



Changing Trade Policies to Ensure Agricultural Export Growth in Vietnam in post COVID-19

Dao The Anh
Vietnam Academy of Agriculture Sciences (VAAS)
daotheanh@gmail.com

ABSTRACT

In 2020, Vietnam's agriculture industry faces many big challenges such as the COVID-19 pandemic, natural disasters and floods, contagious diseases such as African swine fever. Even in the difficult context of the COVID-19 pandemic, the Vietnam's agricultural sector still maintains a fairly high growth, especially agricultural export with GDP growth rate reached 2.65%; total agricultural export turnover reached 41.25 billion USD. The market of agricultural products continues to develop, and the domestic market is expanded. The Vietnam's government promptly solved problems of value chain disruption to urban with measures supporting industries and applied many creative solutions to promote agricultural exports. Vietnam not only meets domestic consumption demand but also surpasses countries such as Thailand and India in rice export, reaching 3 billion USD in 2020 (MARD, 2020). Products such as seafood, vegetables, industrial plants, furniture... have also confirmed their position and competitiveness in the world market. The export to nearly 200 markets, including high-value markets such as the US, EU, Japan, China... has brought the export value of Vietnam's agricultural, forestry and fishery products to the second in the South-East Asia and the 15th in the world. In order to strengthen the competitiveness of the export agricultural value chains that ensures quality products and food safety, the Vietnam government has issued policies on promoting value chain linkages and applying high-tech in agricultural value chains aiming at exportation. Particularly, in February 2021, the Vietnam government had approved the National project to promote the export of agricultural, forestry and fishery products to 2030, confirming the contribution of Vietnam to world food security.

Key words: Agricultural exports, Policy, COVID-19, Vietnam

VIETNAM AGRICULTURAL EXPORT GROWING IN THE COVID-19 PANDEMIC, BUT FACING NEW CHALLENGES

According to a report of the Ministry of Agriculture and Rural Development (MARD), in 2020, Vietnam's agriculture industry faces many big challenges such as the COVID-19 pandemic, natural disasters and floods, contagious diseases such as African swine fever. Even in the difficult context of the COVID-19 pandemic in the world in general and in Vietnam in particular, the Vietnam's agricultural sector still maintains a fairly high growth, especially agricultural export. The results achieved the yearly aggregate targets of 2020 including: GDP growth rate reached 2.65%; total agricultural export turnover reached 41.25 billion USD; 62% of the communes in Vietnam met new rural standards; forest coverage rate reached 42%; income of rural people reached 1,854 USD/ person/year (MARD, 2020).

The market of agricultural products continues to develop, and the domestic market is expanded; promptly solve problems of value chain disruption to urban, apply many creative solutions to promote exports in difficult conditions due to the COVID-19 pandemic.

According to a report of the Ministry of Industry and Trade (MOIT), in 2020, with the serious effects of the COVID-19 pandemic, the export of Vietnamese agricultural and aquatic products is estimated to decrease by 2.5%. However, the export turnover of agricultural products in 2020 will reach about 41.2 billion USD, maintaining 9 groups of products with export turnover of over 1 billion USD, of which 5 products have a turnover of over 3 billion USD including wood and wood products, shrimp, vegetables, cashew nuts, and rice (MOIT, 2020).

Vietnam not only meets domestic consumption demand but also surpasses countries such as Thailand and India in rice export, reaching 3 billion USD in 2020 (MARD, 2020). Products such as seafood, vegetables, industrial plants, furniture... have also confirmed their position and competitiveness in the world market. The export to nearly 200 markets, including high-value markets such as the US, EU, Japan, China... has brought the export value of Vietnam's agricultural, forestry and fishery products to the second in the South-East Asia and the 15th in the world.

In particular, Vietnam's rice export has set a record in price, averaging about 500 USD/ton. Although the export volume decreased by 3.5%, it increased by 9.3% in value of turnover with more than 3 billion USD in 2020. In terms of export categories, high quality rice reached 85% of the export proportion. Specifically, the export value of white rice accounted for 40.7% of the total turnover; jasmine rice and fragrant rice accounted for 37.6%; sticky rice accounted for 17.4%; japonica rice and Japanese rice varieties accounted for 4.2% (MARD, 2020).

However, due to the COVID-19 pandemic and climate change impacts, the export values of many agricultural products have been seriously reduced such as vegetables, cashew nuts, coffee... Notably, the export value of vegetables and fruits in 2020 reached 3.26 billion USD, down 13% compared to 2019 across most categories. Dragon fruit continues to hold the leading position in the total export value of vegetables and fruits with a 35.8% share but down 10.3% over the same period; followed by bananas accounted for 5.4%, down 13.1%; durian accounted for 4% but fell sharply by 52.9%. Other commodities also had a decrease in both volume and value of turnover: cashew nut exports reached 3.19 billion USD, down 3% compared to that of 2019. With the same period of 2019, coffee exports reached 2.66 billion USD, down 7.2%; Pepper and tea only achieved modest export values of 0.67 and 0.22 billion USD respectively, down more than 6.6% over the same period in 2019. At the same time, the organization of linkages between production and business in value chains in agriculture continues to be renewed in line with the market and large commodity production; Many linkage models between producers and enterprises, chain cooperatives have been deployed and replicated (MARD, 2020).

Vietnam has five markets that have trade agreements including the US, China, Japan, South Korea and ASEAN with preferential tariff reductions (VIR, 2018). The year 2020 also recorded many important achievements such as the signing of many free trade agreements (FTAs) including the Regional Comprehensive Economic Partnership (RCEP), the free trade agreement between Vietnam and the UK (UKVFTA), and the Vietnam - EU Free Trade Agreement (EVFTA). Along with improving supply capacity and opening up for extensive and comprehensive integration, Vietnam is gradually becoming a major supplier in the global agricultural market, affirming its position in the international trade market (MOIT, 2020).

In the year 2021, the COVID-19 situation is still complicated over the world, so having a risk on agricultural exportation strategy of Vietnam. So, the MARD has to have some urgent measures for market development. In order to promote exports, right from the first month of the year, the Ministry of Agriculture and Rural Development and the Ministry of Industry and Trade have stepped up international trade promotion activities. At the same time, disseminate and guide regulations and technical barriers to trade in agricultural products, and orient the export of agricultural, forestry and fishery products in key markets. Thereby helping businesses and manufacturers shape the tastes and consumption needs of consumers to create suitable products.

As a result, according to the Ministry of Agriculture and Rural Development, the export turnover of agricultural, forestry and fishery products in the first quarter of 2021 reached 10.61 billion USD, up 19.7% over the same period in 2020. In the context of agricultural product exports, being still affected by the COVID-19 pandemic, these are remarkable results, creating a premise for breakthroughs in the near future.

In March 2021 only, the export turnover of agricultural, forestry and fishery products reached 4.12 billion USD, up 20% over the same period in 2020, up 57.4% compared to February. In which, the export value of main agricultural products is estimated at 1.75 billion USD, main forest products is estimated at 1.52 billion USD, aquatic products is at 685 million USD and livestock is 37 million USD. Generally, in the first quarter, the main group of agricultural products exported reached 4.59 billion USD, up 10.2%; main forest products reached 3.94 billion USD, up 41.6%; animal husbandry 89 million USD, up 34.7%. Many items have higher export value compared to the same period in 2020 such as rubber, tea, vegetables, cassava, shrimp, forest products. Specifically, rubber export value reached about 721 million USD, up 116%; tea reached 41 million USD, up 6.2%; vegetables and fruits reached about 944 million USD, up 6.1%; cassava reached 116 million USD, up 23.3%; shrimp reached USD 773 million, up 8.3%; wood and wood products reached about 3.7 billion USD, up 41.5%; rattan and bamboo reached 199 million USD, up 49.2% (MARD, 2021). This growth is thanks to the efforts of exporters in flexibly responding to the complicated developments of the global COVID-19 pandemic as well as their efforts to expand the market, avoiding the situation of focus on a few traditional markets. The export value of vegetables and fruits in the same period is estimated at 380 million USD, bringing the export value of fruits and vegetables in the first quarter of 2021 to 1.35 billion USD, up 9.5% over the same period in 2020. Tea export volume in the first quarter of 2021 reached 37,000 tons and 60 million USD, up 1.6% in volume and 7.9% in value over the same period in 2020 (MARD, 2021).

IMPACT OF POLICIES FOR AGRICULTURAL VALUE CHAINS UPGRADING FOR ENSURING AGRICULTURAL EXPORT GROWTH

Since 2018, while there were difficulties in exports, the construction of agricultural value chains with high competitiveness and sustainability becomes urgent. However, in order to strengthen the competitiveness of the export agricultural value chains that ensures quality products and food safety, the Vietnam government has issued policies on promoting value chain linkages and applying high-tech in agricultural value chain aiming at exportation.

In 2020, the whole industry established 14 agricultural cooperative unions, 1,555 agricultural cooperatives, bringing the total to 68 agricultural cooperative unions, 17,300 agricultural cooperatives; the number of effective cooperatives is 14,532; there are 1,718 agricultural cooperatives applying high technology; newly established 1,055 enterprises, bringing the total number to over 13,280 agricultural enterprises (MARD, 2020).

Regarding the application of science and technology, the agricultural industry has created 3 product axes to ensure quality and food safety. Many key products at national and provincial levels with high scientific and technological content are applied from seed production, farming, and processing such as shrimp, *Pangasius*, wood products...; many processing plants have been put into operation and are promoting efficiency.

In 2020, submit to the Prime Minister to establish 2 high-tech agricultural zones, the localities shall recognize 11 high-tech agricultural zones; There are 53 agricultural enterprises applying high technology, an increase of 11 enterprises compared to 2019 (MARD, 2020).

The agriculture industry has built the standard system and meet the regulations of the import market. Manufacturers should implement Good Agricultural Practice (GAP) and 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 import 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.

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 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% (MARD, 2020). 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 technology 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.

NEW POLICY FOR ENSURING THE SUSTAINABLE AGRICULTURAL EXPORTATION IN THE POST-COVID-19

In order to enhance the growth of agricultural exportation in the context of post COVID-19, in February 2021, the Vietnam government had approved the National project to promote the export of agricultural, forestry and fishery products to 2030.

The policy strategic thrusts of this project are:

- ✓ Actively take advantage of opportunities, exploit advantages from international economic integration and continue to promote strengths and potentials to expand export markets for Vietnamese agricultural products.
- ✓ Implement synchronously international commitments in the field of agriculture, in which, the focus is on solving issues related to technical barriers, ensuring the harmonization of the technical fence system (standards, regulations, etc.) standards, traceability, animal and plant quarantine, food safety...) of Vietnam with international regulations and import market.
- ✓ Focus on developing production and processing of key and competitive agricultural products in order to improve quality, ensure food safety, create added value for exported agricultural products and meet the requirements of increasingly strict standards of the international market.
- ✓ Ensuring the growth target of agricultural exports in association with the goal of sustainable agricultural development; apply science, technology, digitization in production and processing to improve the competitiveness of agricultural products (Government, 2021).

For realization of these strategic thrusts, the project had general objectives: “Promote the growth of export turnover of agricultural products, comprehensively and sustainably participate in the global agricultural and food supply chains. Improve the quality and value of Vietnam's exported agricultural products to meet the regulations of the import markets. Continue to position and develop the brand name for Vietnam's agricultural products in the international market” (Government, 2021).

The national project had some specific objectives:

- Targets to 2025

- ✓ The export value of agricultural products of Vietnam will reach about 50 - 51 billion USD by 2025. In which, the main exported value of agricultural products group will reach 22 billion USD; forest products export value will reach 13.5 - 14 billion USD; aquatic products export value will reach 12.5 billion USD; livestock products export value will reach 1 - 1.5 billion USD, and other agricultural products export value will be about 1 - 1.5 billion USD;
- ✓ About 20% of Vietnam's exported agricultural products are labeled with national brands, and 50% of products are traceable;
- ✓ About 50% of the export value of agricultural products is through processing and deep processing (Government, 2021).

- Targets to 2030

- ✓ Vietnam's agricultural export value will reach about 60-62 billion USD by 2030. In which, the main agricultural products group will reach 25 billion USD, forestry products will reach 16-17 billion USD, aquatic products will reach 15 billion USD, livestock products will reach 3 to 4 billion USD, and other agricultural products will reach about 2 billion USD;
- ✓ The growth rate of agricultural export turnover is about 6% - 8%/year;
- ✓ About 40% of Vietnam's exported agricultural products are labeled with national brands, and 70% of products are traceable;
- ✓ About 60% of the export value of agricultural products is through processing and deep processing (Government, 2021).

So, the Ministry of Agriculture and Rural Development will realize the following solutions (MARD, 2021):

- ✓ Coordinate, urge and guide the implementation of the Scheme, periodically organizing preliminary reviews, summaries and evaluation of implementation results.
- ✓ Reorganize agricultural production towards sustainable development based on their potentials and comparative advantages, apply high technology, focus on developing products with quality and advantages; develop private enterprises in the agriculture sector, overcome the situation of small and fragmented production; strengthen the linkage of 6 actors: farmers - state - entrepreneurs - banks - scientists - distributors with the core being the linkage of farmers - entrepreneurs; continue to build a

- linkage chain in the production, preservation, processing and distribution of agricultural products, effectively participating in the global agricultural production network and value chain.
- ✓ Guide and support enterprises in applying Good Agricultural Practices (GAP), traceability in farming and applying advanced quality management systems in processing to enhance quality management and safety of exported agricultural products from farming to harvesting, transporting, processing and exporting.
 - ✓ Review laws, regulations, policies and regulations in FTAs under the Ministry's management to plan amendments and supplements in accordance with signed commitments; develop action plans, strengthen expertise to have sufficient capacity, deploy activities to meet the implementation of technical measures under FTAs; review relevant state management processes to reduce procedures, make information transparent, and administrative procedures in the field of specialized management of the MARD.
 - ✓ Strengthen policy research, assessing the impact of FTAs on each commodity sector managed by the ministry to identify advantages and set market priorities, and orientate the industry according to each FTA. Technical negotiation, market opening of agricultural products, thereby promoting exports to the world market.
 - ✓ Preside over, coordinate in the development and application of technical standards and regulations from input materials and output product quality, ensuring food safety for products of animal and plant origin according to the regulations of Vietnam and the import market; reduce risks of food insecurity and disease, protect domestic production and assist in maintaining and expanding export markets for agricultural products.
 - ✓ Coordinate to provide and process information, and take remedial measures when there is a warning from the import market.
 - ✓ Coordinate with the MOIT to support enterprises to build brands of agricultural products for export through the National Brand Program.
 - ✓ Encourage and support the development of linkages between industry associations and businesses with large international trade groups in agriculture.
 - ✓ Continue to work with relevant ministries and branches to allow the addition of agricultural counselors at Vietnamese representative offices abroad, in major agricultural export markets such as: China, ASEAN, Japan, Korea, India, Russia, etc.

CONCLUSION

The COVID-19 pandemic has had a negative impact on the exportation of some agricultural products in Vietnam, but at the end of the year 2020, the value of agricultural exportation archived the same level of 2019. In order to keep the agricultural exportation growth, the Government has issued supporting policies under a national project. In brief, with the issue of this national project on promotion of agricultural exportation, Vietnam would like to confirm the strategy to maintain the sustainable export growth to contribute to the world food security and SDGs goals even in the context of COVID-19 disturbing the international commerce.

REFERENCES

- MARD, 2020. Annual report of MARD activities in 2020.
MOIT, 2020. Annual report of MOIT activities in 2020.
MARD, 2021. First quarter report of MARD activities in 2021.
Government, 2021. Decision 174/QĐ-TTg on Approving the National project to promote the export of agricultural, forestry and fishery products until 2030.
VIR, 2018. Vietnam in focus of ASEAN export. <https://www.vir.com.vn/vietnam-in-focus-of-asean-exports-63738.html>