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Saigon Exhibition & Convention Centre (SECC) • Ho Chi Minh City, Vietnam

INDUSTRY NEWS UPDATE

Two year review of Vietnam's WTO membership

"The greatest point for Vietnam, after two years of WTO membership, is that the world has seen Vietnam as a country daring to innovate to develop", Dr Vo Tri Thanh, Central Institute for Economic Management, has said.

The former Minister of Trade, Truong Dinh Tuyen, said the most advantageous aspect of WTO participation is that the business environment has become more transparent and open in order to efficiently mobilize domestic and foreign resources.

Foreign direct investment has increased in the last two years. Investment from the private sector has increased greatly, contributing to raise investment capital of the country to over 40 percent. This has formed the foundation for an economic structural transition, which will create more jobs and ensure growth.

Since WTO participation, Vietnam has gained access to a large export market of 150 member countries. Import tax to these countries has been reduced with non-tariff measures also being removed. This has helped propel businesses to expand the export market. With investments and exports increasing, the domestic market has broadened the development of industry and services.

Foreign investors have more opportunities to enter the market and enjoy fairer treatment in the law. Vietnam's service sectors, such as banking and retail, have been opened to foreign investors.

Vietnam is currently in negotiations with some partners who wish to become WTO members and are discussing trade rights.

The WTO integration process has helped Vietnamese business enhance its competitive ability. The government itself has also improved dialogue and coordinate business reform more effectively, Mr. Tuyen said.

Competition will be stronger

Mr. Tuyen said though Vietnam has gained some satisfactory results in its first steps, they are still not uniform and not yet strong enough to take advantage of opportunities, overcome difficulties and create breakthroughs.

Vietnam has reformed bureaucracy; however it is still slow in some phases causing problems and increased costs. Vietnam has yet to build standard administrative procedures.

The legal system still lacks synchronization; regulations often overlap and lack the efficiency that creates legal liabilities for people and business.

According to a group specializing in business implementation and investment laws, there are currently 400 types of business, which have to deal with 450 conflicting and overlapping regulations from government departments and Ministries.

In order to complete a project outside industrial and export processing zones, an investor needs to spend 400 days submitting 374 different deeds and documents.

In the trading field, apart from some produce such as rice, coffee, rubber and peppercorn, the competitive edge for products in Vietnam is still low. Even in the clothing industry, Vietnam's leading turnover, still imports from 70-80 percent of its materials. Other industries such as foot-wear, plastics, electrical wires and cables are also in the same position.

This was one of the reasons leading to a trade deficit in 2007 and 2008. Before WTO membership, the trade balance was always below 15 percent. In 2007 and 2008 this increased to 30 percent. This arose from low changing the production structure and weak development of supporting industries, which caused domestic production to depend on imports pushing up intermediate costs.

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Dr Thanh said that after two years of WTO, we have understood who we are. The competition is easier to face with anti-dumping laws and the technology barrier. From limitations in administration, we have recognized the important role of macro stabilization. Our greatest lesson was how to coordinate monetary and fiscal policy.

Vietnam will continue to maintain and implement WTO pledges, as well as bi-lateral and multi-lateral agreements.

Improving the market institutions needs to be aware of the cautious norm and controlling mechanism in fields of bank, insurance, stock, and investment funds.

Talking about prospects in 2009, an economic expert, Truong Trong Nghia, admits that in spite of the economic crisis, people still dress and travel. If we can produce good products cheaply, world consumers will choose Vietnamese goods. Vietnam's economy depends on the world economy, however, if we have the right policies and recognize weak points and stimulate investment and consumption, the economy will improve.

(Source: SGGP - Ho Chi Minh City, Vietnam, By Hai Ha – Translated by H. Mien, Dated 5th January 2009)