



VIETNAM-CHINA AGRICULTURAL TRADE

Huge Growth and Challenges

Le Hai Binh and Lam Thanh Ha

TRENDS IN SOUTHEAST ASIA

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ISEAS YUSOF ISHAK
INSTITUTE

ISSUE 4
2021

Published by: ISEAS Publishing
30 Heng Mui Keng Terrace
Singapore 119614
publish@iseas.edu.sg
<http://bookshop.iseas.edu.sg>

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ISEAS Library Cataloguing-in-Publication Data

Name(s): Lê, Hài Binh, author. | Lam, Thanh Ha, author.

Title: Vietnam-China agricultural trade : huge growth and challenges / Le Hai Binh and Lam Thanh Ha.

Description: Singapore : ISEAS – Yusof Ishak Institute, March 2021. | Series: Trends in Southeast Asia, ISSN 0219-3213 ; TRS4/21 | Includes bibliographical references.

Identifiers: ISBN 9789814951579 (soft cover) | ISBN 9789814951586 (pdf)

Subjects: LCSH: Produce trade—Vietnam. | Vietnam—Commerce—China. | China—Commerce—Vietnam.

Classification: LCC DS501 I59T no. 4(2021)

Typeset by Superskill Graphics Pte Ltd

Printed in Singapore by Markono Print Media Pte Ltd

FOREWORD

The economic, political, strategic and cultural dynamism in Southeast Asia has gained added relevance in recent years with the spectacular rise of giant economies in East and South Asia. This has drawn greater attention to the region and to the enhanced role it now plays in international relations and global economics.

The sustained effort made by Southeast Asian nations since 1967 towards a peaceful and gradual integration of their economies has had indubitable success, and perhaps as a consequence of this, most of these countries are undergoing deep political and social changes domestically and are constructing innovative solutions to meet new international challenges. Big Power tensions continue to be played out in the neighbourhood despite the tradition of neutrality exercised by the Association of Southeast Asian Nations (ASEAN).

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By Le Hai Binh and Lam Thanh Ha

EXECUTIVE SUMMARY

- Agricultural products are one of Vietnam's most important exports, contributing considerably to the overall export turnover of the country.
- Vietnam's agricultural exports are easily affected by external factors. It is overly dependent on the Chinese market, and its agricultural products do not as yet meet strict global standards.
- Challenges facing Vietnam's export of fruits and vegetables to the Chinese market include technical barriers, long risk assessment periods, restrictions on products exported through official quotas to the Chinese market, and frequent changes in China's policy on border crossings.
- The ongoing COVID-19 pandemic has underscored the importance of market diversification to this sector.
- To further develop its agricultural export sector, Vietnam needs to gather and consolidate information on import standards and guide its farmers on product quality requirements. Besides, efforts to gradually diversify its markets are essential for it to avoid being dependent on a small number of partners and markets.
- Vietnam's participation in international organizations such as ASEAN, APEC, WTO, and AEC exemplifies its increasingly active efforts at seeking new development opportunities. The seventeen bilateral and multilateral free trade agreements which have been signed by Vietnam partly demonstrates efforts at achieving market diversification.

VIETNAM-CHINA AGRICULTURAL TRADE Huge Growth and Challenges

By Le Hai Binh and Lam Thanh Ha¹

OVERVIEW OF VIETNAM'S AGRICULTURE EXPORTS

Vietnam's agricultural exports play a particularly important role in the country's development, by generating employment, improving the quality of life for its farmers, and promoting social stability. Leveraging its comparative advantages in this sector, the country has emerged as one of the nineteen largest agricultural producers in the world,² and aims to be among the fifteen largest agricultural exporters by 2030.³

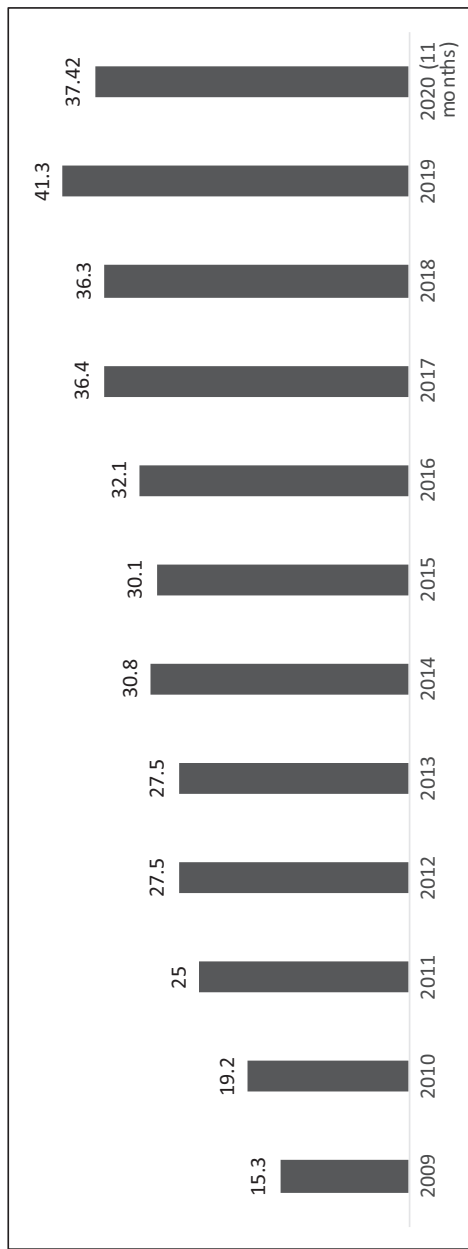
Its agricultural exports have steadily been increasing since 2009. The country's state-budget export turnover from 2009 to 2019 reached about US\$321.5 billion, growing at an average of 10.9 per cent. As shown in Figure 1, Vietnam's export turnover for agriculture, forestry, and fishery products went from US\$15.3 billion in 2009 to US\$41.3 billion in 2019 (2.7 times larger).

¹ Le Hai Binh is former Vice President, Diplomatic Academy of Vietnam, Ministry of Foreign Affairs; and Lam Thanh Ha is Vice Dean, Faculty of International Economic, Diplomatic Academy of Vietnam, Ministry of Foreign Affairs.

² S. Dutta, "Top 25 Agricultural Producing Countries in the World", *Yahoo!Finance*, 2020, <https://finance.yahoo.com/news/top-20-agricultural-producing-countries-151350776.html?guccounter=1>Dutta 2020

³ The Prime Minister, "Directive 25/CT-TTg on the enhancement of price stabilization and management". <http://news.chinhphu.vn/Utilities/PrintView.aspx?ID=40360>

Figure 1: Vietnam's Agriculture, Fishery, and Forestry Exports (in US\$ billion)



Source: Ministry of Agriculture and Rural Development.

In 2019, Vietnam’s total export turnover reached US\$264.2 billion, of which 15.6 per cent were from agricultural products. Fishery exports achieved the highest values, followed by fruits and vegetables, cashew, coffee, and rice (Table 1). Agricultural, fishery, and forestry exports in the first 11 months of 2020 reached US\$37.42 billion, up 2.4 per cent over the same period in 2019 (US\$36.52 billion).⁴

As of 2019, Vietnam’s agricultural products have been exported to over 180 countries and territories.⁵ The largest among these markets are China, the United States, European Union, ASEAN, and Japan, in

Table 1: Vietnam’s Agricultural Products Exports (2019)

	Quantity (‘000 tons)	Value (US\$ million)
Fishery	1,519.2	8.54
Fruits and vegetables	4,000	3.75
Cashew	455	3.29
Coffee	1,653	2.85
Rice	6,366	2.81
Rubber	1,701	2.30
Cassava and its products	2,533	0.97
Pepper	284	0.71
Tea	137	0.24

Source: General Statistics Office of Vietnam.

⁴ Ministry of Agriculture and Rural Development, “Báo cáo tình hình thực hiện kế hoạch tháng 11, 12 và công tác nhiệm vụ tháng 12”, 2020, https://www.mard.gov.vn/ThongKe/Lists/BaoCaoThongKe/Attachments/165/Baocao_T11_2020.pdf

⁵ L.T. Đạt and V.T. Nghĩa, “Hoạt động xuất khẩu nông sản Việt Nam sang một số thị trường trọng điểm”, 2020, <http://tapchicongthuong.vn/bai-viet/hoat-dong-xuat-khau-nong-san-viet-nam-sang-mot-so-thi-truong-trong-diem-70433.htm>

descending order. Together these account for 80.6 per cent of Vietnam’s total agricultural export turnover.

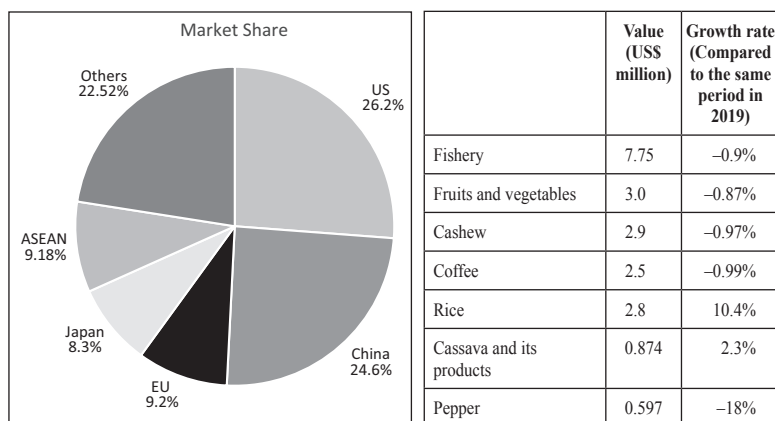
The United States is currently Vietnam’s largest agricultural export market, accounting for 26.2 per cent of Vietnam’s total agricultural export revenue in the first 11 months of 2020. It is followed by China at 24.6 per cent.⁶ See Figure 2.

VIETNAM’S MAJOR AGRICULTURAL EXPORT MARKETS

The European Union

Vietnam’s tropical weather provide favourable conditions for agriculture,

Figure 2: Vietnam’s Agricultural Products Exports in the First 11 Months of 2020



Source: Ministry of Agriculture & Rural Development.

⁶ Ministry of Agriculture and Rural Development, “Báo cáo tình hình thực hiện kế hoạch tháng 11, 12 và công tác nhiệm vụ tháng 12”, 2020.

and the potential to produce and export agricultural products to other continents is enormous.

The EU is the second-largest import market in the world and also a big market for Vietnam. However, exporting to the EU is challenging due to the bloc's high-quality requirements, which can be a big obstacle for Vietnam's exporters. It is thus very important for Vietnam to properly assess its current production model and find the right strategies for agricultural production, to facilitate its exports to the EU market. Since the signing of the Cooperation Agreement between the then European Community and Vietnam in 1995, Vietnam's agricultural export turnover from the EU market has shot up from US\$362 million in 1999 to US\$2.59 billion in 2016 (Figure 3). In particular, that figure doubled after Vietnam joined the WTO in 2007 (US\$584.47 million in 2005 compared with US\$1.28 billion in 2007).

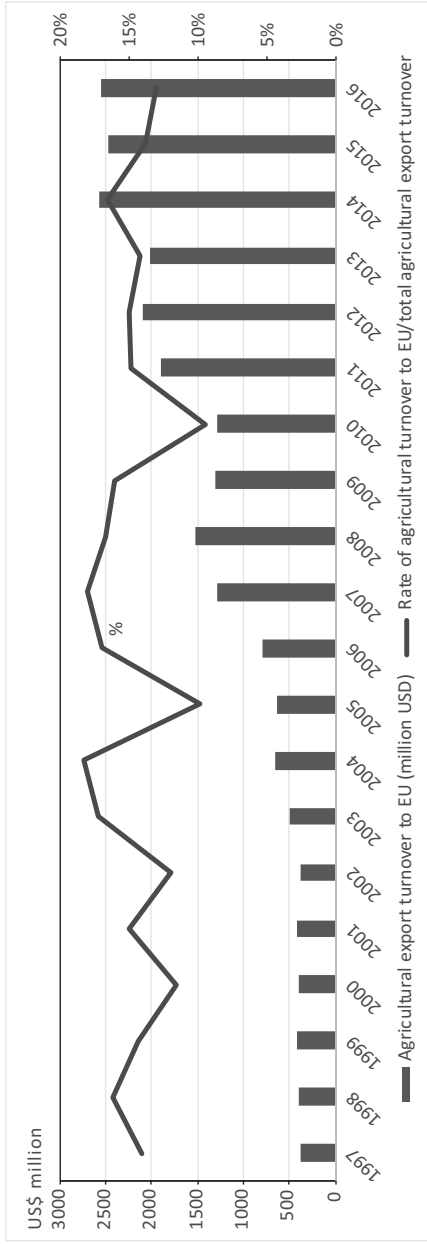
Vietnam's agricultural exports to the EU market has held steady at 13–19 per cent of the country's total agricultural export turnover.⁷ Agricultural products exported to the EU include coffee, pepper, and vegetables and fruits. There was a substantial decrease in exports in 2009–10, from US\$1.53 billion in 2008 to US\$1.36 billion in 2010, largely due to the negative effects of the global financial crisis. During that period, demand for agricultural products in the EU, including imports from Vietnam, decreased significantly (–12.4 per cent in 2009). This has recovered slightly since 2011, though the pace has been slow and unstable—Vietnam's agricultural exports to the EU grew by 41.7 per cent in 2011 and 12.6 per cent in 2012, before decreasing by 5.6 per cent in 2013 and dropping further by 6.7 per cent in 2015.⁸

Key agricultural products exported to the EU, which together made up 88.3 per cent of Vietnam's total agricultural exports to the EU in 2017,

⁷ Đ.T. Anh, “Xuất khẩu nông sản của Việt Nam sang thị trường EU: Thực trạng và giải pháp”, *tapchicongthuong.vn*, 2017, <https://tapchicongthuong.vn/bai-viet/xuat-khau-nong-san-cua-viet-nam-sang-thi-truong-eu-thuc-trang-va-giai-phap-49597.htm>

⁸ Ibid.

Figure 3: Vietnam's Agricultural Export Turnover to EU (1997–2016)



Source: General Department of Customs, GSO.

include coffee (unroasted), tea materials (in bulk and mate), tropical fruits (fresh and dried), nuts, and spices. In the first 11 months of 2020, the EU accounted for 9 per cent of Vietnam’s agricultural exports. See Table 2.

The Vietnam-EU Free Trade Agreement (EVFTA), which came into force in August 2020, eliminated 85.6 per cent of import tariffs on Vietnamese goods entering the EU market—or 70.3 per cent of Vietnam’s export revenue from the EU. The EU is set to eliminate 99.2 per cent of tariffs on Vietnamese goods by August 2027, equivalent to 99.7 per cent of Vietnam’s revenue from exports to the EU. The bloc has also pledged to provide Vietnam with tariff-rate quota, with the import tax rate set at 0 per cent within the quota, for the remaining tariff lines.⁹ Vietnam’s Ministry of Industry and Trade, meanwhile, continues to review its import and export administrative procedures to help promote the country’s exports as well as to facilitate and support businesses. The country has also publicized its commitment in the areas of trade in goods, trade in services and investment; its plans to reduce/eliminate import tax on goods; its wish to widen access to the EU market; and its aim to enhance public understanding of the EVFTA.

The EVFTA, which was ratified by the European Parliament on 12 February 2020, provides an opportunity for Vietnam to further penetrate the EU market. This will help Vietnam diversify its export markets, given the dozens of countries in the European bloc, and help Vietnam prevent overreliance on a few large markets. This is especially important for agricultural commodities. With a population of more than 500 million, Europe accounts for 45 per cent of global trade in vegetables and fruits. Currently, the total value of Vietnam’s agricultural exports is just over US\$40 billion, with exports to the EU accounting for about US\$5 billion. This shows that, even with the implementation of the

⁹ MOIT, “EU-Vietnam Free Trade Agreement (EVFTA)”, Ministry of Industry and Trade website, http://evfta.moit.gov.vn/default.aspx?page=overview&do=rowse&category_id=fb203c7b-54d6-4af7-85ca-c51f227881dd

Table 2: Vietnam's Monthly Agricultural Export Turnover to the EU in 2020 (in US\$ million)

No.	Products	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Growth Rate
1	Fishery	52.75	56.50	66.6	67.39	73.42	69.06	94.09	93.67	92.42	4.4%
2	Fruits and vegetables	9.73	12.74	12.19	14.51	9.284	12.41	11.73	10.19	11.05	0.15%
3	Cashew	41.84	40.04	66.31	68.51	58.86	63.49	63.32	60.12	54.62	1.42%
4	Coffee	96.29	130.96	124.31	116.34	77.95	73.58	56.49	64.14	64.74	-3.5%
5	Rice	0.637	0.931	0.725	0.229	2.85	1.65	0.632	0.661	1.737	0.12%
6	Rubber	6.56	7.83	10.87	10.42	10.1	9.08	11.29	8.41	11.24	0.52%
8	Pepper	3.72	5.698	9.698	8.699	8.593	8.088	6.783	6.686	5.647	0.21%
9	Tea	0.79	0.25	0.027	0.051	0.067	0.115	0.182	0.202	0.147	-0.07%

Source: General Statistics Office, 2020.

EVFTA, there is still much room for Vietnamese agricultural products to penetrate deeper into the EU market.

The United States

The world's largest economy, the United States, has been Vietnam's largest overall export market for many years. It also has the largest market share for Vietnam's agricultural exports, accounting for 26.2 per cent of Vietnam's agricultural exports in the first 11 months of 2020 and US\$9.8 billion in agricultural export turnover—22.3 per cent higher over the same period in 2019.¹⁰ Thus even in the current pandemic, the United States has remained as Vietnam's largest export market, allowing Vietnam's agricultural export turnover to maintain stable growth. Agricultural products exported from Vietnam to the United States are mainly fishery, cashew, and coffee.

According to preliminary statistics from Vietnam's General Statistics Office, Vietnam's agricultural export turnover from the United States up to November 2020 was US\$9.8 billion, constituting 26.2 per cent of Vietnam's total agricultural export turnover. This pushed the United States past other agricultural export markets to be the largest importer of Vietnam's agricultural products.

Fishery and cashew products are Vietnam's key agricultural exports, earning billions from the US market. In the first five months of 2020, the United States increased imports of cashew nuts from Vietnam while reducing imports of the same product from India, Brazil, and Indonesia due to their high prices. Meanwhile, the Vietnam Association of Seafood Exporters and Producers (VASEP) projects that China, the United States, and the EU will continue to be important markets for Vietnamese pangasius for the next five years. These markets have the potential to

¹⁰ Ministry of Agriculture and Rural Development, “Báo cáo tình hình thực hiện kế hoạch tháng 11, 12 và công tác nhiệm vụ tháng 12”, 2020, https://www.mard.gov.vn/ThongKe/Lists/BaoCaoThongKe/Attachments/165/Baocao_T11_2020.pdf

collectively import about 65 per cent of Vietnam's total pangasius export value. In 2019, the Food Safety and Inspection Service (FSIS) under the US Department of Agriculture officially recognized Vietnam's Pangasius Food Safety Control System after more than three years of negotiations. This allows Vietnam's local pangasius firms to access and expand to new export markets, not only in the United States but also to other countries and territories.

In addition, the US Department of Commerce announced the official results of its fifteenth anti-dumping duties review (POR15) for the period of 31 July 2017 to 1 August 2018, for frozen tra fish (also known as basa fish) fillets exported to the United States from Vietnam. Accordingly, the tax rate for cooperative businesses has been significantly reduced to US\$0.15/kg (POR15) from US\$1.37/kg (POR14). In addition, most of Vietnam's big pangasius exporters such as Vinh Hoan Joint Stock Company and Bien Dong Seafood Company Limited continue to enjoy a 0 per cent tax rate from the United States. This facilitates the export of Vietnam's pangasius to the United States in particular, and demonstrates the potential for Vietnam's fishery segment in general.

To maintain and develop trade relations with the United States in the agricultural sector, Vietnam's Ministry of Industry and Trade and the US Department of Commerce have cooperated closely to address many issues related to market access, with the aim of creating a sustainable and harmonious balance of trade between the two countries. Since the Vietnam-US Bilateral Trade Agreement (BTA) came into force on 10 December 2001, import-export turnover between Vietnam and the United States has grown steadily and to a high level, from US\$220 million in 1994 (when the United States officially lifted its economic embargo on Vietnam) to US\$1.4 billion in 2001 (right before the BTA took effect) and reaching US\$58.8 billion by the end of 2018.¹¹ The make-up of

¹¹ *Vinanet.vn*, “Đẩy mạnh xuất khẩu hàng hóa sang thị trường Mỹ”, 2019, <http://vinanet.vn/thuong-mai-cha/day-manh-xuat-khau-hang-hoa-sang-thi-truong-my-718023.html>

Vietnam's exports has also changed significantly. In the past, these were textiles and garments, leather, and footwear. In recent years, however, agricultural, forestry, and fishery products have joined the list. Vietnam also harbours hopes of a free trade agreement with the United States, given such an agreement's potential for boosting exports.

According to data from the General Department of Customs, Vietnam's total import and export turnover for all kinds of goods reached US\$517.26 billion in 2019—7.6 per cent higher than in 2018. Among the more than 200 countries and territories that have trade relations with Vietnam, China was Vietnam's largest trading partner in 2019, with the turnover between the two countries reaching over US\$100 billion in both 2018 and 2019. Specifically, in 2018, turnover from Vietnam's exports to China totalled US\$41.268 billion—a growth rate of 16.6 per cent—and imports totalling US\$75.452 billion.¹² According to Vietnam's Ministry of Industry and Trade, China made up 27.9 per cent of Vietnam's agricultural export turnover in 2019. A large proportion of this occurs via border trade, passing through sub-border gates¹³ in Lang Son and Lao Cai.¹⁴ China is a huge consumer market, and being located next to Vietnam facilitates its imports from the latter. Chinese agricultural

¹² T. Chung, “Kim ngạch xuất nhập khẩu Việt Nam Trung Quốc năm 2019 đạt gần 117 tỷ USD”, 2020, <http://vinanet.vn/thuong-mai-cha/kim-ngach-xuat-nhap-khau-viet-nam-trung-quoc-nam-2019-dat-gan-117-ty-usd-724647.html>

¹³ Sub-border gates are auxiliary border crossings which are integral to the exchange and trade of goods between people living near the border. While official border gates are open to all people as well as goods from Vietnam and its neighbouring countries, sub-border gates are only open to people and goods from the border provinces of Vietnam and neighbouring countries. Items usually traded through unofficial channels via sub-border gates include agricultural products, as well as consumer goods such as clothes and fabrics. Trade via informal channels are still subject to taxes and strict inspections for quality of goods, plant and animal quarantine, food safety, and food standards.

¹⁴ B.C. Thương, “Xuất khẩu nông sản sang Trung Quốc: Thay đổi tư duy tiếp cận”, 2020, <https://trungtamwto.vn/chuyen-de/15201-xuat-khau-nong-san-sang-trung-quoc-thay-doi-tu-duy-tiep-can>

consumption habits are also largely similar to Vietnam's. The potential for agricultural trade between Vietnam and China is therefore still very large, but has not been fully realized due to the ongoing pandemic as well as changes in China's import and export policies.

KEY TRENDS IN VIETNAM'S AGRICULTURE EXPORTS TO CHINA

Why Is China Important to Vietnam?

Over the past thirty years since the two countries normalized diplomatic relations in 1990,¹⁵ Vietnam's total trade turnover with China has been accelerating. The ASEAN-China Framework Agreement on Comprehensive Economic Cooperation signed in 2010, in particular, contributed to this robust growth, with the two countries' average trade growth rate reaching 21.7 per cent per year from 2011 to 2018.¹⁶ Vietnam's export markets were severely impacted by the 2008 global financial crisis and the resulting economic recession, especially in its American and European markets.¹⁷ However Vietnam-China trade relations, particularly in border provinces, have continued to grow. Trade turnover, as well as the rate and scale of trade exchanges between the two countries, for instance, continue to experience steady growth.

China is the second largest economy in the world, with a population of more than 1.4 billion people—18.7 per cent of the world's population.

¹⁵ P.P. Vinh, "Quá trình bình thường hóa quan hệ với Trung Quốc theo đường lối đối ngoại đổi mới của Đảng Cộng sản Việt Nam (1986–1991)", *Science & Technology*, 2016.

¹⁶ N.C. Giang, "Một số giải pháp tăng cường hoạt động xuất nhập khẩu Việt Nam – Trung Quốc", *tapchitaichinh.vn*, 2020, <http://tapchitaichinh.vn/su-kien-noi-bat/mot-so-giai-phap-tang-cuong-hoat-dong-xuat-nhap-khau-viet-nam-trung-quoc-326641.html>

¹⁷ P.T. Tan, "The Impact of the Global Financial Crisis on Vietnamese Econom", Asia-Pacific Rural and Agricultural Credit Association, 2019, <https://www.apraca.org/the-impact-of-the-global/>

Between 2000 and 2013, China's agricultural imports grew from US\$10 billion to about US\$123 billion. By 2019 it surpassed the EU and the United States with an import value of US\$133.1 billion.¹⁸ This demonstrates China's enormous demand for imported agricultural products, for domestic consumption and production.

China is one of Vietnam's largest agricultural export markets (Figure 4). The value of Vietnam's agricultural exports to China grew at an average annual rate of 12.7 per cent from 2011 to 2016, although this growth has not been stable due to the 2008 financial crisis and a slowdown in China's economic growth. China was also the largest importer of Vietnamese agricultural products (19 per cent) during this period,¹⁹ expanding this market share for Vietnam to 27.9 per cent by 2019.

In the first 11 months of 2020, however, China was surpassed by the United States. China is now the second largest importer of Vietnamese agricultural products, with 24.6 per cent of the market share.

China imports agricultural products from a range of markets (Figure 5) and Vietnam accounted for only 3.33 per cent of its agricultural imports in 2018. Key import markets for China were Brazil, the United States, Canada and Indonesia.

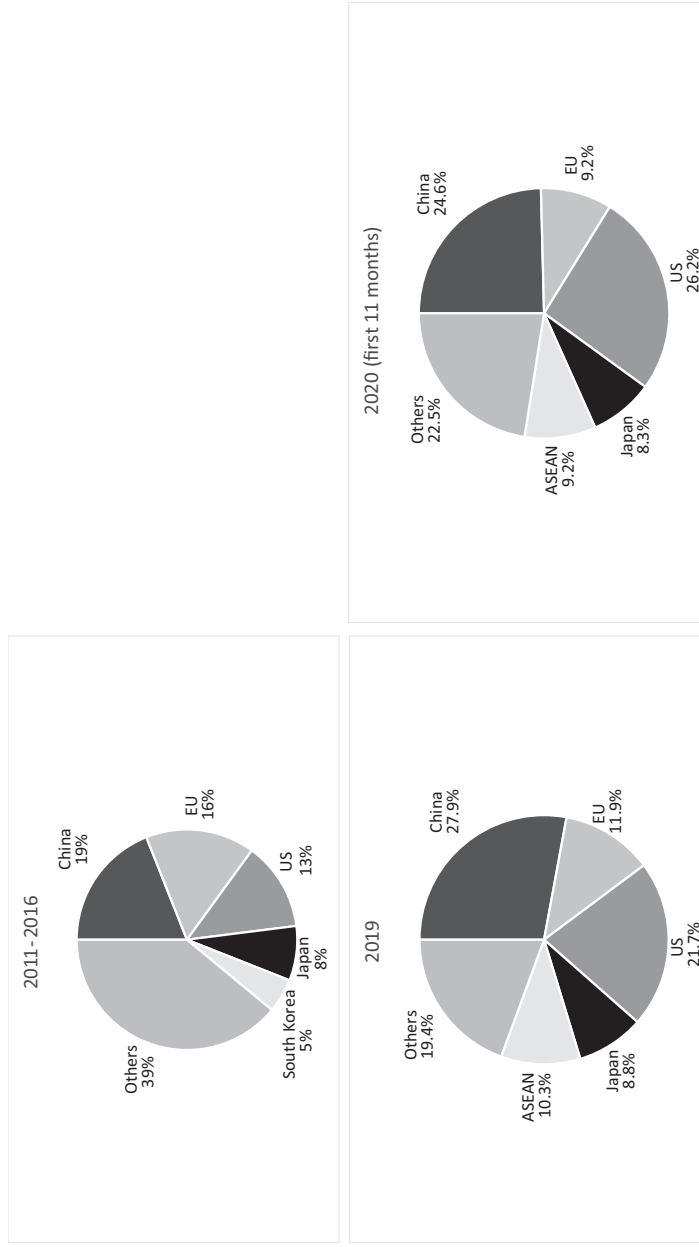
Border trade between China and Vietnam is conducted mainly through sub-border gates. Border crossings have helped promote exports to the Chinese market, especially for Vietnamese agricultural products. Vietnam has a 1,450 km land border with China, contiguous with seven Vietnamese provinces and two Chinese provinces. Around twenty-eight "border gate economic zones" operate along this land border.²⁰

¹⁸ BEEF, "China Emerging as a Key Market for Agricultural Products", BEEF Market central, 2020, <https://beef2live.com/story-china-emerging-key-market-agricultural-products-85-125012>

¹⁹ N.C. Giang, "Một số giải pháp tăng cường hoạt động xuất, nhập khẩu Việt Nam – Trung Quốc", 2020.

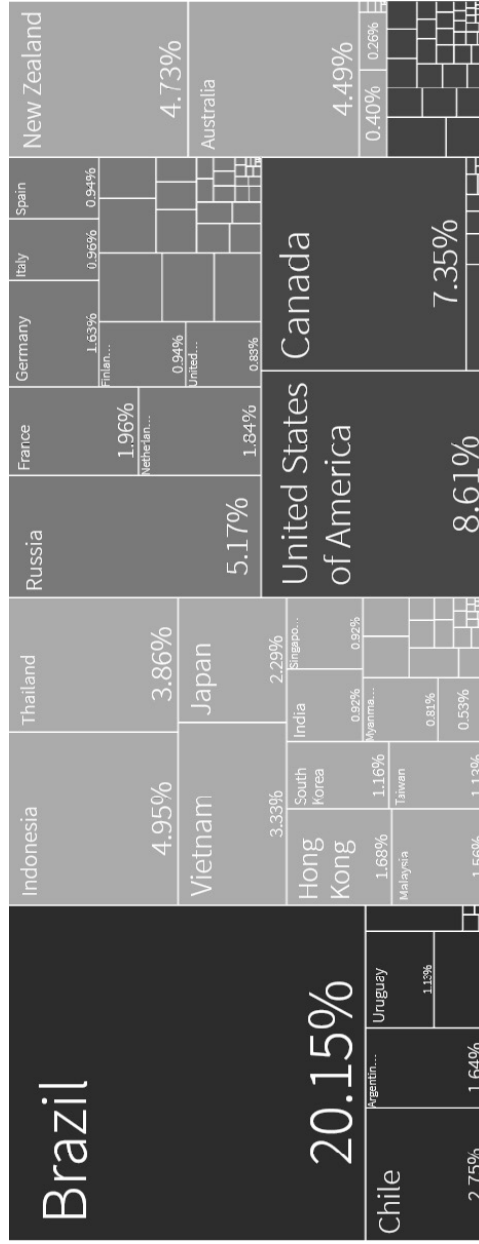
²⁰ T.T. Nga, "Phát triển hoạt động thương mại biên giới trong tình hình mới", *tapchitaichinh.vn*, 2016, <http://tapchitaichinh.vn/nghien-cuu--trao-doi/trao-doi-binh-luan/phat-trien-hoat-dong-thuong-mai-bien-gioi-trong-tinh-hinh-moi-106255.html>

Figure 4: Vietnam's Largest Agricultural Export Markets 2011–20



Source: Ministry of Agriculture and Rural Development and tapchitaichinh.vn

Figure 5: China's Agricultural Import Markets (2018)



Source: The Atlas of Economic Complexity.

Border trade with China in North Vietnam accounts for a relatively high proportion of total bilateral trade—some 25–30 per cent in 2018.²¹

Vietnam’s Agriculture Exports to China (2009–19)

Vietnam’s agricultural exports comprise of ten main groups: fruits and vegetables, rubber, cassava and cassava products, rice, cashew, wood and wood products, seafood, tea, coffee, and pepper. The Chinese market alone accounts for nine items: fruit and vegetables, rubber, cassava and cassava products, rice, cashew, wood and wood products, seafood, tea, and coffee (Table 3).

Figure 6 tracks the turnover of Vietnam’s three largest agricultural exports to China: rice, coffee, and fruits and vegetables. Rice enjoyed consistently high export values during 2012–18, peaking in 2017 at more

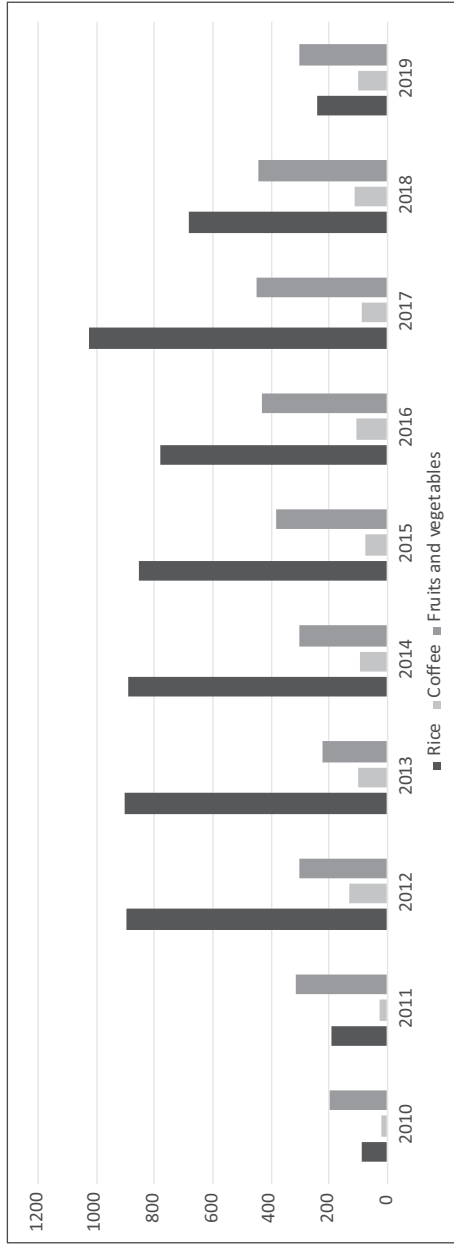
Table 3. Vietnam’s Agricultural Exports to China (2019)

Products	China’s Export Market Share
Fruits and vegetables	1st
Rubber	1st
Cassava and cassava products	1st
Rice	2nd
Cashew	2nd
Wood and wood products	3rd
Seafood	3rd
Tea	3rd
Coffee	10th

Source: General Statistics Office of Vietnam.

²¹ T. Phuong, “Thương mại biên giới Việt - Trung: Xây dựng định hướng dài hạn”, *tapchitaichinh.vn*, 2019, <https://tapchitaichinh.vn/nghien-cuu-trao-doi/thuong-mai-bien-gioi-viet-trung-xay-dung-dinh-huong-dai-han-308390.html>

Figure 6: Export Turnover of Some Main Products of Vietnam to China (2010–19)



Source: General Statistics Office of Vietnam.

than US\$1 billion. However, this has decreased in recent years due to an increase in Vietnamese rice prices—the average price of rice reached US\$508/ton in 2018, a 14.2 per cent increase from 2017.²² Coffee has increased slightly over the years, but in general has maintained its export value. The export value of fruits and vegetables has increased steadily over the years and overtook rice and coffee in 2019. This increase is likely to continue, as demand for fruits and vegetables is further boosted by increased household consumption due to pandemic lockdowns.

Rice plays a very important role as Vietnam’s main agricultural export. Vietnam began exporting rice to the global market in 1989, and became the third-largest rice exporter in the world in 2018, after India and Thailand. Vietnamese rice has since been exported to nearly 150 markets through a diverse range of products. China is an especially big market for Vietnam’s rice export industry, and has been the largest importer of Vietnamese rice since 2008. The 2008 financial crisis had largely fuelled this increase by putting pressure on food reserves to safeguard domestic food security, as other large rice exporters such as Thailand and India restricted the export of rice.

The strong growth of Vietnamese rice exports to China in the lead up to 2018, on the other hand, was mainly fuelled by the effects of climate change, which had caused the rice supplies of China’s other rice import markets to decrease. For instance, the Philippines was battered by super typhoon Mangkhut in 2018, resulting in a loss of about 250,000 tons of rice and a sharp drop in rice supply in the country. Domestic rice prices in the Philippines in 2018 were resultingly 15–20 per cent higher than 2017.²³ Vietnamese rice thus seems to be favoured by Chinese importers due to its price.

²² D. Huong, “Xuất khẩu gạo tăng hơn 14% giá trị”, *baochinhphu.vn*, 2018, <http://baochinhphu.vn/kinh-te/xuat-khau-gao-tang-hon-14-gia-tri/351517.vgp>

²³ *Vietnambiz.vn*, Báo cáo thị trường gạo quý III”, 2018, https://cdn.vietnambiz.vn/stores/customer_file/xuanlh/102018/19/Download-bao-cao-thi-truong-gao-quy-III.pdf

However, one of the main reasons that caused the overall decline of Vietnam's agricultural exports to China in 2018 was a change in China's import policies in 2017. Only twenty-two out of 150 Vietnamese enterprises have a rice export licence from Vietnam. These enterprises also have to undergo additional inspections in Vietnam by Chinese authorities, in order to qualify for a Chinese import licence. Three out of the twenty-two abovementioned enterprises had their licences withdrawn by China in early 2018 due to phytosanitary violations. In addition, from 1 July 2018, China adjusted its import tax on rice (including sticky rice but excluding broken rice) from 40 to 50 per cent, which also affected Chinese importers' sentiment.

Vietnam's coffee export markets have also expanded since the country's shift to a market economy. As of 2020, Vietnamese coffee has been exported to about eighty countries around the world, mainly to the EU, the United States and Asian countries such as Cambodia and China. China has large potential as an importer of Vietnamese coffee, although its current import volume is only about 1.5 per cent of Vietnam's total coffee exports. Despite having the biggest population in the world, coffee consumption in China is very low. Nevertheless, changing habits have provided opportunities for Vietnamese coffee exports to penetrate this big market—of the 137,000 tons of coffee China imported from 2007 to 2011, close to 76 per cent were from Vietnam.²⁴ Vietnamese coffee exports are also privileged by many preferential policies which support exports. Vietnam also joined the International Coffee Organization (ICO) and signed the International Coffee Agreement (ICA) in 2008 to integrate and expand its export markets, and facilitate the export of its coffee. This support is available to all coffee exporters and markets.

Vietnam's fruit and vegetable exports are heavily dependent on the Chinese market. The turnover of Vietnamese fruit and vegetable exports to China stood at more than US\$430 million in 2014, increasing to US\$1.2 billion in 2015, and to US\$1.7 billion in 2016. The percentage

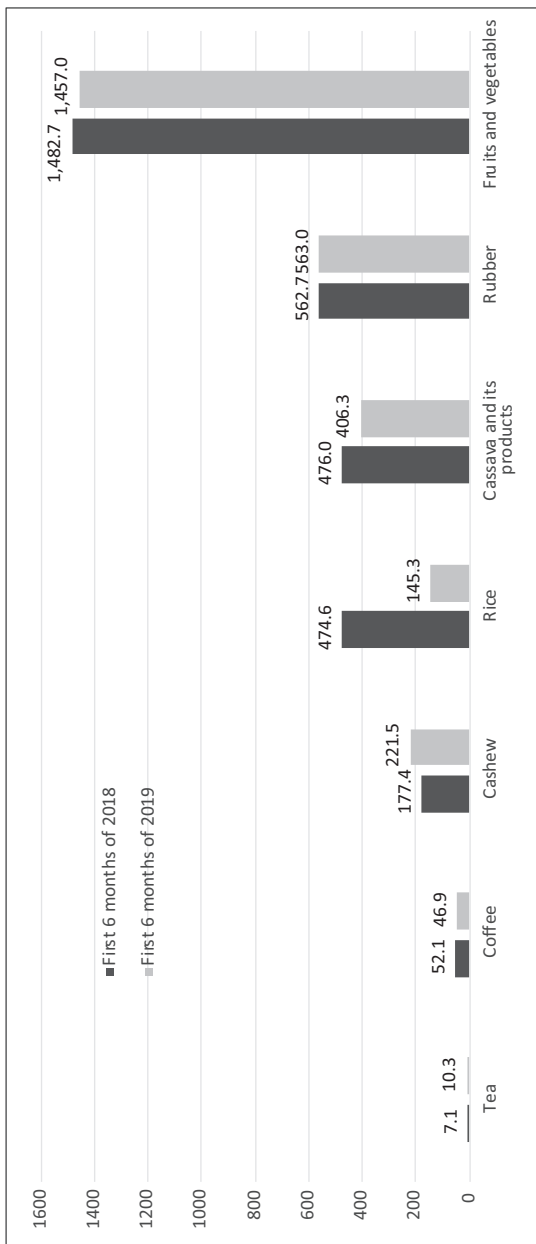
²⁴ Dezan Shira and Associates, 2013, <https://www.china-briefing.com/news/coffee-trading-in-china/> (accessed 6 February 2021).

of fruit and vegetable exports to China of Vietnam's total fruit and vegetable export turnover increased from 30 per cent in 2013 to nearly 80 per cent by 2017.²⁵ As of 2019, only nine types of Vietnamese fruits have been exported to China through official channels: dragon fruits, watermelons, litchis, longans, bananas, mangos, jackfruits, rambutans, and mangosteens. However, most exports of Vietnamese fruits and vegetables to the Chinese market go through unofficial channels. This results in fruit and vegetable exports to China experiencing huge price drops during their respective harvest seasons, as such transactions are not based on long-term contracts. Constant changes to China's cross-border management policies—with the tightening of quarantine, food safety, trace ability, packaging, and labelling standards—have also created additional barriers for Vietnamese fruit and vegetable entering the Chinese market through official channels.

According to Vietnam's General Department of Customs, the turnover from seven agricultural exports to China (see Figure 7)—namely tea, coffee, cashew, rice, cassava and its products, rubber, and fruits and vegetables—totalled US\$2.85 billion in the first six months of 2019. This was a sharp decrease from the same period in 2018, when the turnover from these seven agricultural exports to China reached US\$3.233 billion—a drop of more than US\$380 million, or nearly 12 per cent. Notably, the three groups of agricultural products which experienced a large decrease in turnover were vegetables and fruits (from US\$1.483 billion to US\$1.457 billion), cassava and its products (from US\$476 million to US\$406.3 million), and rice, with rice declining the most. The turnover of vegetables and fruits recorded at the end of 2019, however, was nearly 15 per cent higher than that of 2018 (Figure 6). The amount of rice exported to China in the first six months of 2019 was only 288,717 tons, compared to the 891,188 tons in the first six months of 2018; and with a total turnover of nearly US\$145.3 million, compared with nearly US\$474.6 million in the same period of 2018. The amount

²⁵ T. Hằng, “Xuất khẩu rau, quả: 75% hàng đi Trung Quốc”, *langmoi.vn*, 2017, <http://langmoi.vn/xuat-khau-rau-qua-75-hang-di-trung-quoc/>

**Figure 7: Vietnamese Agricultural Export Turnover to China in the First 6 Months of 2018 and 2019
(in US\$ million)**



Source: General Department of Customs.

of rice exported to China thus decreased by nearly 2.1 times, while the turnover decreased by nearly 2.3 times.

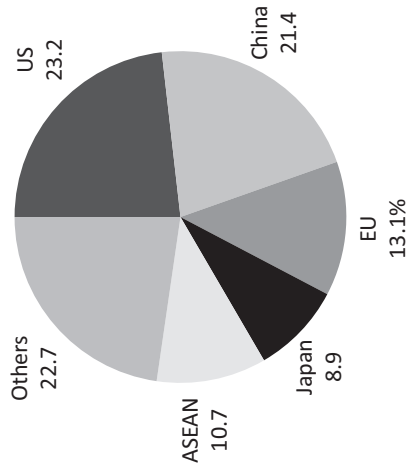
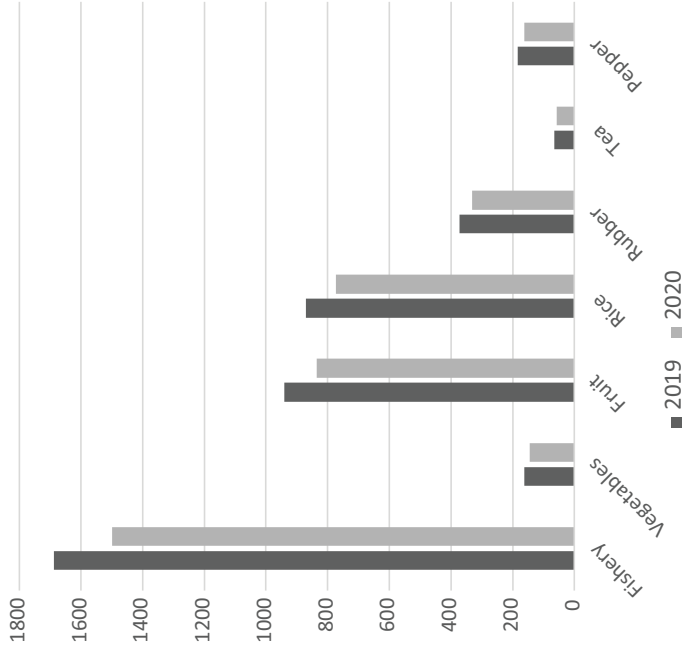
This sharp decline in agricultural exports to the Chinese market is a remarkable development, but not a surprising one given China's tightening of agricultural imports and many other commodities from Vietnam traded via sub-border gates. Since the beginning of 2019, China tightened its import policy to control the quality and origin traceability of agriculture, forestry, and fishery products by ensuring that imports enter the country via official trade channels rather than unofficial channels or sub-border gates. Many Vietnamese enterprises are not aware of this and, resultantly, are not able to meet the required plant and animal quarantine, traceability, and packaging label standards. Vietnam's vegetable and fruit production industry, for instance, is still small in scale and fragmented, with the percentage of farms applying VietGAP and GlobalGAP standards²⁶ being still very small. There has also been slow progress in the implementation of traceability labels on agricultural products. For instance, only eighty-eight households in the 300-hectare durian-producing area in Da Hoai district are registered according to VietGAP standards. Out of the 23,000 tons of durian produced—or the equivalent of around 5,750,000 durians—only 800,000 stamps of traceability were issued.²⁷

To secure Vietnam's domestic food supply during the COVID-19 pandemic, the Vietnamese government temporarily suspended rice exports through a quota management system, announced on 10 April 2020 through Decision 1106/QĐ-BCT. At the same time, the Ministry of Industry and Trade was directed to work with other ministries and branches to review and evaluate the country's domestic supply and export of rice. The ministries were also tasked with proposing a rice

²⁶ VietGAP (Vietnamese Good Agricultural Practices) and GlobalGAP (Global Good Agricultural Practice) refer to internationally accepted sets of farm standards.

²⁷ M. Hậu, “Vùng sầu riêng ngon nhất Tây Nguyên”, *nongnghiep.vn*, 2020, <https://nongnghiep.vn/vung-sau-rieng-ngon-nhat-tay-nguyen-d276050.html>

Figure 8: Vietnam's Agricultural Exports (2019–20)



Source: DEVELOPMENT (2020).

export management plan to the prime minister, to be implemented from May 2020.

The Government Office also issued Document No. 2827/ VPCP-KTTH on 10 April 2020, a directive on rice exports vis-à-vis epidemic diseases, drought, and saltwater intrusion. The export quota for rice (Code HS 10.06) for April 2020 was set at 400,000 tons. This came into force on 11 April 2020. The Ministry of Industry and Trade also subsequently forecasted domestic demand for rice in 2020 (including national reserves) to reach 29.96 million tons of paddy, of which 14.26 million tons would come from domestic consumption; 7.5 million tons from processing; 3.4 million tons from livestock production and used as seed; 1 million tons as seed reserve for the next crop; and 3.8 million tons for the domestic reserve. The Ministry of Agriculture and Rural Development also anticipates enough vegetables, fruits, pork, beef, fish, etc., for the whole of 2020. Specifically, vegetable output is expected to reach 17.9 million tons, an increase of more than 347,000 tons compared to 2019. The domestic demand for vegetables is about 14 million tons per year, leaving a surplus of nearly 4 million tons of vegetables for processing and export.²⁸

These export restrictions which came into force on 11 April 2020, imposed to ensure national food security, may lead to a shortage of rice in the global market in the near term, given that Vietnam is the world's third-largest rice exporter. Low-income workers or the unemployed in rice-importing countries will be severely affected if rice prices increase because of a lack of supply. The COVID-19 pandemic has induced many countries to increase their strategic reserves, putting pressure on Vietnam's rice exports and increasing rice prices in Vietnam and the global market.²⁹

After the implementation of fifteen-day social distancing and one-week extended social distancing in twenty-eight localities, the spread of

²⁸ Ibid.

²⁹ T. Dương, "COVID-19: Việt Nam đã bảo đảm tuyêt đối an ninh lương thực quốc gia", *Tapchitaichinh.vn*, 2020, <http://tapchitaichinh.vn/su-kien-noi-bat/covid19-vietnam-da-bao-dam-tuyet-doi-an-ninh-luong-thuc-quoc-gia-324319.html>

COVID-19 in Vietnam stabilized and the number of daily new confirmed cases decreased sharply. Based on latest supply and demand data, rice export control measures have also helped Vietnam meet its national food security needs. Before the harvesting of the summer-autumn crop, the Ministry of Industry and Trade, together with other relevant ministries and branches, allowed rice exports to return to its pre-COVID-19 conditions as prescribed by Decree No. 107/2018/ND-CP on rice export business, from 1 May 2020.

ACHIEVEMENTS AND CONSTRAINTS

Achievements

Firstly, it can be said that Vietnam has achieved success at exporting the agricultural products of its provinces and border areas. The scale of Vietnam’s agricultural exports to China in the 2010–19 period grew at a fairly high rate, although it decreased towards the end of the period for items such as rice as well as cassava and cassava products. In particular, turnover increased sharply in 2016 and 2017 as a result of increased export quantity, except for pepper and coffee, which had smaller export quantities.

In addition to maintaining and increasing the export turnover of some traditional agricultural products, Vietnamese enterprises have also expanded their range of export products and further penetrated the Chinese market. For instance, as of 2020 there are negotiations for durian and sweet potato products to be exported to the Chinese market. The product structure of Vietnamese agricultural exports has increasingly improved and diversified, meeting the increasingly sophisticated needs of its target market. The Vietnamese government has also put much focus on developing its border trade, which consistently accounts for about a quarter of the total value of its agricultural exports.³⁰ Increased border

³⁰ BCTVN, “Hoạt động thương mại biên giới Việt –Trung 6 tháng đầu năm: Duy trì được đà phát triển”, Bộ công thương Việt Nam, 2014, <http://www.moit.gov.vn/web/guest/tin-chi-tiet/-/chi-tiet/hoat-%C4%91ong-thuong-mai-bien-gioi-viet-trung-6-thang-%C4%91au-nam-duy-tri-%C4%91uoc-%C4%91a-phat-trien-103505-22.html>

trade has also boosted the production and consumption of goods in border areas, and improved the lives of people in the border areas by encouraging the development of support services, such as accommodation, food and drink, financial services, insurance and transportation.

Vietnam's export-import turnover exceeded the US\$500 billion mark in 2019, an amount 170 times higher than the country's export-import turnover at the beginning of *doi moi* in 1986, 37 times higher than when it joined ASEAN in 1995, and five times higher than when it officially joined the WTO in 2007. Vietnam's total export-import turnover of US\$517 billion in 2019 is also a 2.5-time increase over what it logged in 2011.³¹ This propelled Vietnam from having the 50th largest import-export value in the world in 2007 to 19th in 2019.³²

Vietnam has paid increasing attention to border trade and implemented mechanisms to support border exports in particular and foreign trade in general. The efficiency of decentralized provincial leadership and management has also gradually improved. Legal documents on export management are now verified quickly, with less delay. Vietnam's Ministry of Industry and Trade has paid attention to maintaining regular contact with businesses to create a favourable environment for import-export activities in border areas. Customs authorities at border gates generally coordinate and operate actively, responsibly, and effectively. In addition, the success of Vietnam-China trade activities also contributes significantly to political and cultural relations between the two countries. The relationship between the two sides, especially the border provinces, is increasingly strong. Cooperation with Chinese authorities is regularly maintained and expanded through many meetings and talks with diverse

³¹ N. Vu, "Xuất nhập khẩu đã tăng 170 lần so với thời điểm bắt đầu đổi mới", *vneconomy.vn*, 2019, <https://vneconomy.vn/xuat-nhap-khau-da-tang-170-lan-so-voi-thoi-diem-bat-dau-doi-moi-20191230204502022.htm>

³² D. Workman, "World's Top Export Countries 2019", *worldstoexports.com*, <http://www.worldstoexports.com/worlds-top-export-countries/> (accessed 6 February 2021). World Integrated Trade Solution, <https://wits.worldbank.org/CountryProfile/en/Country/VNM/Year/2007/TradeFlow/Export> (accessed 6 February 2021).

and multidimensional content. This creates a favourable environment and promotes bilateral trade. For instance, Vietnam's Ministry of Industry and Trade and China's Ministry of Trade organize annual Vietnam-China Economic and Trade Cooperation Working Group sessions to discuss bilateral economic and trade issues.

Secondly, there has been drastic improvement to public infrastructure in Vietnam's border areas. Cross-border road and border gate systems which serve import and export needs have been built and improved, facilitating increased trade activities there. For instance, the Bac Luan II Bridge connecting Vietnam's Mong Cai city (Quang Ninh province) with China's Dong Hung city (Guangxi province) was officially opened in March 2019. This bridge not only reduces pressure on the overloaded Bac Luan I bridge, but also enhances economic and commercial ties between Quang Ninh and Guangxi provinces. The bridge also promotes the formation of a bilateral economic cooperation zone between the two sides in the North Luan bridgehead area II, connecting the Mong Cai international economic border gate zone with the Eastern national key pilot development, as well as to wider Vietnam-China and Northeast Asia trade.³³

Thirdly, the ASEAN-China Free Trade Area (ACFTA) promises to boost Vietnam's agricultural exports to China. In line with the ACFTA agreement, China abolished tariffs on 95 per cent of tariff lines in 2011. For the remaining sensitive tariff lines, China cut tariffs to 5–50 per cent in 2018. Average tax rates of China's tariff for ASEAN for the period 2015–17 was 0.73 per cent/year and 0.56 per cent/year for 2018. There are nearly 8,000 product lines for which taxes have been reduced to 0 per cent. Agriculture, forestry, and fishery exports to the Chinese market thus enjoy a basic tax rate of 0 per cent, thanks to the preferential import tariff accorded to it by the ACFTA framework.

However, Vietnam has had limited success at taking advantage of the ACFTA incentives. Currently only about a third of Vietnam's export

³³ T.T. Nga, “Phát triển hoạt động thương mại biên giới trong tình hình mới”, 2016.

turnover from the Chinese market enjoy preferential tax rates due to rules of origin. To address this issue, Vietnam's ministries and agencies have drafted a series of legal documents to administer the ACFTA agreement provisions. Most recently, the Ministry of Industry and Trade issued Circular No. 12/2019/ TT-BCT regulating the export rules of origin for goods in the ACFTA, adding many new points compared to previous directives. The circular took effect from 12 September 2019.

Moreover, the two countries just inked the Regional Comprehensive Economic Partnership (RCEP), a new-generation free trade agreement that has broader and deeper commitments. By harmonizing the rules of origin in the RCEP agreement, Vietnam will be able to utilize more optimal inputs to produce goods for export to RCEP markets, including China, with higher competitiveness compared to when relying only on the ACFTA agreement. The RCEP agreement will create a legally binding framework on trade policy, investment, intellectual property, e-commerce, and dispute resolution, helping foster fair trade and providing many regional industries with opportunities to compete with China's industries, including its agriculture industry.

Constraints

Firstly, Vietnam's agriculture exports are heavily dependent on the Chinese market. Reasons for this come from both sides. First, Vietnam's agricultural exports are centred on border provinces with underdeveloped economies and weak infrastructure. People in border areas also lack necessary business know-how and connections, often becoming over-dependent on Chinese importers. Vietnamese traders in border provinces are often motivated by immediate profits rather than long-term business plans and strategies, and suffer severely if Chinese importers suddenly refuse to import their products. Moreover, the production and export business model of enterprises in the area has remained largely unchanged for a long time. Vietnamese export enterprises are only in contact with Chinese trade intermediaries and have not reached out directly to the Chinese consumer market, hence taking a passive role in export activities. In addition, insufficient attention and investment has been put into market research and trade promotion. Vietnamese traders also have

limited foreign language abilities, and lack adequate understanding of international trade and the laws of their export markets. Vietnam's export policies can also be inconsistent, overlapping, and subject to change, making it difficult for border provinces to direct export activities.

Secondly, the proliferation of smuggling and other fraudulent activities has impeded the development of border trade in Vietnam. Over the years, as import and export activities expanded, smuggling, trade fraud and counterfeiting have also flourished in some areas, complicating the development of border trade.³⁴ This is largely the result of an underdeveloped border economy and lack of coordination with inspection agencies. The ignorance of the population in border areas also makes them particularly susceptible to exploitation by smugglers. Furthermore, coordination between import-export agencies has not been effective at managing trade-related issues and problems. Anti-smuggling agencies are understaffed and lack equipment, while smuggling activities have become more sophisticated and complex. In addition, China's border trade policies change frequently. The tightening of border management, as mandated by central Chinese authorities, is often implemented in an inconsistent manner, resulting in alternating periods of tight and loose control. This makes the management of export activities difficult, creating favourable conditions for undesirable parties to operate in.

Thirdly, the US-China trade war makes it difficult for Vietnamese products to be exported to China, especially seafood. The CNY has been continuously devalued more than the devaluation of the VND vis-a-vis the US\$, causing the value of the VND against the CNY to increase.³⁵ This pushes the price of Vietnamese exports to China higher, making

³⁴ Thanh Niên, “Hải quan phát hiện một loạt vụ hàng Trung Quốc ‘đội lốt’ hàng Việt”, thanhnien.vn, 2020, <https://thanhnien.vn/tai-chinh-kinh-doanh/hai-quan-phat-hien-mot-loat-vu-hang-trung-quoc-doi-lot-hang-viet-1247948.html>

³⁵ Phương, T. (2019). *Thương mại biên giới Việt - Trung: Xây dựng định hướng dài hạn*. Retrieved from tapchitaichinh: <http://tapchitaichinh.vn/nghien-cuu-trao-doi/thuong-mai-bien-gioi-viet-trung-xay-dung-dinh-huong-dai-han-308390.html>

it difficult for Vietnam's seafood exporters. For instance, Indian shrimp is in cheap supply after the INR was deeply devalued against the US\$. This devaluation difference with the CNY was less than with the VND, allowing India to boost its exports to China, putting Vietnam's shrimp exports under great competitive pressure. Besides, trends in seafood consumption in the world market have also changed, with products serving service segments such as pangasius and other reasonably priced products decreasing in demand due to social distancing and blockade orders in many countries.

Fourthly, China has tightened its import of agricultural products. China announced an adjustment to its official channel import quota in end 2018, with compulsory application from June 2019. It has also implemented tougher inspections for Vietnamese exports, with increased scrutiny on goods' origin, food hygiene and safety, as well as goods management and packaging. It closely supervises the border to block goods which do not meet the above requirements. Many Vietnamese enterprises, up to 90 per cent of which are SMEs, have not updated their practices to meet these new standards in plant and animal quarantine, traceability, and packaging labels. The resulting agricultural products, now unable to be exported, have a negative impact on the export process and can cause great economic damage.

The COVID-19 pandemic has had a tremendous socio-economic impact on the world and on China, directly affecting Vietnam's agricultural exports to this market. Most of Vietnam's agricultural products could not be exported to China during the COVID-19 outbreak due to closed border gates. Fruits, for instance, are highly seasonal and are difficult to store and transport. To mitigate this constraint, Vietnam formulated specific plans to negotiate the reopening of some of its export markets for a number of products. These plans are regularly updated to account for changes in the major markets. For instance, when the Chinese market reopened after successfully containing the virus, Vietnam's Ministry of Agriculture and Rural Development deployed missions to promote and develop markets in key regions of China. The ministry also closely monitors enterprises which export cassava and cassava products to the Chinese market, although the pandemic has made it difficult for China to bring experts to Vietnam for information exchanges.

PROMOTING VIETNAM’S AGRICULTURE EXPORTS TO CHINA

What More Can the Vietnamese Government Do?

Firstly, the central Vietnamese government can help connect municipal and local governments, business associations, wholesale markets, distribution systems, and focal businesses with each other. This helps to strengthen the connection between supply and demand, promote purchasing and consumption, and cultivate new markets for the country’s agricultural exports.

Secondly, it can assess the current situation and adjust production operations to meet the needs and requirements of Vietnam’s export market, then negotiate with its Chinese counterparts to open the Chinese market to a number of select products. It should also continue to create favourable conditions for Vietnamese exports, negotiate for an extended “transition period” for the new Chinese import regulations, and open more border gates which cater to the export of agricultural products.

Thirdly, the government can help synthesize and systematize Chinese import regulations and standards, as well as consolidate the various beneficial Vietnam-China trade agreement provisions for publication, effectively creating a one-stop information point for Vietnamese exporters.

Fourthly, the government can play a role in attracting investment to upgrade infrastructure in border areas, as well as strengthening coordination mechanisms between the functional agencies of both countries. These bodies should strictly enforce policies pertaining to “official” trade, while fruit and vegetable exporters should coordinate with farmers and producers to gradually adjust production practices to meet China’s agricultural import regulations. At the same time, the government should orient and guide farmers, production facilities, and businesses to restructure production models and help them meet export requirements. Efforts should also be made to change perceptions and views on exporting through “official channels”, and according to international practices.

Finally, the government should work to diversify its forms of annual trade promotion in China, specifically by focusing on different product categories.

What More Can Vietnam's Agriculture Export Businesses Do?

Firstly, with regard to production, businesses need to be better managed and be able to meet the needs and tastes of the Chinese market. Products need to have suitable prices, good quality, be produced in enough quantities for regular and long-term supply, and have proper origin criteria to receive FTA benefits. Businesses need to continue to invest in technology and agricultural input to improve the yield and quality of products for export, and increase the application of the traceability labels—namely, the VietGap and GlobalGap production model—to fully meet the increasingly strict regulations on quarantine for agricultural products exported to China.

Secondly, businesses need to shift to formal commerce and contracts instead of exporting under “unofficial quotas”, in order to minimize price pressure and other risks in payment.

Thirdly, there is a need for businesses to monitor and be updated on market information, trade policies, regulations on product quality, and consumer tastes in China. With regard to trade promotion, businesses should also actively participate in large-scale and international high-scale fairs to seek out business opportunities and connect with Chinese importers.

Last but not least, businesses need to build strategies, long-term business plans, and distribution networks. A fraud prevention service for the Chinese market, similar to that offered by Cifas³⁶ and its agents to detect and prevent identity fraud, is also highly recommended.

³⁶ Cifas is a not-for-profit fraud prevention membership organization based in the UK. They provide clients with information and tools needed to understand fraud and financial crime when it happens, and also offer advice on how to avoid becoming a victim.

CONCLUSION

Agricultural products are one of Vietnam's most important exports, contributing considerably to the overall export turnover of the country. The ongoing COVID-19 pandemic has, correspondingly, underscored the importance of market diversification to this sector, particularly its ability to mitigate the potential damage brought about by reduced international demand and disrupted supply chains. In September 2020, Vietnam's Deputy Minister of Industry and Trade announced that his ministry would continue to review and implement more coordinated and effective policies on trade promotion and export market expansion. This includes sweeping measures to exploit and access new markets, as well as maintain and expand existing export markets and market shares, especially for Vietnam's key export products.

Vietnam should continue to promote robust international relations in order to seek out new markets and opportunities brought about by international economic integration. Vietnam's participation in international organizations, such as ASEAN, APEC, WTO, and AEC, exemplifies its increasingly active efforts at seeking new development opportunities. With positive trade recovery expected in the near future, Vietnam should take advantage of this optimism to attract more foreign investment and boost its import and export activities, specifically its agricultural exports. This will allow Vietnam to avoid relying too much on large markets. In this regard Vietnam has, for the last few years, made efforts to negotiate and sign bilateral and multilateral trade agreements, to increase opportunities for its goods.

According to statistics from the Ministry of Industry and Trade, as of end 2020 thirteen FTAs have been signed and come into effect, two are awaiting ratification while two more are currently under negotiation. These seventeen FTAs are "new generation" FTAs with better incentives. The abovementioned FTAs have turned Vietnam into a large open economy with trade relations with 230 markets. This "openness" creates very favourable conditions for Vietnamese enterprises to expand and access new global markets, instead of depending on a few "traditional" ones. Among the signed FTAs, Vietnam has especially high expectations

for the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP), the Vietnam-EU Free Trade Agreement (EVFTA), and the very recently concluded Regional Comprehensive Economic Partnership (RCEP).

ISEAS
PUBLISHING

30 Heng Mui Keng Terrace
Singapore 119614
<http://bookshop.iseas.edu.sg>

ISSN 0219-3213

TRS4/21s

ISBN 978-981-4951-57-9

