Vietnam in GVCs: Directions for improvement

Nguyen Anh Duong

Central Institute for Economic Management

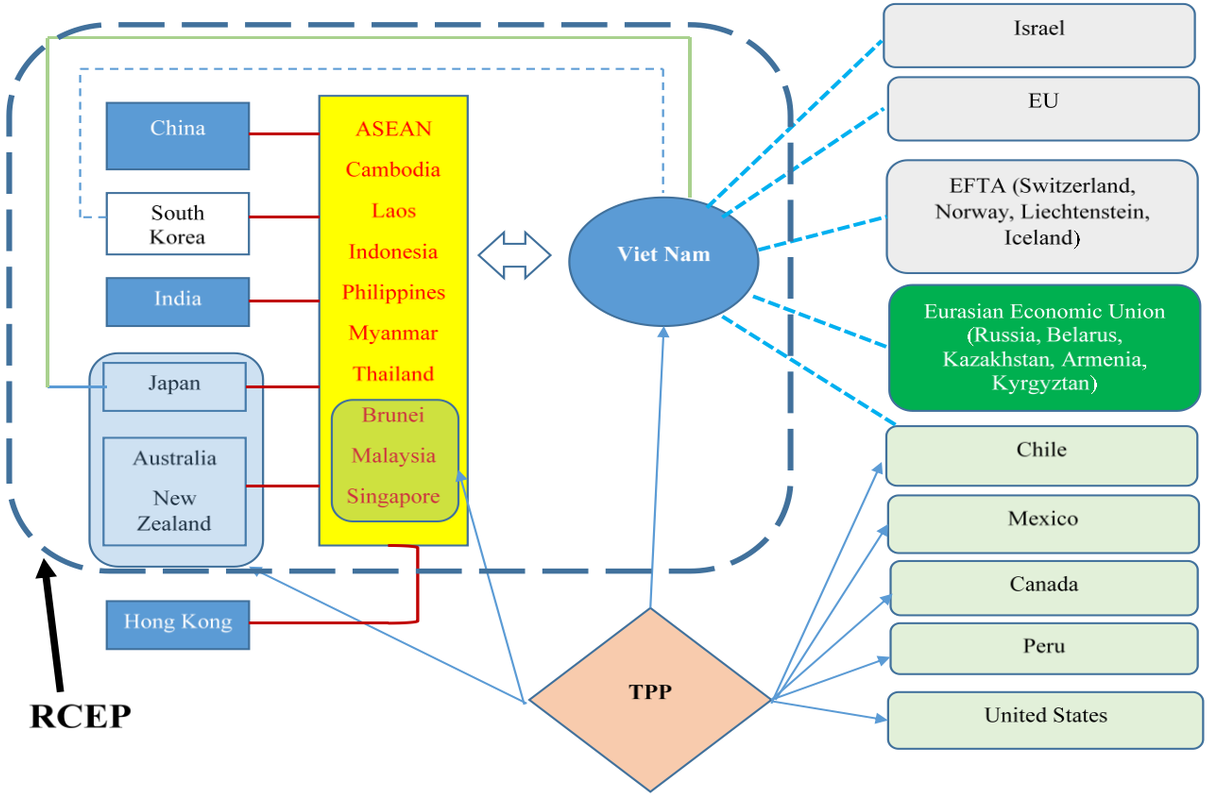


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Introduction



- Since 1986, economic integration has been a key pillar of Vietnam's economic reforms
- Exports and foreign investment gradually become key drivers of growth





BITs with various countries/territories

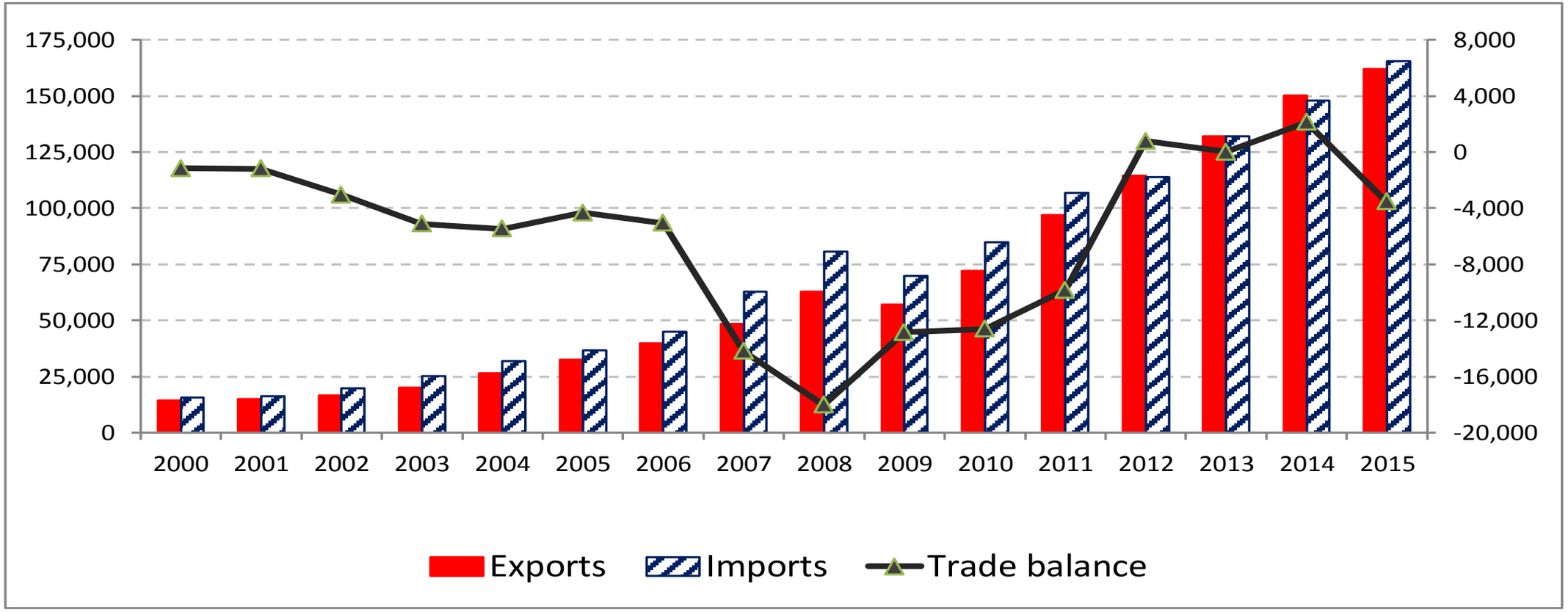
Vietnam in GVCs



- Both exports and imports grew almost continuously, except for 2009
  - *Average export growth: 18.4% in 2001-2006; 16.0% in 2007-2010; 17.6% in 2011-2015;*
  - *Average import growth: 19.2% in 2001-2006; 17.2% in 2007-2010; 14.3% in 2011-2015;*
- To achieve continuous export growth, Vietnam had to turn to imported inputs, rather than relying solely on domestic inputs
  - *Exports stimulated imports more quickly (pervasiveness of exports to imports increased from 1 in 2000 to 1.45 in 2011, see Vo et al. 2015)*



Almost continuous trade expansion (in million USD)

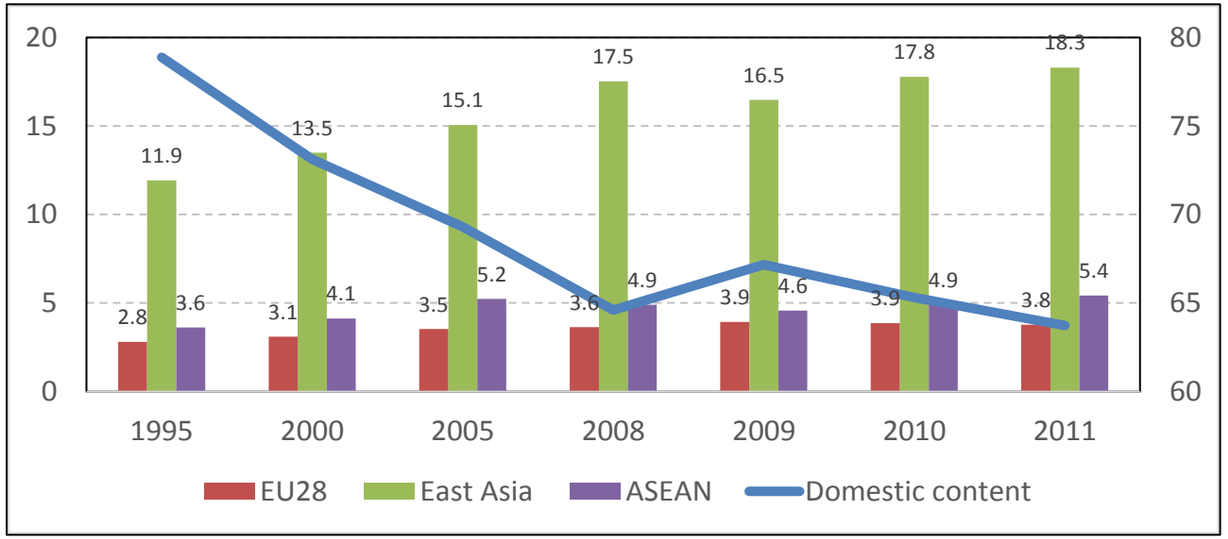




- VN's share in gross exports appeared to decrease, but gross earnings to domestic sources increase

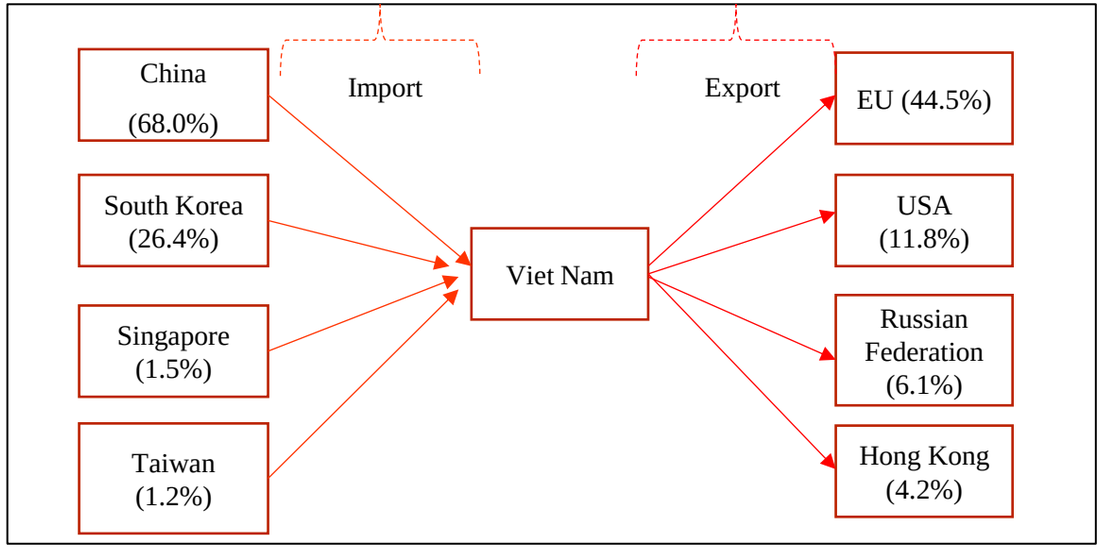
Share of Value Added Embodied in Gross Exports by Country, 1995–2011

Unit: %



Note: Values for EU28, East Asia, and ASEAN are on the left-axis; Values for domestic content are on the right axis.
Source: OECD TiVA database (June 2015).

Trade Flows of Phones and Accessories in Viet Nam, 2012



Source: General Department of Customs (2013).

Looking forward: Major considerations



- Deeper participation also leads to more dependence upon suppliers, so managing supply is really important!!!
  - *Competitiveness in the new context is not just about price and quality; ALSO, quantity (large volume), timeliness (or just-in-time) and distribution channel.*
- Enhancing resilience to natural disaster
  - *Any disruption to supply chain in Vietnam would be costly (as recovery takes time).*
- Which GVC and how?
  - *2016 may be a good start for a more focused industrial policy?*
  - *Engaging local SMEs into the GVCs?*

Key directions for improvement



- More focused approach to enhancing participation in GVCs:
  - *Only some, not all GVCs*
  - *And only some, not all parts of each GVC ("smaller share of a bigger pie");*
  - *Moving from **static** comparative advantage to building **dynamic** comparative advantage is key.*
  - *A "roadmap" of utilizing Vietnam's FTAs?*
- Building linkages between domestic firms and foreign-invested firms;
  - *Excessive search costs may prevent their joint efforts → Government agencies may act as intermediary?*

Key directions for improvement (2)



- Control of product standard is essential:
  - *Especially important when relying on two or more sources of inputs (eg. Fishery export chain);*
- Improving resilience to natural disasters
  - *Forecast and evacuation plan;*
  - *Inter-firm supports for recovery (eg. Lesson from Japan)*



THANK YOU!

