fishery enterprise in the city needs to develop a business strategy for each short, medium and long term period, in which the product strategy and market strategy must be determined. On that basis, enterprises will innovate production and processing technology, improve management level, apply international standards, improve business methods, in order to create their own identity, thereby developing markets and building brands for export products of the enterprise.

- Promote restructuring of fishery products export towards improving quality and added value. Focus on investment in improving the quality of fishery products, considering it as the key in the development strategy of seafood export and supply, from farming, catching, traceability to processing technology, ensuring food hygiene and safety, packaging and packaging, thereby improving the ability to meet increasingly strict regulations and standards of quality, environment

and food safety and proactively dealing with technical barriers of export market countries.

- Reducing costs in the processing stage by applying cleaner production to save input materials and applying the model of organizing production in a chain from raising, purchasing to processing and consuming.

- Regarding science and technology (S&T), enterprises in the fishery industry need to: Focus on investing in advanced technology to make use of waste by-products, diversify processed products in the direction of increasing value added and protecting the environment, reduce post-harvest losses; Enhance the innovation of processing technology towards modernity, develop and improve processing capacity in depth on the basis of technological innovation, gradually modernize the seafood processing industry on the basis of mechanization automation labor-intensive and labor-intensive stages, gradually replacing outdated equipment lines, old technology with high raw material consumption and high energy use, low efficiency, from thereby reducing labor costs, saving and utilizing raw materials put into processing, creating products of good and uniform quality; Develop a standard production process for each type of product, organize the implementation of the process well to ensure quality, reduce the consumption rate of supplies and raw materials, and well manage food safety for products; Apply advanced quality management systems such as HACCP, SSOP, ISO... in processing in order to well control the quality and safety of aquatic products; Apply science and technology and technical advances to improve the efficiency of using by-products in fishery production and processing to create valuable products and contribute to environmental protection. Specifically, investing in technology and equipment to process and make full use of by-

products in various types of processing (such as heads, bones, skin, fins, shredded meat, offal, fish fat...) in the production of products such as fish surimi, fish meal, cotton balls, puff pastry, bubbles, fish stomach...; investing in modern technology to produce products with added value for use in the food and non-food industries such as collagen, chitin, chitosan, glucosamine, active calcium, hydrolyzed protein powder, highly bioactive substances... Along with reducing losses, the effective utilization of waste by-products will significantly contribute to lowering the cost of processed products and improving the value of fishery raw materials.

*Thirdly*, focus on investing in innovation and improving the level of equipment and processing technology. Enterprises need to choose appropriate advanced technology, capable of improving quality, reducing product costs and creating a breakthrough in labor productivity. To access the technology market, enterprises need to update information, link, cooperate, transfer and encourage research activities and application of new scientific and technological achievements to production and business. In addition, enterprises should have a mechanism to form a technology development fund to create a regular financial source for scientific and technological activities in the enterprise. Strengthen the application of information technology and e-commerce in production, business, import and export activities of enterprises; Actively deploy the application of advanced corporate governance models, quality management models, food hygiene and safety in production and business organizations to improve production and business efficiency and quality of exported fishery products.

*Fourthly*, strengthen linkages and cooperation in all stages, from the production

of input materials to processing, consumption and export, as well as increase participation in the global production network and supply chain to improve the quality, added value and competitiveness of enterprises in the market. Enterprises need to improve their ability to research and identify partners, build a network-based business development system (distributed via e-commerce system), select personnel, be sensitive to business opportunities, expand market share, improve business performance on a global scale; Focus on markets and potential customers, potential competitors and new needs, selected product lines for optimal penetration into export markets.

*Fifthly*, actively build the internal resources of the enterprise. First of all, in order to solve the problem of capital, besides the support and investment of the State through preferential credit lending policies, each enterprise itself needs to actively capture information and have a strategy to strengthen cooperation with FDI enterprises and enterprises in the fishery industry to increase capital for production and business activities, increase participation in fishery export supply chains. In addition to enhancing capital potential, in order to improve S&T capacity, enterprises cannot rely on the State, but must be positive about the world, proactively building plans and strategies for S&T development in accordance with S&T in line with the internal capabilities of the enterprise.

Along with speeding up the modernization process, transferring technology from abroad, setting aside regular or periodic funds for investment in renewing equipment and processing technology according to international standards, enterprises need to focus on investing in research, science and technology activities to improve added value and competitiveness of fishery export products in line with the

capabilities of enterprises, measures can be taken are: (1) Fishery enterprises of Da Nang city need to take advantage of abundant raw materials to process products with higher added value; (2) It is necessary to implement synchronous solutions, avoiding the need for commodities to be too dependent on price fluctuations on the world market such as increasing production productivity, gradually shifting to producing high-value-added products, adjusting adjust the proportion of products that bring great value for export, seek and sign export contracts, expand and diversify export markets, improve scientific and technical levels, improve improve product design and design, unify and harmonize Vietnamese standards with international standards, enhance access to information for businesses, etc.; (3) Creating favorable conditions for the synchronous development of groups of products that support each other. Competitiveness depends on businesses using their existing assets and gaining effective access to new sources through cooperation with other relevant customers. Industry cooperation in each category will become an important factor in increasing the value of products

In addition, SMEs in the fishery industry in Da Nang city need to focus on developing human resources to meet the requirements of technological innovation, production and business processes, participate in the global value chain with a variety of high quality products, international quality service. The team of workers and engineers need to be intensively trained, equipped with enough knowledge to be able to use machinery and technology in the food industry, participate in the process, food safety - Implement programs new training, retraining and innovation of the quality of enterprise human resources in the direction of equipping them with new knowledge and

skills in technical expertise, computer science and good handling of situations in international business...; Increase investment in training and vocational training and renew policies on recruitment and treatment of employees; The implementation of the salary, bonus and promotion policies must be flexible and have positive effects, directly motivating and encouraging employees to be creative, improve labor productivity.

*Sixthly*, promote marketing activities and promote fishery exports on the basis of market research and forecast, identify key and potential markets for enterprises' exports, develop appropriate export marketing strategies and plans in terms of products, prices, and distribution channels to consolidate market share in the enterprise's traditional markets, diversify and develop new export markets to limit business risks.

- Enterprises need to actively develop and implement trade promotion programs in line with export market development strategies and national trade promotion programs, with close support and coordination with the Vietnam Trade Promotion Agency and professional associations, industry associations, Vietnam Association of Seafood Exporters and Producers (VASEP), as well as with other small and medium enterprises in the seafood industry, promoting products actively.

- Open agents and form representative offices to introduce products, bring accurate and complete information about their products to domestic and foreign consumers. Fishery enterprises in Da Nang city in general need to make more efforts in commercial activities, innovating and improving trade promotion strategies. Faced with increasingly strict and complex requirements from seafood import markets related to non-tariff technical barriers,

businesses need to develop market research, understand and analyze market information to improve market penetration.

- The city government needs to perfect the commercial information system to support export businesses to grasp information channels about export markets, support fishery export enterprises, strengthening the organization of promotional events and participating in fairs, especially thematic fairs on aquatic foods in export markets. Promote trade promotion activities, visit and survey the market through trade counselors, trade associations, wholesalers, and coordinate with overseas Vietnamese trade centers to introduce them to consumers, focusing on e-commerce application in all trade promotion activities (such as using websites in English, Russian and Chinese to promote products). At the same time,

training commercial staff (who know foreign languages) to carry out fishery trade promotion activities.

*Seventhly*, strengthen linkages, build close cooperation relationships on the basis of contracts with members participating in the export fishery supply chain, build and strengthen the central position of enterprises in the chain in order to improve competitiveness and develop export sustainably.

- SMEs need to be active and proactive in building and developing long-term and close partnerships between domestic enterprises and FDI enterprises, as well as between different types of enterprises in order to enhance their potential in all aspects and competitiveness in the market./.

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# ASSESSMENT OF THE PROVINCIAL LEVEL - STATE MANAGEMENT OF CONSUMER RIGHTS IN VIETNAM

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*According to the provisions of the Law on consumer rights protection of Vietnam, the Provincial People's Committee is the state management agency who is in charge of consumer rights protection in the locality; The Department of Industry and Trade is the agency that helps the Chairman of the Provincial People's Committee perform the state management of consumer rights protection throughout the province. Contents of state management of consumer rights protection include four main tasks: State management planning; State management organization; Deployment and implementation of state management; and Inspecting and controlling state management of consumer rights protection. The assessment of the actual implementation of these tasks at the provincial level in Vietnam in the past time will help to indicate the achievements, outstanding problems, limitations or inadequacies, so that there can be comprehensive solutions for and increasing promotion on state management of consumer rights protection in the province soon. The assessment will focus mainly on the Provincial People's Committee and the Department of Industry and Trade.*

**Keywords:** Consumer rights protection; State management of consumer rights protection; Provincial People's Committee; Department of Industry and Trade; Consumer protection association.

## 1. Analysis of some achieved results

In the period 2011-2020, the state management of consumer rights protection in Vietnam in general and in the provinces in the country in particular have achieved a numerous results. Notable results are as follows:

*Firstly, for the planning and promulgation of legal documents about the state management of consumer rights protection by the Provincial People's Committees: it is carried out in a timely manner, the contents are closely related to the requirements and actual demand; has brought certain results in implementation activities.*

The main contents and issues raised in the state management of consumer rights protection in the province have been mentioned and concretized in the programs, schemes, guidelines, etc. of the Provincial People's Committee. So far, we have basically built a relatively complete system of policies and legal documents on consumer rights protection. In addition to the most important document, the Law on consumer rights protection, the Government, the Prime Minister and relevant Ministries,... have developed a series of Decrees, Decisions, Circulars, Programs, Schemes... to adjust the related issues.

The Provincial People's Committees, Departments of Industry and Trade have actively followed and based on the directions

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of the Party, policies and laws of the State, plans, programs, directions of the Government, Prime Minister and the superior state agencies to develop and promulgate the implementation documents in their provinces.

*Secondly, for state management tools on consumer rights protection:* has been focused to improve and to be applied effectively and systematically; shows the role of state management in the economy through the organizational system of management agencies, the system of legal documents of consumer rights protection from the central to local levels.

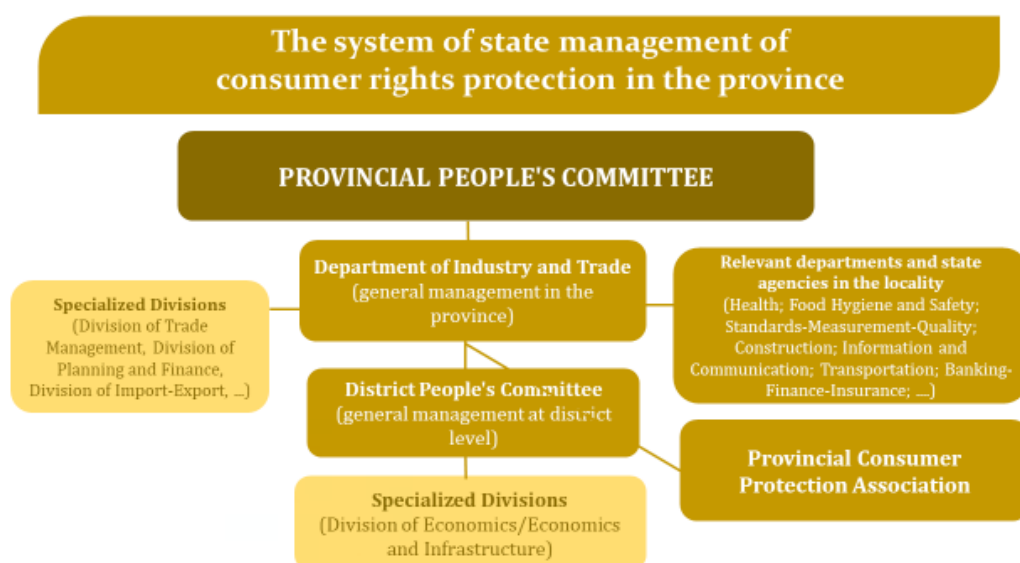
Accordingly, the organization and implementation of the contents of state management on the consumer rights protection in the province have taken place synchronously in localities throughout the country; there is coordination and cooperation between local agencies and organizations, as well as between the Provincial People's Committee,

the Department of Industry and Trade, and the central authorities, ...

A system of state management agencies in charge of consumer rights protection has been established from the central to local levels. In particular, at the central level, the Vietnam Competition and Consumer Authority (Ministry of Industry and Trade) is the unit assigned the main tasks and is responsible for the whole country; At the provincial level, the main role belongs to the Department of Industry and Trade (under the Provincial People's Committee); at the district level is the Division of Economics or Economics and Infrastructure (under the District People's Committee).

*Thirdly, for the work of propaganda, dissemination and education of the law; Consulting, supporting and increasing awareness on consumer rights protection:* is considered as one of the most strongly deployed activities nowadays.

**Diagram: System of state management agencies on consumer rights protection in the province**



*Source: Compiled by the author*

This work has been carried out more diversely and significantly contributing to raising the awareness of all stakeholders in society about consumer rights protection. In addition to common propaganda activities, in the provinces, there have been other activities targeting specific groups (such as the elderly, women, students or divided into groups including businesses, consumers, state agencies, social organizations, ...etc.); such activities initially spread to remote and rural areas.

This propaganda work is not only carried out by state management agencies but also through socialization, including the active participation and support of many businesses. The participation and support of the business community is becoming clearer and more proactive, thereby contributing to improving the compliance with the law to protect the interests of consumers.

*Fourthly, for the control of standard contracts, general transaction conditions, and recall of defective products:* implemented step by step to reduce the damages and disputes for consumers, and prevent negative social impact caused by the consumption of defective products. Currently, regarding the handling of dossiers, 100% of dossiers are processed within the statutory time limit. Even, many localities have made efforts to shorten the time limit for returning dossier results to 5-10 working days; ensure not to cause obstacles or difficulties for enterprises, contributing to facilitating production and business activities of enterprises.

*Fifthly, for the managing activities, supporting and creating favorable conditions for social organizations to participate in consumer rights protection; supervising the performance of state-assigned tasks when assigned to consumer protection organizations:* have been concerned to deploy by the Provincial People's Committee and the Departments of Industry and Trade.

This can be apparently seen from the results of implementation in the period 2011-2020 is a sharp increase in the number of consumer protection associations, increasing from 38 before 2010 to 56 by 2021. The Association has developed its branches down to the district and commune levels, expanded its membership networks to organizations, clubs, etc. In the period of 2016-2019, there were 20 provincial associations receiving financial support from the budget of the Provincial People's Committee to perform the state-assigned tasks (by the Provincial People's Committee), of which 7 associations have been recognized as special associations according to the law. To achieve such good results, it is thankful to the attention and direction of the leaders of the Provincial People's Committee, the Department of Industry and Trade, especially the enthusiastic officers involved in the consumer rights protection. Associations have been gradually asserting their role as a bridge between consumers, state management agencies and the business community.

*Sixthly, for the work of inspection, examination, settlement of consumer complaints and denunciations and handling of violations of the law on consumer rights protection in the province:* has been implemented regularly but still has many limitations.

The inspection and examination are not only conducted by state management agencies in charge of consumer rights protection, but also by other specialized inspection and examination forces such as hygiene and food safety; product and goods quality; standards, measurement, quality; advertisement; ... Inspection and examination activities have been focused and strongly implemented through the market surveillance forces and the Inspector of the Department of Industry and Trade.

The most obvious activity is inspecting and examining the observance of the law

on registration and performance of standard contracts, general transaction conditions of enterprises in the province and handling violations of the law. The Departments of Industry and Trade have directed the Market Surveillance Sub-Department (before 2019), the Inspectorate of the Department of Industry and Trade to organize/coordinate with relevant departments, agencies to organize the implementation process. The Department of Industry and Trade has set up dozens of inspection teams to inspect hundreds of business enterprises that must register standard contracts and general transaction conditions, mainly focusing on groups of business such as: supply of electricity; supply of water; telecommunication; buying and selling apartments; finance, banking.

In addition, the work of consulting, supporting, and resolving consumer requests and complaints has been assigned to specialized departments (such as the Trade Management Department) of many Departments of Industry and Trade, especially receiving with the active participation and coordination of the Consumer Protection Associations in the province.

Other activities are also gradually being improved and implemented strongly in the locality, such as: professional guidance for agencies at district level to well perform their state management responsibilities in consumer rights protection; report on the results of state management of consumer rights protection in the province on a regular basis or at the request of a superior competent authority.

## 2. Some limitations, shortcomings and difficulties

*Firstly, for the planning and promulgation of legal documents on the state management of consumer rights protection by the Provincial People's Committee: need to be further improved.*

Provincial-level state management agencies need to continue to promptly issue plans, guidelines and directions to implement the directives and resolutions of the Party and the Government that have just been issued recently, such as: Resolution No. 82/NQ-CP dated May 26, 2020 of the Government, accordingly, it has requested the Provincial People's Committee to urgently:

- Develop and issue documents to implement monitoring and evaluation in the locality and in the assigned management field in accordance with the law on consumer rights protection;

- Review, promulgate, amend and supplement relevant regulations and policies to enhance the effectiveness of state management on consumer rights protection in the locality.

- Clearly define the functions and tasks of each agency and department in the implementation process. Develop a mechanism for coordination among local agencies and departments in implementing the consumer rights protection.

- Annually, issue a plan on organizing activities to protect consumers' interests and allocate funds from the local budget to perform the tasks stated in this Resolution and other assigned tasks.

- Develop a plan to develop human resources to protect the interests of consumers in the direction of professionalism, specialization, and job placement.

- Directing local specialized agencies to promote training, fostering and improving capacity, professional qualifications, public service ethics, sense of responsibility for officials and civil servants participating in activities of protection of consumer rights. Promote administrative reform, application of information and technology, and of new science and technique in this field.

- Directing the district-level People's Committees, departments and affiliated agencies to actively develop plans and have solutions to promote the effectiveness of state management of consumer rights protection in locality.

- Build departments and tools to receive and handle consumer recommendations, suggestions, reflections and requests at People's Committees at all levels.

- Annually, promulgate programs and master plans on inspection, examination, supervision and prevention of acts of infringing upon the interests of consumers in the locality.

- Develop a mechanism to encourage the business community, consumers and organizations and individuals inside and outside the locality to actively reflect and promptly inform relevant state agencies, organizations and individuals when detecting goods and services that are circulating in the market but do not meet quality standards or pose an unsafe risk to consumers

*Secondly, for the organizational structures and tools of state management on consumer rights protection in the locality:* the operation model has not been completed and unified among localities throughout the country.

Currently, there is no uniformity in assigning responsibility for the tasks of consumer rights protection to the same division at the Departments of Industry and Trade. Specifically, the majority (50/63) of the Departments of Industry and Trade assigned this task to the Trade Management Division. Others (13/63) assigned to other divisions such as Import-Export Divisions, Planning-Finance Divisions, and Inspection Divisions. The inconsistency in the actual organizational model may cause interruptions and inconsistencies in the process of coordination between central and local governments or between localities.

In addition, the problem of limited funding and resources is also common in most agencies and localities. The lack of or not arranging enough resources for implementation is one of the reasons leading to limitations in local consumer rights protection activities. Along with that, all Departments of Industry and Trade do not have officers in charge of consumer protection, but are part-time with many other main tasks.

Many localities have not yet built a coordination mechanism between relevant departments, agencies and organizations in implementing the Law on Consumer Rights Protection. Sometimes coordination activities are still case-based, not comprehensive and long-term. There has been no coordination in administrative agencies with judicial authorities in resolving consumer disputes. There has been no coordination between judicial agencies and social organizations to promote mechanisms to support social organizations representing consumers to file the lawsuit, etc.

*Thirdly, for the work of propaganda, dissemination and education of the law; advice, support and raising awareness on consumer rights protection:* there are still many limitations.

Propaganda and dissemination content is sometimes not close to the needs of society. Objects of propaganda and dissemination are usually concentrated in the big cities, on the group of officials who are in charge of consumer rights protection; has not yet spread to deep-lying and remote areas; cannot reach the majority of consumers directly.

The method of propagating and disseminating the law still lacks flexibility and creativity, and is still formal. The application of information technology is still at a modest level. The coordination in dissemination work among relevant departments, agencies and sectors in

the province has not been implemented closely and the efficiency is not high. The quality of human resources to carry out propaganda and dissemination is still limited due to lack of experiences, especially the propaganda team in some remote, rural, and ethnic minority areas.

*Fourthly, for the management of activities; supporting social organizations to participate in consumer rights protection; supervising the performance of tasks when assigned to consumer protection social organizations:* not yet given enough attention in many localities.

Currently, in many provinces, the operation of consumer protection associations is still facing many difficulties due to the lack of support from the Provincial People's Committees or the Department of Industry and Trade. Even in some key economic localities, the cohesion and coordination between the Department of Industry and Trade and the Association is still very weak. Therefore, for localities that have not yet established associations or have associations but their activities are not clear, the role of the Department of Industry and Trade needs to be prioritized first, not only building the foundation but also ensuring the conditions to maintain the effectiveness of the Association.

Currently, only 20/56 Provincial Consumer Protection Associations have received close coordination and attention from state management agencies in organizing consumer rights protection activities. Most of the remaining associations operate in the spirit of autonomy and independence without sufficient attention and effective support from state management agencies. In addition, many associations have not been proactive or are still hesitant in organizing, planning and proposing activities to request relevant local state management agencies to consider and approve the assignment in their respective localities. The coordination and guidance between the Department of Industry

and Trade and the social associations in the implementation of state-assigned tasks has not been carried out regularly and timely.

Consumer Protection Associations have been facing many difficulties to carry out their activities. Therefore, the People's Committee of the province and the Department of Industry and Trade need to have mechanisms and policies to support and facilitate the development of associations, because these organizations are very short of funds and resources because they do not collect membership fees.

*Fifthly, for the control of standard contracts and general transaction conditions in localities:* Although initial results have been achieved, in reality there are still many difficulties and limitations.

At present, disputes related to the content of standard contracts and general transaction conditions are on the rise, so it is necessary to be more active and proactive by local authorities to control this issue. The level of human resources of the Departments of Industry and Trade to carry out the activities of registration of standard contract and general transaction conditions has not yet met the reality and development of enterprises. With a large number of categories of goods and services that must be registered, having enough human resources to receive and process them is only the initial condition, more importantly the quality of the human resources to perform this work must ensure not only to comply with the provisions of the law but also not to hinder the business activities of the enterprise.

*Sixthly, for the work of inspection, examination, settlement of consumer complaints and denunciations and handling of violations of the law on consumer rights protection in the province:* need to be improved.

Local state management agencies on consumer rights protection have not focused much on inspection, examination and handling

of violations of the law as prescribed in the Law on Consumer Rights Protection due to lack of resource. Reports from the Departments of Industry and Trade show that every year there are very few inspections, tests and handling of violations of these consumer rights violations.

Although the number of inspection and examination cases reported by localities to the Ministry of Industry and Trade is very large, however, most of these are aggregated from inspection, examination and handling of the law violations that carried out by the market surveillance forces, or other specialized inspection forces, in which, focusing mainly on specialized fields such as hygiene and food safety; product and goods quality; standards, measurement, quality; advertisement;....

The work of supporting and resolving disputes between consumers and local businesses is not really effective and pervasive. The reason is partly because the business community has not paid attention to the consumer rights protection, partly because consumers are still afraid to complain when their rights are infringed; Some localities have not built a channel to receive information and consult on resolving consumer disputes in accordance with the law...

The number of consumer complaints received at Provincial People's Committees and Departments of Industry and Trade in a year is only about 500 cases, which is very small compared to the fact that 70% of the population of Vietnam living in the rural areas (approximately 60 million people) and the fact that many cases of consumer rights violations have been recorded in rural areas.

Moreover, some legal provisions are still not suitable for practical implementation, such as the establishment of a dispute mediation organization between consumers and businesses; the payment of funds to assign

tasks of the state to the Consumer Protection Associations; the division of responsibility for handling consumer requests by state management agencies on consumer rights protection at local levels, .... etc.

*Seventhly, for the work of providing professional guidance for the district-level state management agency in charge of consumer rights protection to implement relevant contents:* there are still many limitations.

Because many Departments of Industry and Trade still do not have a specialized officer in charge of consumer rights protection, so the arrangement of staff to monitor and support the district People's Committee in this work has not been implemented timely. Some provinces and cities, in the period 2011-2021, have organized many training sessions for districts and communes to propagate and improve management knowledge for district officials. However, these activities only take place in a few large cities and are not frequent. Moreover, after the end of this training program, district officials have little opportunity to apply it in practice.

Thus, it can be seen that many Departments of Industry and Trade are not actively providing professional guidance to the district-level People's Committees. This situation properly reflects the situation that many Departments of Industry and Trade do not have a department or staff in charge of consumer rights protection.

*Finally, it is necessary to recommend competent authorities to perfect the legal provisions to protect the interests of consumers:* the development of science and technology, international integration and the new requirements and trends of the business environment and the economy are giving rise to new problems for consumer rights protection, so it is necessary to adjust and improve in legal regulations and practical implementation to ensure more consistent and effective./.

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## EXPERIENCES IN MANAGING CONTINGENT OF CADRES WORKING ON STATE MANAGEMENT OF ECONOMY IN SOME COUNTRIES

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*Although there are different approaches, basically, the concept of countries around the world shares one view rather in common, that is: improving the quality of each civil servant is a premise for building a contingent of cadres working on state management of economy. Building a strong contingent of cadres is a decisive factor for success in state management of economy and is a regular and urgent task of countries. Our Communist Party and State always put the management and development of human resources at the forefront of national development decisions. On that basis, the experiences in building and developing a contingent of cadres working on state management of economy in some countries such as Germany, China, Japan and Singapore in the article can bring valuable reference for Vietnam in today's global integration.*

**Keywords:** Appointment, Cadre; China; Economy; Japan, Germany, Singapore; State management.

In the socialist-oriented market economy of Vietnam today, the contingent of cadres working on state management of economy has become an important force in the system of state management agencies on economy related as well as in the entire national sectors, plays an important role in the success or failure of the national economic development.

Economic related cadres are not only participants in the process of policy making, building mechanisms and institutions for economic management of the country, but also together with the State in establishing frameworks for the market operating effectively such as the legal system, economic development policies, etc., creating a favourable business environment in the Doi Moi (renovation) period, promoting industrialization and modernization of the country. They are the people who can collect the legitimate and reasonable aspirations of the people, act as a bridge between the State

agencies and civilians, and then work together to find appropriate solutions and policies for developing the economy, to improve people's lives, and to create a favourable environment for all economic sectors in performance. In particular, in the process of state management of economy, cadres are the ones who discover the opportunities and challenges raised in the new situation. Being subject in State management, they find specific solutions to limit the risks and difficulties that may hinder the country's development momentum and seize opportunities to develop the country.

Being aware of the important role of leadership and cadres in state management of economy and in order to adapt to the needs of socio-economic development, the management and development of human resources in state agencies in the economic sector, so that quality and efficiency are always put on the forefront by the Party and the State in national building decisions, as President Ho Chi Minh affirmed: "Cadres are the root of all work, etc., success or failure of work depends on quality and capacity

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of cadres”. On that basis, the experience in building and developing the contingent of cadres working on state management of economy in the following countries can bring valuable references to Vietnam in developing resources of public manpower.

### 1. China’s experience

China is one of the countries that attach great importance to training the practical capacity of economic management cadres in practice, considering this as one of the three main qualities making up the quality of cadres. Therefore, those newly recruited into the agency must pass a compulsory class and must achieve good results in the final exam before undertaking the position. For incumbent economic managers, they each year must spend at least 120 hours to foster and update knowledge.

The selection and appointment of leading cadres and cadres working on state management of economy shall be based on 6 basic principles such as: the Party’s cadre management principle; principle of merit and virtue; the principle of public recognition and respect for actual achievements; principle of publicity, equality, competition, selection of people with good capacity and quality; principle of centralized democracy and principle of compliance with the law.

### 2. Singapore’s experience

Singapore always puts service quality, efficiency and effectiveness on the top and is always improving to adapt to the international environment and meet the development requirements of the country. Upholding the service quality of public agencies, Singapore believes that cadres are the key to success, so it always attaches importance to the human factor and respects talents.

The issue of training and fostering the contingent of state management cadres in economy is reflected first of all with the huge investment in training. The training and

fostering of cadres in the direction that each person can develop their own talents; create a habit of lifelong learning, continuously learning so that each staff member has full qualities, capabilities and qualifications to serve their work well. Singapore builds a staff strategy expressed by short-term, long-term training plans, succession training, full-time, and distance. The cadre training process is conducted at five different levels: introductory training; basic training; advanced training; extensive training; continuity training. Thereby, cadres can not only do their jobs well, but also have opportunities to get promoted.

### 3. Japan’s experience

The recruitment strategy and planning for the contingent of economic managers in Japan is very scientific, especially through the consideration and selection of leaders and managers through public, strict and careful recruitment exams. The contingent of cadres working on state management of economy shall be the most talented and elite people of the country. Those qualities and capabilities are created through rigorous recruitment exams, continuous training courses after recruitment. Up to now, Japan still keeps its tradition of using cadres for long-life and the salary increase and promotion system based on seniority. Every year, agencies conduct staff reviews, taking it as the basis for consideration of bonus and salary increases.

The Japanese government agencies apply the regime of annual salary increase for their cadres. Every five years, the government will adjust the salaries of cadres to match the salaries of the civil sector as well as to the development of the national economy. Thus, the salary of Japanese cadres is not always adjusted up, but at times it is adjusted down.

### 4. Federal Republic of Germany’s experience

Germany is one of the few countries that trains state managers in economy at specialized schools for cadres. Cadre training

is a regular activity, playing an important role in staff development, associated with the staff's working process.

In addition to the development of professional capacity and working skills, Germany's activities of developing staff working on state management of economy pay great attention to the issue of public service ethics, so as to professionally build a contingent of public cadres. As a rule, economic managers are fully responsible for all their actions and behaviours when performing public duties, and must comply with the Federal Anti-Corruption Code of Conduct.

In order to prevent and fight against corruption, in addition to stipulating the principle of publicity and transparency, the Government of the Federal Republic of Germany also implements the principle of cross-checking among departments, from specialized departments in each agency and internal audit agencies to the staff of personnel monitoring and evaluation. In addition to professional capacity, the focus on ethical quality has contributed to building a contingent of German economic managers who are truly talented and have good public service ethics.

To develop the cadre contingent, Germany is always interested in creating a favourable working environment with a good remuneration. Cadres and officers are guaranteed legal status, helping them to be independent and wholeheartedly committed to their duties. That preferential policy helps the staff to work devotedly and with high responsibility for the assigned tasks.

### 5. Implications for Vietnam

Research on the development model of state management of economy from some of the countries mentioned above shows a number of experiences for Vietnam, which is reflected in the followings:

*Firstly*, the development of the contingent of cadres working on state management of economy shall be based on the principle of real talent, taking the capacity of cadres, results and

efficiency in performing tasks and public duties as the basis for career development and promotion for cadres. When selecting and appointing cadres to perform state management of economy, they must be based on moral and talent standards, not with closeness or confidence. It requires the management, human resources of leading cadres to be honest, stemming from the interests of the people and the State, to correct bad expressions such as taking advantage of position to seek profit for oneself.

*Secondly*, training and fostering to develop economic managers based on the actual needs of agencies and individuals. High-quality training and retraining programs shall start from the assessment and identification of training and retraining needs, from the perspective of staff as well as from the perspective of each ministry, sector, or locality and the Government in general. Thus, the new training and retraining work is geared towards developing qualified and capable staff to meet the requirements and assigned tasks.

*Thirdly*, regularly develop and supplement remuneration policies in a timely manner to attract high-quality human resources. In which, special attention is paid to the salary policy and regime of cadres in accordance with the work results and performance; creating a favourable environment and positive working motivation so that cadres can work with peace of mind and stick to it for a long time, increasing responsibility at work.

*Fourthly*, test, promote and recommend cadres in a scientific way: Survey the basic knowledge, working skills, professional qualifications, capacity and working attitude of economic managers; implementing the examination and testing regimes to avoid the situation of using close or confident people as a priority, to ensure the quality of cadres.

In the trend of global integration, the Fourth Industrial Revolution along with the requirements of the process of developing a socialist-oriented market economy are putting

Vietnam with new opportunities and challenges in the process of renovating organization and operation, ensuring its effectiveness and efficiency. Therefore, the development of a cadre contingent working on state management

of economy with high qualifications, quality, capacity and reputation to meet the requirements and tasks is becoming more and more urgent, a central task and a key and core task of the Party and the State./.

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