CLOSED STACKS

LESSON FOR VIETNAM'S TRADE POLICY FROM MALAYSIA'S EXPERIENCE

By

NGUYEN DINH TUNG - EEC 9326

Supervisor: Assoc. Prof. Dr. MAHA NI ZAINAL ABIDIN

A RESEARCH PAPER SUBMITTED TO THE FACULTY OF ECONOMICS AND ADMINISTRATION UNIVERSITY OF MALAYA FOR THE DEGREE OF MASTER IN ECONOMICS

April, 1995
ACKNOWLEDGEMENTS

I wish to express my sincere gratitude to my supervisor, Associate Professor Dr. Mahani Zainal Abidin for her guidance and help in completing this study. Despite her heavy duty, she was very generous in giving her time in assisting me.

I am also very grateful to all my Professor, lectures and the staff of the Faculty of Economics and Administration, University of Malaya for teaching me and providing me with services and assistance during my course of study.

My utmost gratitude and thanks also to the Malaysian Government for the financial assistance rendered in the form of a scholarship for my two years of study.

I also would like to thank my friends Mr. and Mrs. Dorai - Lilian for their contribution to this study and their help during my period living in Malaysia.
CONTENTS

Acknowledgement......................................................... i
Contents............................................................. ii
List of Tables......................................................... vi
List of Figures......................................................... viii

Chapter 1 - Introduction.............................................. 1

Chapter 2 - Economic Reform in Vietnam and
changes in Trade Sector........................................... 4

2.1 - Overview of the Economic Reform in Vietnam.............. 4

2.1.1. Process of the Economic Reform............................. 4

2.1.2. Some first results........................................... 8

2.1.2.1. Social Stability, Economic Growth..................... 9

Industry............................................................. 9

Agriculture.........................................................14

2.1.2.2. Control of Inflation.......................................19

2.1.2.3. Tax collection............................................20

2.1.2.4. Foreign Trade and Investment..........................22

2.1.2.5. Domestic Trade..........................................23

2.2 - Changes in Trade Sector...................................... 28

2.2.1. The transformation from the State's monopoly
trade system to a new trade system with the
participation of the various sectors of the Economy........30

2.2.2. The Foreign Trade has been revitalized...............31
2.2.3. The important change in direction of trade........33
2.2.4. Changes in structure of Foreign Trade..............39
  2.2.4.1. The structure of Exports......................39
  2.2.4.2. The structure of Imports....................42

Chapter 3 - Malaysia's Trade Policy......................46
  3.1 - Changes in Trade Policy..........................46
  3.2 - Current trade Policy..............................52
    3.2.1. Objectives of Trade Policy....................52
    3.2.2. Imports and Exports Control....................53
    3.2.3. Domestic Law and Regulation governing the
           application of Trade Policy.....................53
    3.2.4. Trade agreements..............................54
  3.3 - Trade Policy Measures..............................55
    3.3.1. Tariffs......................................55
    3.3.2. Import Prohibition.............................57
    3.3.3. Import Licenses and Permits....................57
    3.3.4. Sales Tax....................................57
    3.3.5. Free Zones...................................58
    3.3.6. Export Licenses and Permits....................59
    3.3.7. Export tax...................................60
    3.3.8. Export Incentives and Facilities................60
    3.3.9. Export Promotion..............................62
  3.4 - Trade-Related Aspects of other regulations........63
    3.4.1. Foreign Exchange Regulations...................63
    3.4.2. Export Proceeds................................63
3.4.3. Exchang Rates.................................................64
3.4.4. Policy on foreign Direct Investment.................64
3.5 - Trade Performance........................................65
  3.5.1. Exports.................................................65
  3.5.2. Imports.................................................69
  3.5.3. Direction of Trade.....................................73
  3.5.4. Balance of Trade.......................................79
  3.5.5. Exchange Rates........................................80

Chapter 4 - Vietnam Trade Policy reform.....................82
  4.1 - Vietnam’s Trade Policy before Economic Reform......85
  4.2 - Changes in Trade Policy after Economic Reform......85
  4.3 - The current trade Policy................................87
        4.3.1. Objectives of Trade Policy.........................87
        4.3.2. Import and Export Licenses and Permits..........88
        4.3.3. Export Incentives..................................89
        4.3.4. Protectionism......................................89
        4.3.5. Exchange Rates....................................91
        4.3.6. Price Policy.......................................91
        4.3.7. Other aspects......................................92

Chapter 5 - How could Vietnam learn Experience from

    Malaysia?..................................................93
  5.1 - The similarity between Vietnam and Malaysia........93
  5.2. Lessons from Malaysia’s experience.....................94
  5.3 - How could Vietnam learn from Malaysia?...............97
        5.3.1. Vietnam has some backgrounds for learning
LIST OF TABLES

Table 2.1 : Vietnam: Major Economic Indicators.............1
Table 2.2 : Index of Gross Industrial Output..................11
Table 2.3 : Main Industrial Products.........................12
Table 2.4 : Gross output of Industry by Industrial
            Activities..................................13
Table 2.5 : Gross Output of agriculture.......................14
Table 2.6 : Production of Major annual Crops................15
Table 2.7 : Gross Domestic Products (GDP).......................16
Table 2.8 : Structure of Gross Domestic Products..............17
Table 2.9 : Retail Price Index................................21
Table 2.10 : Retail Sales of General Trade.....................26
Table 2.11 : The weight of Economic Sectors...................27
Table 2.12 : Vietnam Foreign Trade Turnover...................33
Table 2.13 : Vietnam's exports by Destinations.................34
Table 2.14 : Vietnam's Imports by Origin.......................35
Table 2.15 : Major trade Partners.............................38
Table 2.16 : Structure of Foreign partners by Regions.........39
Table 2.17 : Vietnam's Exports by Commodity...................40
Table 2.18 : Main Goods for Exportation.........................41
Table 2.19 : Vietnam's Imports by commodity...................43
Table 2.20 : Main Goods for Importation.........................44
Table 2.21 : Share of the World Exports........................45
Table 3.1 : Nominal and effective Rates of Protection.......50
Table 3.2: Exports, Imports and Balance of Trade........66
Table 3.3: Malaysia: Exports by Major Groups.............67
Table 3.4: Malaysia: Exports of Manufactured Goods.......68
Table 3.5: Malaysia: Selected commodity Exports..........69
Table 3.6: Malaysia: Imports by Commodity...............72
Table 3.7: Direction of Trade by Major Markets..........74
Table 3.8: Direction of Malaysia's Exports by Major Markets........................................76
Table 3.9: Sources of Imports by Major Markets..........78
Table 3.10: Malaysia: Import by Economic Functions.......78
Table 3.11: Trade Balance of Major Markets...............80
Table 3.12: Movement of Ringgit against selected currencies...............................................81
LIST OF FIGURES

Figure 2.1 : Vietnam Sectoral GDP contribution .............. 18
Figure 2.2 : Retail Price Index .................................. 19
Figure 2.3 : Structure of Retail Sales of General Trade .. 29
Figure 2.4 : Vietnam Export/Import .......................... 32
Figure 2.5 : Vietnam's Exports by Destination ............... 36
Figure 2.6 : Vietnam's Imports by Origin .................. 37
Figure 3.1 : Average Tariffs of Malaysia ..................... 51
Figure 3.2 : Malaysia: Composition of Manufactured
Exports 1992-1993 ........................................... 70
Figure 3.3 : Malaysia: Composition of Imports by commodity
Sections, 1992-1993 ......................................... 71
Figure 3.4 : Malaysia: Inflation Rates ......................... 81