

REVIEW 10 YEARS OF AGRICULTURAL EXPORTS WITH SOCIAL ISSUES IN VIETNAM

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Abstract

Greatly influenced by Vietnamese governmental policy renewals in the context of renovation and international economic integration, total agricultural exports of Vietnam have been steadily increasing over the past 10 years, reaching US\$ 25.82 billion in 2017, which had a positive impact on the country's socio-economic development. However, most of Vietnam's agricultural export products are in the raw or semi-processed form or packaged under foreign brands with low added value. As a consequence, the farmers still suffer and face difficulty in everyday life because of low returns. Therefore, this paper will assess the actual situation of agricultural exports in Vietnam and propose some solutions in order to increase the added value of agricultural exports of Vietnam, contributing to improve the life standard of Vietnamese farmers.

Key words: Agricultural exports; International economic integration; Social issues.

1. Introduction

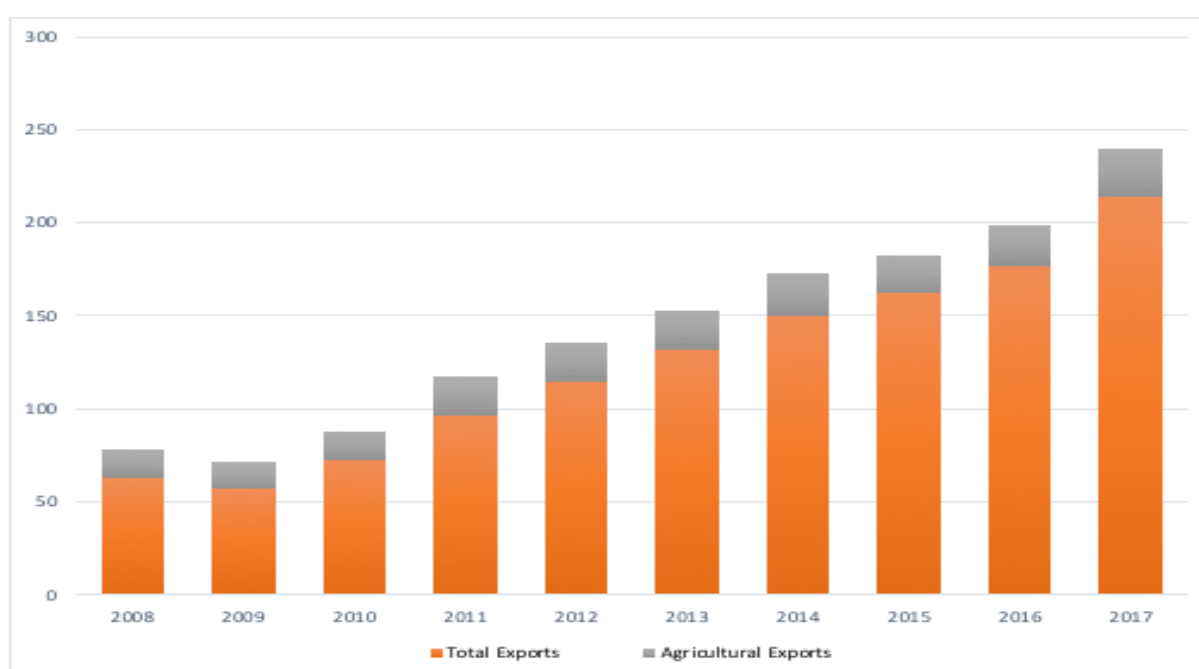
With approximately 64.9% of the Vietnamese population (60.8 million people) currently live in rural areas, accounting for 66.6% of the working age population of the country, and 91% of the poor live in rural areas, agricultural export development associated with social development plays a very important role in contributing to solving unemployment, improving the living standard of especially farmers, and alleviating poverty (General Statistics Office, 2016; World Bank, 2016). In the past 10 years, since Vietnam's accession to the WTO, along with the process of general innovation and international economic integration, the development of agricultural exports has made important contributions to the growth of total exports and contributed to the socio-economic stability of Vietnam. However, the development of agricultural exports of Vietnam is not very sustainable due to many social issues arising from exporting activities such as income and employment opportunities in export industry; increased inequality in export benefits sharing; the gap between the rich and the poor which tends to increase with the trend of trade liberalization, etc. Therefore, in order to harmonize the relationship between the development of agricultural exports and the social issues in Vietnam in the up coming time, the paper will focus on three main issues: (i) Current situation of Vietnam's agricultural exports in the past 10 years; (ii) Assess the relationship between the development of agricultural exports with social issues in the past 10 years; (iii) Conclusions and policy recommendation for the period 2018-2020 and towards 2030.

2. Current situation of Vietnam's agricultural exports in the past 10 years

In the past 10 years, the value of Vietnam's agricultural exports has rapidly increased, contributing significantly to the total value of goods exports and economic growth of the country. Export turnover of agricultural products has continuously increased from USD 16.01 billion in 2008 to USD 21.56 billion in 2012 and continued to increase to USD 25.82 billion in 2017 (the highest ever, 1.6 times higher than in 2008). In terms of export share, Vietnam's agricultural exports, although tending to decrease in line with the shift in export structure of Vietnam, still account for 12.06% of total exports of the whole country in 2017 (Figure 1).

Figure 1: Agricultural Exports of Vietnam 2008-2017*⁴

Unit: USD billion



Source: General Statistics Office (2017) and Ministry of Industry and Trade (2018)

Exports of agricultural products are more manifold and diversified, with a number of agricultural products being among the key export items of Vietnam and ranking at a high position in the world market. According to the report by the Ministry of Industry and Trade (2018), in 2017, Vietnam had 29 export products that has value worth over USD 1 billion, including 08 agricultural products, which are seafood accounting for USD 8.32 billion; cashew nuts (USD 3.52 billion); vegetables (USD 3.5 billion); coffee beans (USD 3.24 billion); rice (USD 2.62 billion); rubber (USD 2.25 billion); black pepper (USD 1.12 billion); cassava and cassava products (USD 1.03 billion). Remarkably, vegetables and fruits have the best growth and stability, exceeding the crude oil export turnover for the first time in 2017. Besides, some agricultural products of Vietnam are in higher ranking position in the world market in terms of both volume and value (Table 1).

⁴ Only Agriculture products and Fishery Products

Table 1: Global Rank of some Agricultural Exports of Vietnam

Products	Ranking in Export Volume	Ranking in Product Value	Ranking in Top 10 Exporting Countries
Cashew nuts (without shell)	1	1	6
Black pepper	1	1	8
Coffee bean (green)	2	2	10
Rice	3	4	10
Rubber	4	4	10
Green tea	5	7	10

Source: World Bank (2016)

The quality of agricultural exports in Vietnam has improved in recent years, but the value added is low. Up till now, Vietnam has not found any product that can create great value added on the basis of applying high technology and using skilled labor. Most of Vietnamese agricultural products are exported in raw or semi-processed form under foreign brands (accounting for 82.7% of total exports in 2013) (World Bank, 2016). Due to low quality and heterogeneity standard, some agricultural products in Vietnam are ranked high in the world market but have to sell at lower prices than other competitors, including Vietnamese specialty coffee (cappuccino), 25% broken rice, and other substitutes (coffee, white rice or aromatic rice) (World Bank, 2016). Therefore, the value added from export is low and trade is risky because prices of raw agricultural commodity in the world market tend to sharply decrease and frequently fluctuate with high margin, causing financial harm to the farmers in the production process and export of agricultural products.

Vietnam's export markets are increasingly expanding and changing. So far, Vietnamese agricultural products have been available in more than 180 countries and territories. Besides traditional markets such as China, ASEAN and Russia, Vietnamese agricultural products are gradually penetrating into the markets with not only high purchasing power but also strict quality control such as the United States, the EU, Japan, Canada, Australia, and New Zealand. China is currently the main import market for Vietnam's agricultural products (mainly raw and semi-processed products such as rubber, cassava, cashew nuts, fresh fruits and vegetables, seafood), accounting for about 20% of total export value of agricultural products of Vietnam. However, the overwhelming reliance on this market always bear the risks of sudden changes in China's import policy. The United States and Japan are the second and third largest import markets for agricultural products in Vietnam. But these are the markets with many complex trade barriers, strict competition, so it is not relatively easy to increase to volume of Vietnamese agricultural products export to this market.

2. Assess the development of agricultural exports with social issues in the past 10 years

The high growth rate and stability of Vietnamese agricultural exports in recent years have contributed to economic growth, thereby contributing to higher incomes and poverty reduction in Vietnam. In fact, Vietnamese per capita income has risen from USD 1,064 in 2009 to USD 2,215 in 2016 and is estimated at USD 2,385 in 2017 (more than

double compared to that of 2009) (General Statistic Office, 2017). As people's incomes have increased, the percentage of poor households has remarkably decreased from 12.1% in 2008, to 11.3% in 2009 and to 9.6% in 2012 (Irish Ministry of Labor, Invalids and Social Affairs, Irish Aid, UNDP, 2015). However, in terms of the multidimensional approach adopted for the period 2016-2020, the poverty rate in Vietnam remains high at around 10% in 2016 and 8% in 2017 (General Statistics Office, 2016, 2017).

Along with the growth of agricultural exports, economic growth and state support policies, the poverty rate has declined, but the gap between the rich and the poor, inequality in income distribution tend to increase. The absolute income gap between urban and rural areas tends to show a change in the proportion of urban and rural incomes in the past years, in turn: 2002 (2.3); 2008 (2.1); 2010 (2.0); 2012 (1.9) (World Bank (2017). The income gap of rural residents has also increased, with the per capita income of the 20% richest to the 20% poorest rising from 6 times in 2002 to 8 times in 2012. According to GINI (measuring the income gap between 0 and 1), the GINI coefficient has been reduced from 0.420 in 2002 to 0.385 in 2012 in urban areas. At the same time in rural areas, during the same period, the GINI coefficient has increased from 0.360 to 0.399 (World Bank, 2016). It is worth noting that the poor are distributed nationwide but are concentrated in rural areas (82% of the near poor and 84% of the 40% poorest group in 2014). Ethnic minorities account for 60% of the total number of poor people, and account for a high proportion of the population in the future (World Bank, 2017).

The expansion of agricultural production and export of Vietnam in recent years have created jobs for people and gradually improved the level of labor. Along with the restructuring of the rural economy in the direction of increasing the share of the non-agricultural sector, the proportion of workers from age 15 and above working in agricultural sector has declined but still accounts for 40.3% of total labor force of the whole country (21.64 million people) in 2017 (Table 2).

Table 2: Laborers Working in the Agricultural Sector for the Period 2008-2017(*)

Unit: Million people



Note: () Labor from age 15 and above.*

Source: General Statistics Office (2017); General Statistics Offices, Statistical Yearbook 2010, 2013, 2016

Vietnam's labor productivity has improved in recent years but remains low. The percentage of trained workers in agriculture is very low, accounting for only 4.1% of the total agricultural labor force in 2016 (Table 3). Specifically, in 2016, up to 84.1% of the total number of labors in rural areas (31.02 million people) either have not been fully trained or their short-term training is not certified. Only about 4% (1.23 million people) have graduate and postgraduate degrees. 11.53 million people (72.1%) out of the total of 15.99 million rural households have not been through any training program (National Agriculture Census Steering Committee, 2017).

Table 3: Percentage of Trained Workers Aged 15 Years and Above Working in the Farming Sector⁵

Unit: %

Year	2009	2010	2011	2012	2013	2014	2015	2016	2017*
Whole country	14.8	14.6	15.4	16.6	17.9	18.2	19.9	20.6	21.5
Labour in Agriculture	3.9	2.4	2.7	3.0	3.5	3.6	4.2	4.1	-

Note: (-) n.a

Source: General Statistics Office; General Statistics Offices, Statistical Yearbook 2010, 2013, 2016, 2017

Agro-based export growth is largely based on low labor quality, which is a major obstacle to improving labor productivity and income level. Compared to some countries in the region, despite rapid increase in agricultural productivity in Vietnam, there has been a decline in productivity growth in agro-based industry. As a result, the gap in labor productivity between Vietnam and other countries is rising and the proportion of agricultural labor productivity per capita income in Vietnam is also decreasing at the fastest rate in Asia (Table 4 & Figure 2).

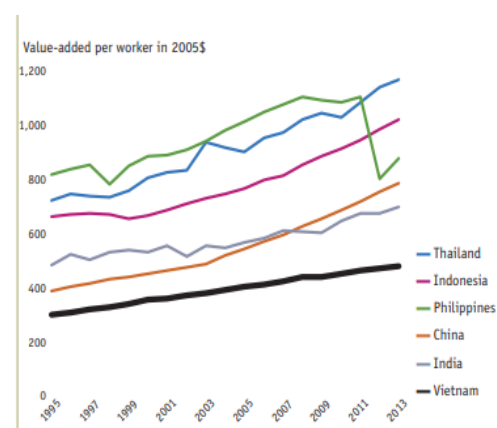
Table 4: Growth in Agricultural Value-Added per Worker Unit: %

	1990-1999	2000-2013
Korea	6.6	7.1
Malaysia	0.9	4.5
Bangladesh	2.4	4.0
China	3.5	4.3
Indonesia	0.7	3.2
Thailand	1.9	3.2
Vietnam	2.7	2.5
India	1.8	2.0
Philippines	0.4	0.6

Note: Data in constant 2005 USD

Source: World Bank (2016)

Figure 2: Agricultural Value-Added per Worker



⁵ Trained employed workers are those who have ever attended and graduated from a school/class/center of technique and qualification training of the educational level or the equivalent level of training belonging to the National Education System for 3 months and over (with degree or certificate of training results).

4. Conclusions and some policy recommendations for the period 2018-2020 and towards 2030

4.1. General conclusion

Over the past 10 years, since the accession to the WTO and the implementation of FTAs⁶, Vietnam's agricultural exports have been growing fast in terms of both output and turnover, which have contributed significantly to increase income level, reduce poverty and stabilize society in rural areas. Some of Vietnamese key export agricultural products have a large market share and are taking the lead on the world market (shrimp, rice, coffee, cashew nuts, pepper, etc.). However, the export value of agricultural products in Vietnam is still low due to lower product quality and heterogeneous. Most of Vietnamese agricultural products, when exported under foreign brands, only benefit from the lowest level in the global agri-food chain. In addition, the income gap between agricultural and non-agricultural sectors as well as inequality in rural areas has increased. In order to ensure the development of Vietnam's agricultural exports, bringing more value added, while reducing negative social impacts arising in export activities, besides the efforts of the people, enterprises and the state should simultaneously implement policy solutions to address this issue in the coming time, contributing to the successful implementation of socio-economic development strategy 2011-2020 and vision 2030.

4.2. Some policy recommendations

Firstly, the growth of agro-product export should closely relate to the demand for the shift of agricultural products towards improved quality, higher added value, and thus contributing to improve income level of farmers. Accordingly, the government needs to continue reviewing and adjusting the agro-product production process and planning in the direction of forming large-scale agricultural production, which can utilize the competitive advantages and competitiveness of products in each region and in each consumption market. In addition, the government should have specific incentive policies, specifically to form the link between farmers and enterprises in the value chain based on the application of modern technology, branding strategy and have full control over production process to export of agricultural products.

Secondly, to increase investment in high technologies and clean technologies from production and processing process to the export of agricultural products in the direction of ensuring the quality and meeting the increasing numbers of requirements of the market, especially in markets like USA, EU and Japan. To do so, the government should have more incentive policies for domestic and foreign-funded enterprises so that they have the inducement to invest in new technologies and clean technologies in the production process and export of agricultural products. Moreover, the government should actively negotiate with other countries and international organizations to sign bilateral and multilateral agreements to expand the market and boost export of agricultural products.

⁶ To date (20 January 2018), Vietnam has passed 10 bilateral and multilateral trade agreements, including ASEAN Free Trade Area (AFTA), five ASEAN+1 FTAs, and FTAs with Japan, South Korea, Chile and the Eurasia Economic Union.

Thirdly, the development of agricultural exports is accompanied by the development of high quality human resources in agriculture. The use of advanced technology in agricultural production and export will increase labor productivity, thereby increasing income levels and contributing to reducing the gap between rich and poor between urban and rural areas. In order to achieve this, the government needs to develop a training strategy and formulate a workforce with technical, professional and disciplinary skills that meet the increasing demands of the industrialization and modernization process and international economic integration of Vietnam. It is necessary to continue to renovate and improve the quality and effectiveness of education and training in general, and particularly vocational training for rural laborers. In addition, it is necessary to encourage organizations and enterprises to participate in supporting and training for the labor market.

Fourthly, exacerbate the supply of information on agricultural commodity markets and international commitments of Vietnam to the people. In the context of price fluctuations in the world market are unpredictable and Vietnam is actively negotiating, signing and implementing FTAs, if the government can provide sufficient, timely information and forecast on agricultural commodities markets, it will help professional agencies, enterprises and farmers orientate and adjust production and export of agricultural products in accordance with market requirements and reducing risks. In addition, provision of information such as Vietnam's roadmap and commitments on economic integration, along with trade barriers of partner countries, incentives for agriculture and farmers in Vietnam in the coming time will help businesses and farmers understand and learn how to take advantage of these opportunities while minimizing the challenges to boost agricultural exports.

Fifthly, the development of agricultural exports goes hand in hand with the development of social welfare systems across the country. Consequently, the government should continue to review, adjust and supplement current social security policies and closely coordinate with other policies to encourage the ability to access to basic social services for people, especially poor farmers, and ethnic minorities in rural areas. In addition, the government needs to mobilize the resources of the entire society and international organizations for social security; encourage and create a favorable environment for the development of a diverse range of social security models based on community participation and supervision in the provision and implementation of humanitarian activities, support and risk sharing for the poor and the disadvantaged.

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