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Changing Trade Policies to Ensure Agricultural Export Growth in Vietnam

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Vietnam agricultural export growing, but facing new challenges

The year 2018 is a successful year in Vietnam's agricultural exports. Despite declining world market prices of many industrial crops and increasing requirements in food safety, Vietnam's agricultural export value still grows strongly, and has reached a record of US\$40.02 billion in 2018. This is a record export turnover of Vietnam's agricultural sector, affirming its position in agricultural exports, which is at its second highest in Southeast Asia and ranks 13th in the world. In the last 10 years, 2008-2018, the total export value of Vietnam's agricultural sector has reached US\$302 billion, with annual growth rate averaged 9.24 % (Mard, 2019).

The global agricultural market in 2018 recorded a sharp decline in prices of industrial crops in the context of fierce competition among exporting countries, causing a rapid increase in supply while world demand decreased or increased slowly. Specifically, commodities are seeing declines including coffee, rubber, pepper and cashew nuts. However, Vietnam still maintained a high export value thanks to increasing export volume despite falling prices (the total coffee export in 11 months of 2018 reached US\$ 3.3 billion, cashew export reached US\$ 2.25 billion, rubber reached US\$ 1.87 billion) (Mard, 2019). Overall, Vietnam's agricultural sector still ensures that 7 groups of agricultural products export reaching the value of more than US\$ 1 million are forest products, aquatic products, vegetables, coffee, cashew, rice and rubber. The export value of staples increased such as vegetables, rice, pangasius, wood and forest products.

Results are achieved in the changing global market context, notably since the US-China trade war, the increase in protection, notably the US - China trade war; increasing in protection through quality standards and food safety standards for imported agricultural products of Vietnam's major agricultural market countries such as the US, EU, China, Japan, South Korea, etc. The export market share is maintained and expanded, specifically the five export markets for Vietnam's main agro - forestry products such as China, Japan, ASEAN and South Korea taking over the part of 22.9% market share (up by 3.6% compared to 2017), 17.9% (up by 9.4%), 19.1% (up by 7.1%); 10.64% (up by 11.0%) and 6.9% (up by 29.4%).

Prices and demand are not only difficult, Vietnam's large export countries increasingly set strict technical standards for imported products. China is very typical of the market. China not only improves the quality standards of imported agricultural products, but also strengthens the management, tightens border trade, restricts the import of sub - quotas, and increases the import quota. China has invested a very modern agricultural wholesale market in the main border gates with Vietnam to implement this strategy.

The EU market still maintains the yellow card warning for Vietnamese imports of aquatic products and proposes a draft text for the new regulation of substance which can be used within plant product; The U.S. market continues to maintain and increase protections through anti - dumping taxes on Vietnamese seafood products, continuing the inspection program on catfish under the agriculture act (Farm Bill), which is to strongly implement the introduction of the Lacey act law on wood and wood products; The Japanese market and South Korea's market regularly review and adjust regulations on food safety and increase the frequency of the quality of imported agricultural products, causing negative impacts on Vietnam's export schedule to these markets.

From policy thinking to policy actions changing of agricultural trade agencies

In the context of international trade institutions changing, in 2018, there is also a change in thinking of the Vietnam state management agencies in agricultural sector. Agriculture has focused on opening up new international markets. Trade negotiations to commercialize agricultural products are becoming more and more common. In 2018, MARD had six trade delegates to work with the Chinese officials to open the door to the commodities. Thus, it is easy for Vietnamese agricultural products to conquer many markets, such as beef and milk in Malaysia; pork and chicken in Singapore; pork, milk, seafood, and rice in China, etc. In 2018, many Vietnamese agricultural products have been exported for the first time, such as chicken in Japan, frozen pork in Myanmar, star apple in the U.S., rambutan in New Zealand, passionfruit in EU, etc. Although the quantity of products has not been great, it has shown that the reputation has been increasingly acknowledged.

It will clearly create new opportunities for Vietnam's agricultural exports. In 2019, in the context of the Comprehensive and Progressive Agreement for Trans-Pacific Partnership officially becoming effective, both opportunities and challenges are waiting for Vietnamese agriculture. It is extremely difficult to ensure the growth of farm product export with the challenges on the world market. In the first three months of 2019, the export rate of most agricultural products decline more than the the same period of last year.

Agricultural value chains upgrading needs for ensuring agricultural export growth

While there are difficulties in exports, the construction of agricultural value chains with high competitiveness and sustainability becomes urgent. However, in order to ensure the competitiveness of the export agricultural value chains that ensures quality products and food safety, firstly the agriculture industry should build the standard system and meet the regulations from the import market. Manufacturers should implement Good Agricultural Practice (GAP) and Good Management Practice (GMP, HACCP) or be granted certificate of production area code to achieve the standard.

China is the largest market of Vietnam's fruits. It currently requires production areas to have certified production area code in order to export. It's difficult for Vietnam since the manufacturing regions have to rapidly change production management to ensure food safety. Twenty-three of Thailand's fruit products are currently licensed in China's market, while Vietnam has eight products. The construction of national standards for agricultural products is the minimum standard for the type of production to achieve the goal of meeting the demand for food safety of the imported markets but not to negatively affect the Vietnamese specialties products.

The process of developing the national standards of fish sauce just demonstrated the embarrassment of governance in achieving both objectives. Vietnam's traditional fish sauce products which have been protected by Geographical Indications in Europe and have been exported to this high - end market. The Vietnam product has been accepted in Europe with very attention to food safety standards, so consumers in Vietnam should not worried about food safety of this traditional fish sauce.

Participation of association is essential for building and construction of standards since the standard serves their benefits. Unfortunately, the traditional fishing association has not been established. The experiences of developed countries indicate that the role of professional manufacturing associations is the prerequisite for ensuring sustainability and competitiveness for products. Another factor related to standards is the professionalism and international integration of quality accreditation systems, including the state and private sector (such as GAP, Organic...), which is low in Vietnam, should be strengthened in order to reduce the cost of certification and increase the credibility and trust.

Vietnam has currently six markets that have trade agreements including the US, EU, China, Japan, South Korea and ASEAN with preferential tariff reductions (VIR, 2018). However, in order to enable the free circulation of products, the state negotiation, quality improvement, and food safety of business agents are important to overcome technical barriers. This poses extremely urgent requirements for state management agencies and enterprises in production, processing and export of agricultural products.

It is extremely urgent that we should invest synchronously and modernize agricultural value chains. In particular, the state should develop strategies for attracting investments in cold chain value development, since much of which is exported in raw form. The proportion of cold storage of seafood is the highest, 95%, but proportion of cold storage of vegetables is very low, over 6%. Currently, we still lack professional cold storage and warehousing services, and export enterprises must invest themselves, which causes high logistics costs. Some foreign invested enterprises have invested in this sector but lack information connection with production areas. We should promote closer cooperation between chain service providers and producers.

In addition, the promotion of processed agricultural products for export to diversify products such as fruit juice, dried fruits and vegetables, etc. is a necessary step to reduce market risks. The need for cooperation between processing enterprises with large-scale and professional management practices of production area and institutes of technology transfer is a positive model to be widely disseminated, as the model of Nafood Company, Vietnam Academy of Science and Technology and cooperatives producing passion fruit.

Value chain actors should promote close cooperation through the cooperative business model for quality management, apply electronic traceability step by step, such as applying blockchain technology to create more information transparency for satisfying fastidious markets, combining the use of e-commerce, accessing modern distribution channels, and proactively reducing export quota. Traceability blockchain was first applied to mango of My Xuong Cooperative, Dong Thap to make this product broadly suitable for the domestic market and able to set foot in Japanese and American markets.

The agricultural sector targets US\$43 billion in export growth, 3% in gross domestic product (GDP) growth in 2019 (Vietnam news, 2019). In order to reach this goal, MARD should pay attention to the improvement of researching and analyzing markets, especially target markets (US, Europe, Japan, and China, etc.); promptly alert regulations on barriers and arising problems to export goods; organize trade promotion activities; and promote agricultural, forestry and fishery products in foreign markets.

Despite facing many challenges growing up, we believe that agricultural export targets will be achieved in 2019 through fundamental changes in agricultural value chains.

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