Vietnam's Exports to the Chinese Market: Risks and Potential Mitigators

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From the characteristics of the Chinese market and the current status of Vietnam's exports to this market, this article tries to point out the risks that Vietnamese exporters have to identify in order to find ways to overcome those risks, thereby to help increase exports from Vietnam to the Chinese market which is a very important market of Vietnam. In this article, the author does not focus on the opportunities brought about by the Chinese market or the current status of Vietnamese exports of goods to this market. The aim of the article is mainly to identify the risks that come from the Chinese customers or Chinese trade policy, etc. The intention of the author is to evaluate the risks and current policy practices in order to bring about recommendations for policymakers to deal with the risk involved in current Vietnam–China trade. To achieve the above objectives, the article uses analytical, statistical and comparative methods. These are common methods in economic and business analysis. Research data are collected from primary and secondary sources, that is, the data collected from domestic and international authors, from the general department of statistics, general department of customs and Ministry of Industry and Trade of Vietnam. The article argues that the Chinese market is very important for exports from Vietnam and contains many risks; and that it is imperative to identify these risks. It also considers what the government and enterprises of Vietnam have to do to overcome these risks.

Keywords: Risks, China, Vietnam, market, import, export

INTRODUCTION

With its large-scale population and remarkable economic boom that lasts for decades, a rising China not only moves to increase demand for resources and energy but also becomes a potential import market for consumer goods and materials. Since Vietnam and China normalised their relations in 1991 and established a comprehensive strategic partnership in 2008, bilateral trade and investment ties have been

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restored and grown rapidly. China has become a potential market for Vietnamese exports. However, due to various groups of elements, Vietnamese enterprises continue to face many risks causing economic loss and apprehension while trading with Chinese partners. This article will identify the risks of Vietnamese exports to the Chinese market and propose some solutions to mitigate the weaknesses and take advantages of the great demand of Chinese market so that Vietnamese enterprises can effectively exploit this market.

CHARACTERISTICS OF IMPORTING COUNTRY: CHINA

Vietnam and China have a bordering geographic location, which is an advantage in transport system consisting of road, rail, air and waterway, and thanks to adjustments in line with international trends and fast-growing economies, trading relations between Vietnam and China are expanding at a rapid rate. Export turnover of Vietnam's goods to China reached only US$3.23 billion in 2005 and then increased to US$17.1 billion by 2015 (Tran Dinh Thien 2016). By the end of October 2017, China was a high-growth export partner of Vietnam among Asia-Pacific Economic Cooperation (APEC) member nations, and became the second largest export market with a turnover of US$26.74 billion, increased sharply by 52.9 per cent compared to the same period of last year (Hung Le 2017). Exporting to the Chinese market is becoming increasingly attractive to many multinational enterprises, especially in the context of the global economic downturn. China remains a world-leading growth economy. With export products of Vietnam, especially agricultural products, China is going to be a very big and potential market due to the following characteristics.

First, China has a large demand for raw materials, resources and agricultural products. With a population of more than 1.3 billion people, China has a great demand to stabilise people's lives and society as well as the need for strategic reserves in cases of natural disasters. In addition, China is known as the largest factory in the world with large import demand for all types of raw materials, fuels, minerals for domestic consumption and export processing. The export structure of Vietnam to the Chinese market is mainly raw materials (coal) and agricultural products. The machines (and components) used for the office, information technology and electricity have recently been exported to China as a result of the supply chain strategy of Japanese Sumitomo, Hitachi and Korean companies such as Samsung.

Chinese market is considered a diverse and 'easy-going' market because of the different income of various classes of people and the development gap among provinces. Additionally, the Chinese market is always open to raw and processed materials from Vietnam to fulfil the needs of domestic production.

Second, Vietnam and China share both land and sea boundaries so the trade routes between the two countries vary in both numbers and types. To the Vietnamese side, China is the largest neighbour with a large-scale market. The types of trade between the two sides is various such as cross-border trade, temporary import and re-export, transit and exchange of goods between residents in the border areas. Taking advantage of total border length of almost 1,450 km, including five pairs of international border gates and four pairs of Vietnam–China border gates, Vietnam has built many entry points with China.[1] The difference between international and inland border gates is that all Vietnamese nationals with official visas will be able to access international border gates, while for the four inland gates, only passing document is needed for Vietnamese and Chinese to cross the borders. International visitors cannot go through these four inland ports. Besides, the fundamental similarities in culture, customs and habit, political system, economic development model and the trade link since ancient time enables Vietnamese enterprises to understand the characteristics and the needs of Chinese people without difficulty. In recent years, China has paid much attention to the development of border trade and the establishment of economic border gates through the renovation of its foreign trade organisation including reducing redundancy in administrative procedures, implementing business autonomy in the locality and foreign trade contracting regime. Border trade is an important type of trade relations between Vietnam and China. Trade routes through international border gates and Vietnam–China border gates help Vietnamese side reduce transport costs when exporting goods to China. For a typical example, in terms of fishery sector, Vietnamese side can ship their products by sea and land in short time and distance saving a lot of costs. Mong Cai–Dong Hung has become a major international border gate for the transport of goods in large volume. Moreover, Quảng Ninh province has a great potential for aquaculture. Among seven Vietnamese provinces bordering China, along with its ideal geographic location that is near the port city—Hai Phong, Quảng Ninh has the largest population and the high level of urbanisation and industrialisation. Another advantage in trade interaction is that when one country has seaports, transport costs will be reduced, so the Vietnamese side is boosting trade through Hai Phong port which is close to China. Apart from the two above-mentioned types of border gates, Vietnam also establishes auxiliary border gates and border crossings based on the regulations on management of land border gates,[2] meanwhile, China only has two types of border gates including international and Vietnam–China border gates.

[1] According to the agreement on border management and regulations on border gates and land border gate management between the Government of the Socialist Republic of Vietnam and the Government of the People's Republic of China signed on 18 November 2009, Vietnam and China recognises 9 pairs of border gates (5 pairs of international gates and 4 pairs of bilateral gates) and 13 pairs of gates that will be opened when conditions permit. (Author's interview with Hoang The Anh, Insitute of Chinese Studies, Vietnam Academy of Social Sciences, Hanoi on 25 September 2018.)

[2] Decree No. 112/2014/ND-CP of the Government of the Socialist Republic of Vietnam dated 21 November 2014 stipulates the following:

- The auxiliary border gates are opened to people and means of Vietnam and neighbouring countries in the border provinces of the two countries to exit and entry or exchange goods.

The Vietnamese side prefers exporting agricultural products through unregistered channels such as agricultural market because the procedure is simple and easy with payment in cash and low shipping costs. Moreover, since the quality requirements of the Chinese market is not strict, many Vietnamese businesses and individuals consider unregistered channel for low export volume. On the Chinese side, importers mostly choose unregistered import as it is not subject to tax, otherwise through registered import, they will have to pay taxes up to 25 per cent or follow the procedure to wait for refund. Livestock sector which is inherently an advantage of Vietnam is rapidly growing but is full of risks as these products can satisfy the demand of major export markets. Most of pig exports to China is through unregistered cross-border trade. According to a report of Ipsos Business Consulting (IBC), in 2016, Vietnam exported nearly 12 million pigs across the border gate (33,000 pigs per day). The number of pigs was expected to reach 2.4 million by 2017 (Lê Thúy 2017). Similarly, despite the fact that in early 2017, the number of rice exported through official channels reached 20,000 tons, most of export volume was still through cross-border channel (Tàichính 2017).

RISKS OF VIETNAMESE GOODS EXPORTED TO CHINESE MARKET

A brief description of Vietnam's exports to Chinese market is shown through the data of Figure 1.

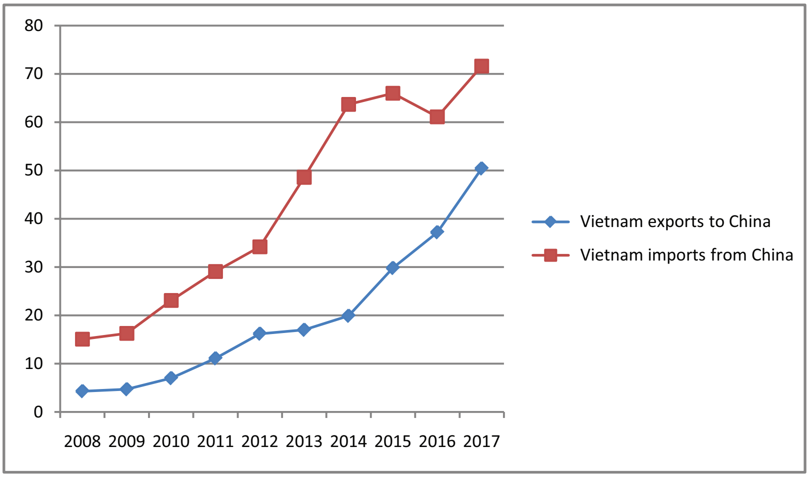
The data in Figure 1 should have increased more; the exports of Vietnam to the Chinese market should have been in greater quantity if Vietnamese traders could identify the risks from this market.

With the policy of enhancing and expanding the scale of imports of China while at the same time exploiting and promoting additional advantages in the structure of exports between the two countries, Vietnam's exports to China may be divided into two types.

1. Tropical agricultural products including tropical fruits (which have long been dependent on supplies from Vietnam, Thailand), nuts and spices, natural rubber (tend to increase by the development of the automobile industry) and coffee (the demand is increasing due to Chinese living habits in the economic centres and large cities). China is a market characterised by the diversity of demand in product consumption among regions. The northern, eastern and central provinces in China have regular demand for tropical fruits and veg-

- Border openings shall be opened to border residents of the two sides, means and goods of border residents between the two sides and others in order to implement the border trade policy according to the prime minister's regulations or be opened in the event of force majeure or special requirements of the two border gates.

Figure 1
Vietnam–China Trade Turnover (2008–2017; Unit: Billion USD)

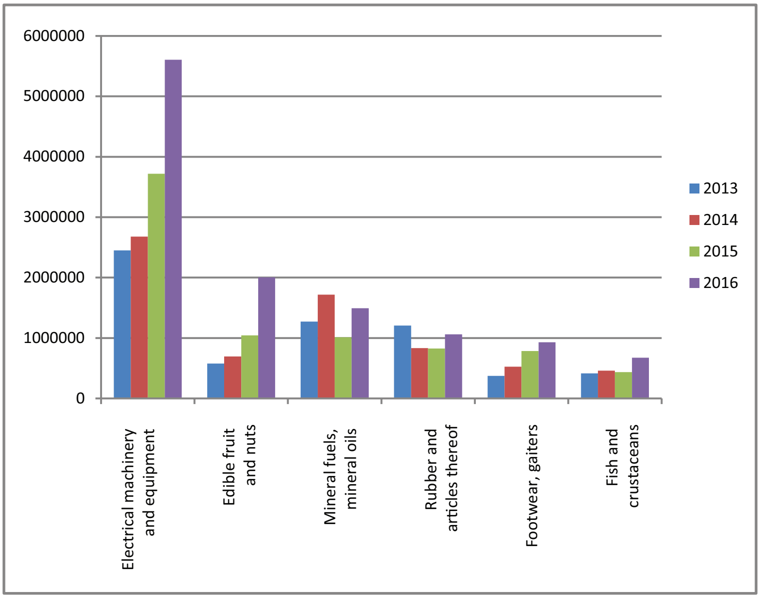


Source: Trade map (2018). https://www.trademap.org/Bilateral_TS.aspx?nvpm=1|156||704||TOTAL|||2|1|1|2|2|1|1|1|1

etables, and beverages processed from tropical fruits. Eastern China with large cities and special economic zones, where there is a growing middle class and young population, focus on consuming high quality imported products being produced in good environment such as tropical fruits and fresh seafood.

2. Aquatic products: China's demand for seafood for domestic consumption and processing export products is enormous. China has become one of the largest seafood importers of Vietnam, ranking the fourth and accounting for 8 per cent of Vietnam's export value in 2014 (Le Hang 2015). According to the data of the Ministry of Agriculture and Rural Development, Vietnam, in June 2017, seafood exports value reached about US$653 million. The fishery exports in the first six months of 2017 were valued at about US$3.5 billion, registering an increase of 14.1 per cent in the corresponding period of the previous year (Doan Thi Mai Huong 2017). Dried and frozen seafood products from Vietnam are mainly exported to China's western region due to the mountainous terrain with no sea and huge demands for seafood. High quality fresh seafood is principally exported to the major economic centres and cities located in the mainland China. The majority of middle-income Chinese households, who are not too particular about the quality, seek to consume affordable seafood products, especially dried and salted seafood. A brief description of Vietnam's exports to China by commodity is shown through the figure 2. It includes key export products rapidly increasing in volume in recent years.

Figure 2
Vietnam's Exports to China by Commodities (2013–2016; Unit: Million USD)



Source: Trade map (2018).
https://www.trademap.org/Bilateral_TS.aspx?nvpm=1|156||704||TOTAL|||2|1|1|2|2|1|1|1|1

In business activities, especially import–export business, there is always plenty of hidden and complicated risks. At present, there are two main types of export/import business including registered and unregistered channels in addition to other modes of trade outside the government control. The fact that Vietnam and China develop small-scale trade also poses various risks because agricultural products and fruit remain predominant in the exchange of goods which seems to ultimately depend on the weather, harvest and change in quarantine policy. Moreover, in trading activities through registered channels between the companies or the factories of China and Vietnam, the Vietnamese side also faces several risks in terms of payment and goods transportation. The causes of the risks in export process lie in both the exporter and importer based on the characteristics of the importing countries. On the Chinese side, there are two major factors identified as the causes of risks for Vietnamese agro-fishery sector:

China is a potential market for Vietnam's agricultural exports, however, it is mainly consumed domestically and used for a variety of purposes. Chinese market is considered 'easy-going' which is open to raw material imports, but there is no need to attach special importance to quality requirements. This has led many Vietnamese farmers to shift to produce low quality products for immediate interests such as the use of pesticides for faster crops and preservatives to keep the products for long (this is harmful to the customers, but the customers do not know). Besides, in recent years, the Chinese customers have also purchased agricultural products such as leech, dried coconut leaves, sweet potato for abnormally high prices and then suddenly stopped purchasing which causes many risks for Vietnamese agricultural products. Vietnam's agricultural and fishery products when exporting to Chinese market face possible risks in terms of price, payment form and quality requirement due to the instability of the price and export volume.

The exchange of goods mainly depending on unregistered export channels makes Vietnamese businesses and farmers highly vulnerable when carrying on agricultural trade with Chinese market and customers. Because the land and sea border between Vietnam and China is too long, the people living near the borders of the two sides have blood relationship which they utilise to do trade without registering to the custom system.

Due to the fact that trade in agricultural products is primarily conducted through unofficial cross-border channels without contract, the situation of goods stuck at the border gate continues to occur. In May 2016, Vietnamese traders encountered cases that Chinese side imported pigs from Vietnam at high price, but suddenly reduced the number of transactions and finally cease trading in all border gateways. Consequently, hundreds of trucks transporting pigs to the border gates had to return to the inland. As the amount of pigs for export to the Chinese market was stagnant, Vietnamese traders struggled to sell even to bargain away and suffer losses on labour and transport costs. Not only Vietnamese traders but also cattle herders were negatively affected when the price of pork went down.

The value of Vietnamese seafood exports to China has achieved high growth for recent years for grasping Chinese customer demand and producing the products that satisfy various demands. Seafood export to China is facing some certain obstacles such as lacking a comprehensive legal system of seafood import–export and especially risks in payment. The most common method of payment is through the banking system. There is no risk in this mode of payment. However, currently, there is another popular

Box 1

Interview Dr Hoang the Anh, Deputy Director General, Institute of Chinese Studies, Vietnam Academy of Social Sciences, 25 September 2018

Question	Answer
Why is there unregistered (informal) trade between Vietnam and China on the land and sea borders?	Unregistered cross-border trade continues to take place coinciding with registered (formal) trade. Both China and Vietnam cannot stop the unregistered trade and it is due to historical reasons.

form of payment, that is, the direct transactions between buyers and sellers without going through the banking system; the buyers want delivery of goods first and then pay afterwards, but they do not make the payment after the delivery. This direct mode of payment through the direct transactions between the buyers and sellers contains many risks. For example, there are risks of counterfeit money, debt, late payment, etc.

After fully receiving the goods, the Chinese side would find ways to apply price squeeze or fail to make payment on time posing obstacles for Vietnamese businesses. Chinese businesses even collude with each other to push selling price down causing Vietnamese seafood exports to lose its value when entering the Chinese market. Due to the very strict foreign currency policy of China, few Vietnamese companies could make payment in US dollar and most of Chinese companies have not yet implemented the popular payment method in international trade—Letters of Credits (LCs). According to their commercial practice, many Chinese traders only deposit 30 per cent of the seafood contract value (pangasius, shrimp, etc.), therefore, once the trading partner cancels purchase orders, the Vietnamese businesses will suffer considerable damages in terms of goods such as the expenses involved in moving products to border gates, time and opportunity cost (Doan Thi Mai Huong 2017). Most of the Vietnamese enterprises, when dealing with the Chinese side, approve late payment through cross-border method. After the whole delivery, the Chinese side gradually makes payment and the average delay time lasts from half a month to a month (Voice of Vietnam [VOV] 2014). In terms of safety in trade, cross-border payments and port payments are more likely to be risky.

Another factor overweighing the potential risks to agricultural products export to China is the emergence of 'fake'/'ghost' traders coming from this most populous market in the world. Exploiting the reputation of Vietnamese enterprises, especially those in the Mekong Delta and Ho Chi Minh City, these 'fake' traders buy low-quality products and fake the labels as high-quality products for illicit profits. As a result, these 'fake' traders have disturbed the market negatively affecting the quality of products and posing risks to Vietnamese export enterprises. In addition, these 'fake' traders also purchase Vietnamese agricultural food at a very low price, and the Chinese side's excuse for stopping the import of agricultural products from Vietnam is high price.[3]

—China's political situation is closely tied to Vietnam–China relations, especially in the field of trade and investment

Vietnam exports through unregistered channels are affected by the political differences between the two countries and the continuous change of China's trade mechanisms and policies. Chinese central authority routinely examines or issues requirements for unregistered import leading to disruption which causes commodity clutter and losses for Vietnamese businesses. The Chinese side often regulates export and tempo-

[3] Since 2014, in An Giang Province particularly and the Mekong Delta generally, there were many unknown traders purchasing agricultural products directly from farmers. For more details: https://baomoi.com/xuat-khau-nong-san-sang-trung-quoc-tiem-an-nhieu-rui-ro/c/16990510.epi

rary import and re-export through the auxiliary border gates, clearance points, while in Vietnam, it is required to get the permission of Ministry of Industry and Trade for export and temporary import and re-export through such points, affecting negatively to export activities.

Another example of how political situation has an impact on trade is the event that took place in 2014 when China brought the HD-981 drilling rig into Vietnam's exclusive economic zone. Vietnam protested and demanded that China pull out the rig, but it was only two months later that China answered Vietnam's request. This event caused the disruption and stagnation of trade between the two countries. Commodities could not be loaded as the Chinese side announced that there was electrical blackout. Many food items got rotten up due to the long wait. Many Vietnamese thought that the electrical blackouts were intentional rather than accidental.

On the Vietnamese side, China has always been identified as an unstable market, but a potential one to help Vietnam grow its export value and reduce its widening trade deficit with China. However, currently, Vietnamese enterprises have not had enough information of Chinese market which is a source of risk for its investment and good production in this market. Vietnamese enterprises also face many difficulties in collecting and accessing information about market prices and import–export procedures and organising distribution channels in the Chinese market. Vietnamese goods to China are mainly agricultural products, but there are no official standards which not only put Vietnam's agricultural exports in a weak competitive advantage but also pose numerous risks for Vietnamese enterprises. In 2014, Vietnamese watermelon got stuck in unregistered border exit before entering China. The main reason is that Chinese consumers tend to choose medium-sized watermelons weighing about 3–4 kg, but Vietnamese watermelons gain bigger size and the watermelon price is even higher than that in Chinese market (Tàichính 2017). Chinese businesses also ask the Vietnamese side to differentiate the quality range of products when it is exported to China, however, the Vietnamese side instead of meeting the consumer demands always seeks to bail out all its products at a very low price.

Most Vietnamese traders are used to sharing the same view that Chinese market is relatively 'easy-going'. Being a densely populated country, there are different types of customers; often low-income customers are easy-going in accepting Vietnamese agricultural products. They often reside in remote or poor urban areas. Vietnamese traders have learnt about this through their experience as well as through actual sales to the Chinese. Low-income customers are 'easy-going', but their income is not stable and thus their purchasing power is not stable either. However, in fact, the consumer demand in China has been changing (especially in urban areas) in recent years. Chinese consumers are turning to consume high-quality and green products, therefore, their quarantine barriers are progressively tightened. As some Vietnamese enterprises have not been able to catch up with these developments, some of our products have not been able to penetrate inland China because of the lack of food hygiene requirements. China's food safety laws, which are strictly enforced, require export products to Chinese market must be accompanied by certificates issued by the agency of exporting country (Nguyen Quynh 2017). Since 2009, Vietnam and China have developed a mechanism and roadmap for bilateral controls on quality, food hygiene and safety, implementing complete control measures. Moreover, the mechanism provides traceability actions to be implemented quickly when a quarantine or a food safety problem in food and agricultural products in the exchange of goods between Vietnam and China is identified. However, due to the desire for making a quick profit, Vietnamese businesses trading with China often do not enter into contracts to avoid traceability or quality assurance. Consequently, the no-contract deal has put Vietnamese enterprises at a disadvantage in terms of risk in export business.

Vietnam's border trade policy lacks the flexibility required to adapt to change in Chinese modes of border trade administration. There is no doubt that the lack of flexibility in the operational mechanism now places Vietnam in a passive position. In fact, it is possible for the Government of the Socialist Republic of Vietnam to control registered/official trade. This type of trade is quite stable. However, as far as unregistered/informal border trade is concerned, it is very difficult for the government to control. This type of trade is often unstable. The reason is that, as mentioned above, due to the long border between the two countries, petty trade is common and people often base their business on blood relationship in order to avoid the control and regulation of the Government of the Socialist Republic of Vietnam. Therefore, smuggling and tax evasion are common here. And this has always been the problem without solution. There have been a number of cases of Vietnamese products suffering severe damage for 'unannounced' changes in Chinese border management policy upon reaching China's border for export. For example, when Vietnamese traders export fruits such as lychee, pomelo, etc., or food items such as pork, the Chinese side requested that the goods must have clear origin. This was not a part of the business transaction that had been agreed among them earlier. This created difficulties for Vietnamese traders. Or, in the case of Vietnamese watermelons, upon reaching the border, it often has to wait in a long queue of 3–4 km. The port clearance procedure on the Chinese side is often very slow and they do not explain the reason. This led to the rottenness and damage of these products which cannot be exported to China (Doanh nghiep and Thuong Mai 2016).

SOLUTIONS TO MITIGATE RISK

First, Vietnamese enterprises need to draw up effective strategies to penetrate and develop their products in Chinese market. In particular, enterprises need to fully understand the methods of background check on Chinese traders supporting to classify reputable partners. According to the regulations of the Ministry of Commerce, China, there are a few certain enterprises conducting background checks on Chinese traders and on business status and financial conditions of Chinese companies designated and licensed by the Ministry of Commerce, China. Foreign companies requiring the background checks have to go through with these enterprises and pay their fees based on corresponding inspection requirements. In terms of indirect transaction with traders, which simply exchange through internet or referrals, and with large firms, prior to signing a major contract, it is proposed that Vietnamese enterprises should expend a sum in handing over Chinese enterprise providing inspection services to support. With new trading partners who first met at trade fairs, trade forums and trade seminars, Vietnamese side need to request partners to provide business licences issued by the administrative offices for industry and commerce in provinces and cities that the enterprise is headquartered at. Before signing the first commercial contract, representatives of Vietnamese enterprises should visit partner enterprises to check offices, warehouse systems, factories and distribution systems. This will help Vietnamese businesses be assured of the capability and reputation of Chinese partners, especially enterprises which are searched via internet. Vietnamese side should also consider the founding of an association for cross-border trade to protect Vietnamese enterprises against passivity, price squeeze and complete dependence on irregular quarantine regulations when doing business in China. Vietnamese enterprises need to have an understanding of Chinese government's export–import regulations on goods that the company plan to cooperate with, in particular, on goods such as foodstuffs, agricultural products and seafood because these products are subjected to strict quarantine control.

Second, Vietnamese government may consider providing a better coordination mechanism between central authority and border provincial authorities concerning the management and administration of border trade in order to improve and boost export to Chinese market. It is suggested that there should be decentralisation in management. Vietnamese chairman of provincial constitution committee could be decentralised of permission to carry out export and import activities through auxiliary border gates towards flexibility dealing with China's new restrictions. In Vietnam, the decentralisation of legislation involved in border trade with China is also a deficiency in the current structure of cross-border trade. Vietnamese side authorisation and decentralisation of cross-border trade has not been very effective. The revenue stream of border provinces mainly relies on storage fees, entrance fees for border gates, economic zone.… At present, border provincial forces of Vietnam have not been competent to use the initiative in promulgating lists of commodities exchanges; opening or locking of auxililary border gates, border checkpoints, clearance points, border route trails… The problem that Vietnamese side has no power to quickly adapt to and instantly respond to sudden policy changes of Chinese authority is partly due to the limitation in decentralisation of border trade. It is apparent that only local authorities located in border provinces are able to grasp the situations rapidly and make timely adaption to modify Chinese policy adjustments. Actually, the current limited hierarchy has not allowed the flexibility to address the issues that arise locally and on the borderline between Vietnam and China. However, due to the fact that issues related to borderline, in general, and border trade, in particular, are often sensitive political and national security issues, in essence, the highly centralised bureaucracy and less decentralised local authority is a matter that can be understood in Vietnam.

Third, long-term orientation aiding to mitigate the risks of Vietnam's exports is the shift from unregistered to registered exports. As mentioned above, at present, unregistered export continues to be very popular, especially with regards to Vietnamese agricultural and fishery products into the Chinese market. Unregistered export procedure is simple and under less pressure in terms of quarantine measures and enjoy a zero percentage rate of import duties that builds up cost savings; hence, many private traders choose the types of unofficial trade to gain immediate profit. Nevertheless, unofficial cross-border trade not only poses many risks to Vietnamese traders but also leads to a lack of motivation in improving the quality of Vietnamese products, thus the competitive capacity of export products have not been improved. Therefore, it is necessary to have appropriate policies aimed at gradually limiting the unregistered cross-border trade and increasing export quota. Vietnam's agricultural products and pork market are unable to expand along the registered trade line mainly due to the poor quality of Vietnamese products. For instance, in the Asia–Pacific region, in terms of official channels, export of Vietnamese pork is only eligible for Malaysian and Hong Kong markets thanks to the signed agreements on veterinary and phytosanitary measures, but pork demand remains low in these two markets (Bich Diep 2017).

Finally, an excessive dependence on one import/export market is a risk factor that cannot be ignored as assuming there is any variation in direct and indirect material inputs in the market, it will cause not only a negative impact on jobs and income of labourers but also decrease export turnover. Moreover, if demand in the export market is reduced or restricted, commodity stagnation will also cause great damage to farmers and businesses. To avoid risks, Vietnam should diversify its export markets, seek and develop trade cooperation with various regional and international partners.

Currently, Vietnam's exports are largely dependent on several key markets. According to the report undertaken by a market research company, Market Intello, despite the fact that Vietnam's export products are available in more than 200 countries and territories

Box 2

Interview with Professor Hoang Van Hai, University of Economy, Hanoi National University, 30 September 2018

Question	Answer
What should Vietnam do to increase its export to the Chinese market because this is a very important market for Vietnam?	Vietnam should use a comprehensive risk reduction policy based on consensus. The government should proactively regulate its policy, provide information about the Chinese market, about the risks that Vietnamese businesses may encounter while dealing with Chinese traders. Vietnamese traders exporting to the Chinese market should have sufficient information about this market, especially information about the risks. There must be consensus between the government and traders.

around the world, the focus on major export markets is almost unchanged; it has even increased over the years. By the end of 2016, Vietnam had joined and implemented 10 bilateral and multilateral free trade agreements (FTAs), but has not yet fully utilised the opportunities provided by the FTAs (Tàichính 2017).

CONCLUSION

With its large-scale population and multi-segment market, China continues to be a huge and potential market for Vietnamese export products, in general, and agricultural and fishery products, in particular. Moreover, the policy that aims at improving and expanding the scale of Chinese import as well as taking advantage of geographical proximity and promotion of comparative advantage in commodity structure of exports creates numberless opportunities for Vietnamese agricultural products to infiltrate and boost export to Chinese market. However, the Chinese market is still considered to be risky for Vietnamese exports because of the challenges from Chinese market and enterprises, and the lack of information on the Vietnamese side and its inability to exploit the opportunities of Chinese market effectively. Vietnamese side has been orienting to expand key export products that have gained a foothold in the Chinese market, and in the long-term towards improving quality, material processing; reducing the export of raw materials will contribute to changing the balance of trade in the direction of a strong reduction of Vietnam's trade deficit with China. Therefore, Vietnam should actively launch initiatives to take advantage of the Chinese market and take measures that ultimately mitigate risks for export products towards sustainable trade.

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