

## Opportunities and Challenges of Vietnam Seafood Exports

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### ABSTRACT

The products of the fisheries sector is one of the major exports of Vietnam on the world market. This article has analyzed the overall achievements of Vietnam seafood exports industry in the past, from which to analyze and assess the opportunities and challenges that Vietnam seafood export industry has to face. From the analysis, the article gave a number of key solutions to improve the competitiveness of the Vietnam seafood export industry in the near future.

**Keywords :** opportunities, challenges, seafood, seafood exports, Vietnam

### The Beginning

Seafood industry is a strong one of Vietnam and was identified as a key industry of the country by the achievements that has made in the past year and the future outlook. Annually, seafood exports give substantial foreign exchange earning for the country. However, besides these achievements, it still remain hidden challenges which sources of raw materials are uncertainty, products quality are not uniform, skilled labors are shortage, product is less variety. So the analysis of the opportunities and challenges of fisheries exports in Vietnam is essential. In this article, the author pays attention to clarify the objectives which identify opportunities and challenges of fisheries export, so that improving Vietnam seafood export industry's competitiveness in the coming time.

### Research Methods

#### 1. Methods of Data Collection

Secondary data was collected from the follow-

ing sources: Vietnam Industry and Trade Ministry, Ministry of Agriculture and Rural Development Vietnam, VietNam Association of Seafood Exporters and processors (VASEP), the General Department of Vietnam Customs . In addition, the authors used the method of experts' consultation to record the assessment of Viet Nam fisheries export. The experts include scientists, leaders of the Industry and Trade Ministry, Ministry of Agriculture and Rural Development.

#### 2. The Method of Data Analysis

Statistic description method : This method is used to evaluate the of Vietnam seafood exports competitiveness, which had analysts and assessment about opportunities and challenges of Vietnamese seafood export, proposing solutions to improve the competitiveness of the Vietnam fisheries export industry \* Comparison method

Comparison in analysis is comparing indicators, the economic phenomenon has been quanti-

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fied with the same content, similar properties to determine the trend of fluctuation of the indicators. On that basis, assessing the development or weakness, efficient or inefficient to find solution in each case.

Studying the method of assessing industry competitiveness based on the method and the analysis tools proposed by Michael Porter. Specifically, the study will be based on the analysis of the general environment about political, economic, social and technological (PEST analysis model) to analyze the opportunities and challenges for a number of sectors to be choose to consider; 5 competitive forces model applied to the industry environment (5 forces model); diamond model (Diamond model) to determine industry competitiveness advantage. The study applies analytical tool of chain value (value chain analysis) to identify strengths and weaknesses. Strategic analysis of a number of companies in the sector which are believed to have the potential to determine the competitiveness of this sector.

### 3. Results and Discussions

#### 3.1 Overview of the Vietnam seafood exports in 2012

For years, seafood has always been one of the major exports of Vietnam to the world market. In 2012, exports of this sector accounted for 5.3% of the total exports of all commodities in the country.

Since the time that Vietnam formally joined the World Trade Organization (WTO), seafood exports of Vietnam continuous to achieve positive turnover and growth rates except in 2009. Specifically, at the beginning in 2006, seafood exports reached \$ 3.4 billion, with a high growth rate of 22.6%. To 2007, this figure reached \$ 3.76 billion, up 12.1% over the previous year. By 2009, due to the impact of the world economic crisis, exports of this commodity group decreased (down 5.7%) with a turnover of \$4.25 billion. In 2010 and 2011, seafood exports achieves the prosperity growth and turnover was respectively \$5.02 billion (accounting for 18%) and \$ 6.11 billion (accounting for 21.8%).

**Table 1.** The proportion of turnover and 10 major export commodities of Vietnam in 2012

Items name	Rank	Turnover ( \$ billion)	Proportion (%)
Garment	1	15,09	13,2
Telephones & accessories	2	12,72	11,1
Crude oil	3	8,21	7,2
Computer & electronic product components	4	7,84	6,8
Footwear	5	7,26	6,3
Fishery products	6	6,09	5,3
Machinery, equipment, tools & accessories	7	5,54	4,8
Wood & Wood Products	8	4,67	4,1
Vehicles & parts	9	4,58	4,0
Rice	10	3,67	3,2

Source: General Department of Custom

Customs statistics show that in 2012 this group's export reached \$6.09 billion, a slight decrease of 0.4% (equivalent to decrease of \$ 24 million in absolute number) compared with 2011.

For years, Vietnam's seafood exports primarily belongs to the type of business exporting and exporting goods which made from imported materials (export manufacture). Data from the General Administration of Customs shows that in 2012 the total of seafood export belongs to two types was \$5.77 billion, down slightly by 1% over the previous year and accounted for 95% of total this sector's export in the country.

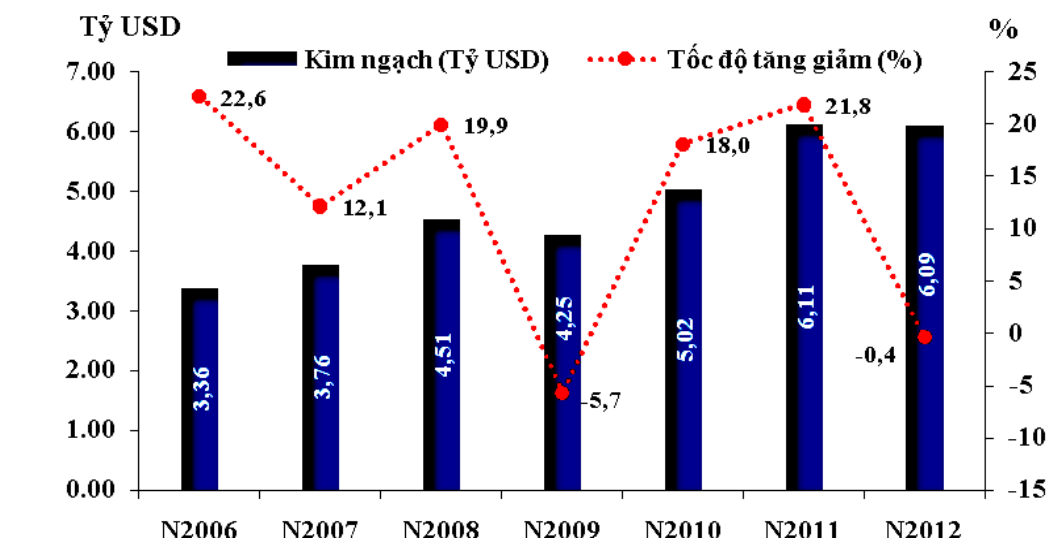
Exporting of Vietnam seafood products which follows two main types have moved backward in the past year. Specifically, export by type of business gained 4.37 billion, down 7.4% from the previous year, while exports by type of manufacture export reached \$ 1.4 billion, up to 26, 1%.

According to customs statistics over the years show that due to seasonality, seafood export cycles get great growth in the third quarter and

fourth quarter. In 2012, at the third quarter exports turnover rates reached the highest rate of \$ 1.62 billion, in contrast at the first quarter, the exports turnover gets the lowest turnover of \$1.29 billion.

If deviding by the type economy, the export of aquatic products of domestic enterprises accounted for a large proportion of over 90% in the total this products'export of the country. In 2012, export of aquatic products of domestic enterprises reached \$5.54 billion, down 2.8% from the previous year and accounted for 91%. Meanwhile, the export number of foreign direct investment enterprises was only \$ 552 million, up 32.6% compared to 2011 and only by 1/10 of the value of seafood exports of local businesses.

In 2012, the United States, the European Union (EU), Japan and South Korea were fourth largest seafood import and consumption partner from Vietnam. Overall, total seafood export turnover to four markets reached \$3.89 billion, accounting for 64% of total seafood export of the country.



Source: General Department of Customer

Finger 1. Turnover and growth (reduction) of seafood exports In Vietnam in the period 2006-2012



In four main import markets of Vietnam's fisheries, the EU is the single market which declined in 2012, reaching \$1.13 billion, decreased to 16.7% compared to 2011. Seafood exports to three major U.S markets, Japan and South Korea have positive growth rates, respectively 0.6%, 6.7% and 3.9%.

In recent years, export of aquatic products to the Chinese market (reaching at \$ 275 million), Australia (\$182 million) and Egypt (\$80 million), but not in size, but many are up impressive growth, respectively 23.1%, 11.7% and 26.6%. Besides a number of other markets achieved positive growth rates, such as Taiwan reached 135 million, up 4%, Hong Kong reached U.S. \$131 million, up 8.9%; ...

In contrast, export of Vietnam seafood in 2012 to a number of other markets declined to different levels, such as Canada reached \$ 130 million, down 9.6%; Mexico reached \$ 110 million, down 2.5%, Russia reached \$ 100 million, down 5.9%, Brazil reach \$79 million, down 8.3%; ...

Seafood exports to markets is a member of the Association of Southeast Asian Nations (ASEAN) in the past year also achieved positive growth, turnover reached 344 million, up 8.7% from the previous year. Currently, among the ASEAN members Thailand, Singapore and Malaysia are the three market leading seafood importer of Vietnam with nearly 80% share in the total imports of this commodity group of the Association .

In 2012, it is seen the United States officially over EU to become the market leader in importing Vietnam's seafood with export turnover of \$1.17 billion, accounting for 19.2% in total exports of aquatic products of the country.

In 2012, the group of Vietnam's exports to the U.S. market, the seafood ranked 4th accounting for 5.9% in the total export turnover of the country to the U.S. market (after textiles garments, footwear and wood products with a respectively proportion of 37.9%, 11.4% and 9%).

**Table 2** Export seafood data to the U.S. market in 2011-2012

Criterion		2011	2012
Seafood export turnover			
to the United States (\$ billion)	(A)	1,16	1,17
Seafood export turnover of the country (\$ billion)	(B)	6,11	6,09
The proportion of total seafood export turnover of the country (%)	(C)=(A/B)*100	19,0	19,2
Total seafood export turnover of Vietnam to the United State (\$ billion)	(D)	16,93	19,67
The proportion of total seafood export turnover of the country to United State(%)	(E)=(A/D)*100	6,9	5,9

Source: General Department of Custom

The export structure of Vietnam seafood export to the world market is major commodities group of frozen fish, fillet fish & other fish and meat, processed and unprocessed shrimp, squid, octopus ... and processed tuna.

### 3.2 Analysis of the opportunities and challenges of Vietnam seafood export industry

3.2.1 Opportunity. **First**, the Trade agreement's implementation is effective, Vietnam will enjoy trade preferences with favorable conditions for expanding the market. We all know the U.S. is an attractive market for many countries and attract many exporters'attention . Before the trade agreement has not been signed, Vietnamese enterprises and Vietnamese goods penetrate the U.S. market difficultly and unfair compete with the business of other countries which join in the US market, especially Vietnam's goods taxed very high. When the trade agreement is effective, the above obstacles are removed, the Vietnamese enterprises are equal with other businesses in accessing the U.S. market because Vietnam has been treated MFN (entitled normal conditions in trade relations) from the U.S in which is important that non-tariff barriers and tariffs will be cut significantly.

**Second**, to enhance to attract investment and technology transfer from the United State and other countries to create conditions for improving the quality of goods, increasing labor productivity, decreasing production cost. Many countries and first of all the countries in the region such as South Korea, Japan, Singapore, Thailand,etc will enhance to invest in Vietnam because goods which produce in Vietnam are exported to the United States. The U.S. investors themselves will invest in Vietnam more and more due to use these advantages in this market to produce goods for exporting

back to the United States and other countries.

**Third**, to create preconditions for Vietnam in the process of international integration and WTO accession. Vietnam's participation in ASEAN, APEC and especially trade agreements have quite similar to goals, principles and roadmap. It is the impulse to liberalize trade and investment between the countries with the principle that trade discrimination in two treatment forms that MFN and national treatment, free trade, fair competition promotion,the development encouragement and economic reform.

**Fourth**, promote the national renovation process, especially administration and mechanisms innovation. Implementing of the commitments and opening markets of Vietnam belongs to roadmap of signed Agreement will be a catalyst to promote the process of adjustment and reform of policies, mechanism, legal and economic practices of the country in order to make this activity become more dynamic and flexible to adapt to the international practices, as well as the United States principles and regulations.

3.2.2. Challenges. In addition to the opportunities that Vietnamese-Americans trade agreements gave, it gave us the difficulties and challenges to require the efforts of the whole Party and people in the economic development of the country especially in foreign economic relation.

**First**, to enjoy MFN is not a decision to increase the competitiveness of Vietnam's seafood products, because American has applied the MNF to 136 WTO members, in addition to particularly incentives for the less developed countries, but Vietnam are not entitled to this. Average tax rate is 5%, but if having the preferential condition, tax rate is 0%.



**Second**, the quality standards of Vietnam export goods in the industrialized developed countries have to achieve international standards ISO or equivalent standards of Germany, Japan, the United States, this is great difficulty for Vietnam seafood. the Vietnam goods also will have strong competition with the same kind of commodities of other Asian countries, especially Indonesia and Canada, while the competitiveness of Vietnamese goods in all three aspects: quality, price and design almost are very weak.

**Third**, the implementation of NTR (normal trade relations), U.S. businesses will facilitate to invest in Vietnam, have priority in importing the raw materials for producing processing export goods. The American companies and goods which produced by the United States will have more advantage than Vietnam enterprises and goods produced by Vietnamese produced because America has large capital, high technology and advanced management level, etc.

**Fourth**, businesses and goods to Vietnam in the U.S. market, in addition to mastery of market demand, the Vietnamese enterprises must be familiar with the customs, manners when negotiating and signing contracts with the U.S. business, to learn and master the laws and policies of the U.S. foreign trade. This is a country with a cumbersome and complex legal system, trade policies.

3.3. Solutions to improve the competitiveness of Vietnam seafood exports in the near future Seafood is one of the major Vietnam export items. On the basis of analyzing the opportunities and challenges of seafood export industry, from that proposing solutions to improve industry competitiveness of Vietnam seafood export industry in the next time:

**First**, reorganize manufacturing belongs to value chain from producing raw materials to processing and consumption in all areas and products; emphasizing on exploiting and processing, brackish water shrimp, catfish, bivalve mollusks, etc and creating cohesion, sharing profits and risks between producers and seafood processing business.

For seafood aquaculture: to attract investment from enterprises, development economic cooperation organizational models, joint venture, association between consumption processing enterprises and farmers. Construction of industrial farms produce huge goods. To establish and promote the improvement of the veterinary system from the central to local levels.

For the processing and marketing of products: mechanism ventures between farmers and fishermen to produce materials with entrepreneurs (domestic and foreign) in seafood processing, particularly in the production of food, biological products, veterinary medicines in the form of multiple ownership in order to share risks and benefits between the parties. Development planning systems and processing plants increase the commercial storage efficiency, resource regulatory stability, contributing in the market price of fish and reduce post-harvest losses planning.

Reorganization, consolidation, new build and development of ship building and mechanical repairing, production of fishing nets on the fishing grounds.

**Second**, continue to implement effectively trade promotion activities to consolidate and develop the traditional markets, big markets (EU, Japan, U.S.) and to develop to expand the markets in Eastern Europe, the Middle East, China, Korea, etc. In addition, develop and expand the

domestic market for tourism, cities, large residents  
Third, training, seafood industry human resource development is consistent with the need of production development. To build fisheries university and fisheries training institutions in the Mekong Delta. To promulgate policies to encourage research institutions and training associated with the businesses, farms and production facilities to provide rapidly technical advances and new technologies into production.

Focus on training highly qualified people, scientists and managers; socializing in training in fish workers, aiming to addressed training, according to market demand.

There are priorities policy for human resource training on marine fisheries, particularly in scientists in resources, mining, engineering, vessel registration of fishes ships. Linkages between human resource development with population distribution and building coastal fishing villages.

**Fourth**, focus on marine research, fisheries research and fisheries resources. There are regularly updated forecasts about fishing grounds for fishermen operating and production guidance on the sea.

To establish the Vietnam Institute of Fisheries based on merging the Institute of Aquaculture 1, 2, 3 and Seafood Research Institute; newly established Institute of Aquatic Animal Health Research Institute and Delta Mekong fisheries research Institute.

There are practical measures and appropriate to carry out cooperation with other countries in the region and in the world about science, technology, engineering in processing fishing, ship engineering, the engine, the system setup information management of marine fisheries.

Socialize extension work, develop a network of collaborators basis to perform tasks advocacy, guidance and exchange of information about science, technology, engineering and production to the market.

**Five**, environmental protection, renewable protection and development of aquatic resources. To promote the application of new technologies, advanced, environmentally and friendly and to reduce handling environmental pollution in the manufacturing process of the fishery.

Strengthening the inspection, control and management organizations, community supervision for environmental management and application of strict sanctions against the production facility does not comply with the provisions of the Law on Environmental Protection to minimize the discharge status of the arbitrary production facilities cause environmental pollution. Investment in improving the system infrastructure for production, especially waste and waste water in the production process to ensure that the provisions of the Law on Environmental Protection ...

**Six**, having mechanisms and policies to encourage investment in regional development model focused aquaculture and policies to enhance the management quality and stabilize the prices of some seafood export staple, policy encouraged to apply advanced techniques and standards to improve the quality of seafood products ....

**Seven**, strengthen state management, complete management system of state fisheries from the central to local levels.

Continue to promote administrative reform in the fisheries sector. To complete the system of standards, technical regulations, procedures, conditions in the manufacturing sector, business



aquatic facility management and socialized some stage in the management of the state fishery production. Replication management model state community involvement, encourage cooperation model, the link in the production process and consumption and between consumption and processing enterprises and the production of raw materials; effective coordination between the state and the socio-professional organizations ....

**Eight**, continue to develop forms of co-operation and joint ventures in the fields of mining, farming, engineering, logistics services, processed seafood trade with countries in the region and internationally. Continue to negotiate and cooperate with other countries in the region on fisheries in the overlapping areas, cooperation in the exploitation of the sea ASEAN countries, to ensure storm shelter for fishermen in foreign waters natural disasters, and coordinate joint patrols at sea, ensuring the safety of fishermen at sea operations.

### **Conclusion**

Above are just a few suggestions of the author of the fisheries issue that Vietnam exports face as the basis for the scientific management and the reference in the formulation of development policies fisheries exports in the near future aims of sustainable development, contributing to the modernization of agriculture and rural Vietnam

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