

VIETNAM'S AGRICULTURES EXPORTS TO CHINESE MARKET - THE EFFECTS OF EXTERNAL FACTORS

● LAM THANH HA

ABSTRACT:

Agricultural products play a key role in Vietnam's exports, accounting for a large share in the country's total export turnover. However, Vietnam's agricultural exports are easily affected by external factors. China is the biggest market for Vietnam's agricultural products. 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 crossing. To further promote Vietnam's agricultural exports, it is necessary for the country to gather and consolidate information on import standards and provide information about quality requirements of agricultural products to farmers.

Keywords: agricultural products, Chinese market, external factors.

I. Introduction

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 and aims to be among the fifteen largest agricultural exporters by 2030. 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. 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 higher).

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 totaled US\$41.268 billion - a growth rate of 16.6 per cent - and imports totaling US\$75.452 billion. According to Vietnam's Ministry of Industry and Trade, China made up 27.9 per cent of Vietnam's agricultural export turnover in 2019. So researching the factors that effect to the export performance of export agricultures enterprises to Chinese market is very necessary to the government, the enterprises and the consumers.

II. Literature review

2.1. *The factor affecting export*

Since the pioneering paperwork of Tookey (1964) identifying factors affecting exports, the

correlation between factors determining export performance and export performance result has been analyzed in more than a hundred studies Katsikeas, Leonidou and Morgan (2000). In one research, Gemunden (1991) has synthesized more than 40 variables that are analyzed as factors affecting export activities of enterprises.

In general, the factors that determine export activities are studied, including internal influences such as enterprise characteristics and external influences, which are environmental Madsen (1987); Aaby and Slater (1989); Chetty and Hamilton (1993); Zou and Stan (1998); Katsikeas et al (2000); Sousa et al (2008).

2.2. Theory

The contingency model shows that environmental factors affect the export strategy and activities of the enterprise. The various firm characteristics that affect export performance depend on the particular context of the enterprise. According to Cavusgil and Zou (1994), this theory is rooted in the operating structure of the firm and is based on two bases: (1) the business depends on the environment for resources, Pfeffer and Salancik (1978); (2) Firms can manage this dependence by developing and maintaining appropriate strategies, Hofer and Schendel (1978). Therefore, in the contingency model, exporting is considered as a strategic response of the firm to the interaction between internal and external factors, Robertson and Chetty (2000), Yeoh and Jeong (1995). It can be seen that contingency theory is

receiving more and more attention from scientists; it is perfectly legal to apply this theory to the study of factors affecting export enterprises in the global environment. In this paper, the external factors are: Import market, Export market and the Agriculture Industry.

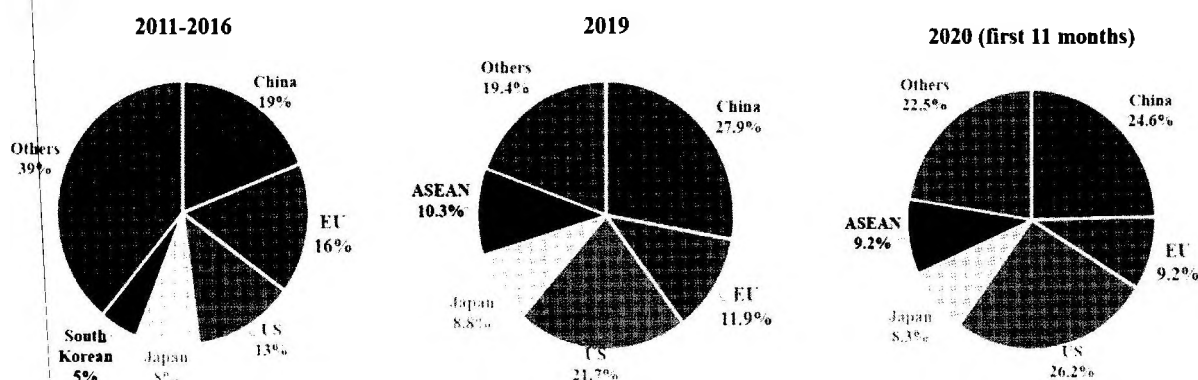
III. Vietnam’s agriculture export to China

3.1. An overview

Over the past thirty years since the two countries normalized diplomatic relations in 1990, 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. 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. 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. China is one of Vietnam’s largest agricultural export markets (Figure 1).

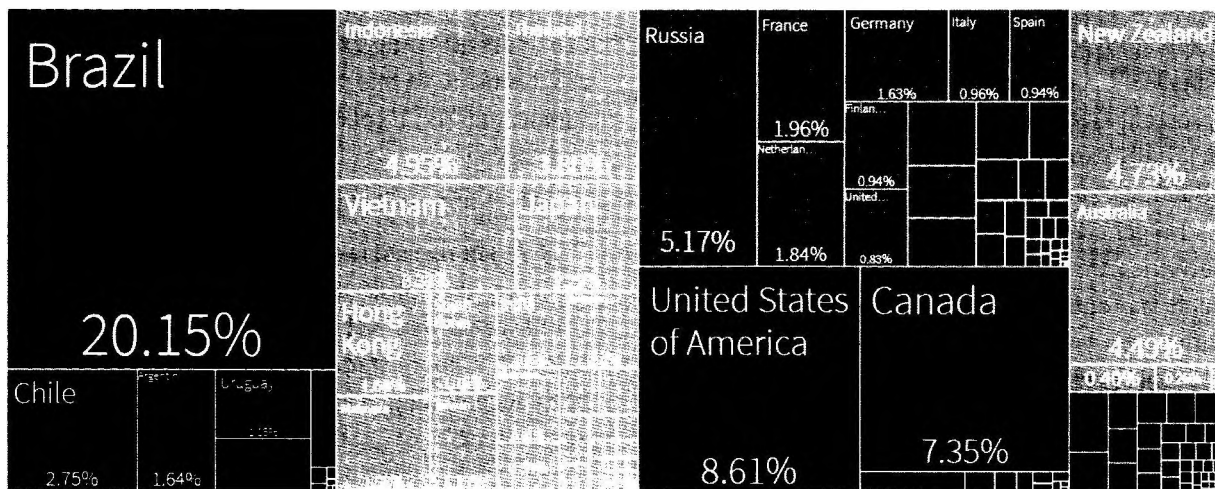
The value of Vietnam’s agricultural exports

Figure 1. Vietnam’s largest agricultural export markets 2011 - 2020



Source: Ministry of Agriculture and Rural Development

Figure 2. China's agricultural import markets (2018)



Source: WTO

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, expanding this market share for Vietnam to 27.9 per cent by 2019.

In the first eleven months of 2020, however, China was surpassed by the US. 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 2) and Vietnam accounted for only 3.33 per cent of its agricultural imports in 2018. Key import markets for China were Brazil, the US, Canada, and Indonesia.

3.2. 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.

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. This propelled Vietnam from having the 50th largest import-export value in the world in 2007 to 19th in 2019.

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.

3.3. Constraints

Firstly, Vietnam's agriculture exports are heavily dependent on the Chinese market. Reasons for this come from both sides. 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 overdependent 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 not been innovative 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.

Secondly, the proliferation of smuggling and other fraudulent activities has impeded the development of border trade in Vietnam. 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.

Lastly, 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

IV. The effects of external factors

4.1. Characteristics of export markets

According to the research results, this is the factor that has the greatest impact on the export activities of Vietnamese agricultural exporters to the Chinese market.

China is a huge market with a population of more than 1.3 billion people, with great needs to serve the immediate stability of people's lives and society as well as strategic reserve needs in case of natural disasters, climate change, etc.

The trend of the middle class is increasing in China; the choice of food for daily meals of families in China is more and more focused. Fresh agricultural products are still a favorite trend for housewives or farmers, while convenient processed foods are now the first choice of young people.

According to the survey in cities bordering Vietnam such as Nanning, Guangzhou or Kunming, Chinese consumers have used products originating from Vietnam such as fruits, coffee or cashew nuts, pepper. ... in some remaining cities such as Beijing, Shanghai, and Hangzhou, Chinese consumers rarely find Vietnamese agricultural products in large supermarkets, partly buying on websites and products mainly coffee and other spices... a few are fruits such as dragon fruit, lychee... The fact that Vietnamese agricultural products have not been

able to penetrate deep into China's interior is also due to the nature of fresh agricultural products that are difficult to maintain, manageable, perishable. Vietnamese agricultural export enterprises need to find a way to preliminarily process and preserve Vietnamese agricultural products to have the opportunity to appear throughout the Chinese market.

Tariff policy: Many of Chinese non-tariff measures and agricultural support policies are assessed as unclear, lacking transparency and especially Chinese government still enforces unilateral agricultural trade policies, maintaining trade. Chinese government, high protection for the country's less competitive agricultural products through tariff quotas, import reporting regimes or sanitary and phytosanitary measures...

The Chinese government implements decentralization and strongly empowers local governments. The classification of official export goods is proposed by local authorities in border areas and reviewed and approved by central ministries. The bordering localities have applied to regulate goods purposefully by two methods: official trade and small trade so that it is most beneficial for Chinese traders.

Trade in agricultural products between agricultural products exporters is unfairly traded. Vietnamese exporters are often traded by oral agreements, there is no written purchase contract, so when the goods have been brought across the border, if not sold, it will be very difficult to bring back to Vietnam, especially for perishable fruits. The Vietnamese side also often faces risks in payment: Because there is no purchase contract as well as payment not through the banking system, it is mainly cash payment (may be wire transfer) or payment in the form of credit card. Due to the debt of both parties, it is quite common for goods to be delivered without receiving money. There has even been a phenomenon of fraud in payment transactions.

4.2. Characteristics of the domestic market

There are 75% of agricultural products export enterprises asked that the domestic market has certain impacts on the export activities of

agricultural products export enterprises. The legal and economic environment is favorable, but positive export support policies help export activities.

Policies to support export, implementation of the Strategy for the development of import and export of goods for the period 2011-2020, with orientation to 2030 and the overall strategy of international integration to 2020, with a vision to 2030, Vietnam has been and continues to exploit traditional markets and expand its search and develop more new markets. Although many positive changes have been achieved, Vietnam's agricultural export market is not stable and sustainable. Market strategy has not been built on the initiative, based on a long-term vision.

Trade promotion policy, the Ministry of Industry and Trade always prioritizes the implementation of many large-scale trade promotion activities, mobilizing the participation of many associations, industries, localities and businesses in various forms in many localities in China.

4.3. Characteristics of the agricultural industry

Agriculture has always been a key industry in Vietnam's economic development. Under the attention and direction of authorities at all levels, Vietnam's agricultural sector develops towards sustainable growth, ensuring "increasing value, reducing input". The Agricultural Restructuring Project approved by the government in June 2013 clearly shows the direction of this strategy. The strong shift of the agricultural sector has brought certain benefits to Vietnamese agricultural exporters. Supply is more secure thanks to suitable models such as "Large sample field", "Closed production, trade, processing and distribution chain", "New type cooperative", "High-tech enterprises in agriculture"; or organizations according to the scale of agricultural service cooperatives, joint-stock enterprises... Farmers and agricultural product exporters play a key role in the value chain of agricultural products through production and consumption of products.

However, the shrinking of agricultural land due to climate change or increased demand for other

industries is also putting the agricultural sector in front of new challenges.

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.

V. Recommendation for promoting Vietnam's agriculture

5.1. From the government

Vietnamese government can assess the current situation and adjust production operations to meet the needs and requirements of Vietnam's export market, and then negotiate with its Chinese counterparts to open the Chinese market to a number of select products. It should also continue to create favorable 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.

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.

As analyzed, capital is a factor that has a strong

impact on Vietnam's agricultural export turnover to the Chinese market, but it is still limited. Therefore, our country can apply the experience of Thailand and China. Accordingly, the government applies many specific preferential policies (such as exemption and reduction of import tax, value-added tax on machinery and equipment for agricultural production) to attract capital sources in the agricultural sector.

E-commerce technology should be applied in exporting agricultural products to China. In the current digital age, and also the golden age of e-commerce, Vietnamese businesses need to actively update and strengthen their knowledge and skills, taking advantage of online commerce methods. Thanks to the support of e-commerce platforms, businesses can carry out typical activities such as: packing agricultural products in Vietnam in accordance with China's e-commerce standards, then cooperate with famous Chinese enterprises to open online stores and supply agricultural products to new supermarkets. This process will help Vietnamese agricultural products be transported faster and farther, improving the ability of Vietnamese goods to penetrate deeply into foreign markets.

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.

5.2. From the agriculture export businesses

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.

VI. Conclusion

The study is based on the contingency theory to study the external impact on agricultural export enterprises. Accordingly, there are 3 main factors: Industry impact, domestic market impact, and import country market impact. From that, analyze the current situation of these factors affecting the activities of agricultural exporting enterprises products to the Chinese market.

Based on the analysis and research results, some solutions and recommendations are proposed to boost the export of Vietnamese agricultural products to the Chinese market in the next period. The system of solutions includes: Improving the competitiveness of agricultural products, attracting social investment capital in the field of agriculture, modernizing production and processing technology, expanding production links agriculture by value chain and by industry cluster; improve the effectiveness of state intervention policies ■

REFERENCES

1. Tookey, D. A. (1964). Factors Associated with Success in Exporting. *J. Manag. Stud.*, 1(1), 48–66, 10.1111/j.1467-6486.1964.tb00122.x.
2. Katsikeas, C. S., Leonidou, L. C., & Morgan, N. A. (2000). Firm-level export performance assessment: Review, evaluation, and development. *J. Acad. Mark. Sci.*, 28(4), 493–511, 10.1177/0092070300284003.
3. Gemunden, H.G. (1988). Success Factors of Export Marketing, A Meta-Analytic Critique of the Empirical Studies. *Res. Dev. Int. Mark.*
4. Madsen, T.K (1987). Empirical Export Performance Studies: A Review of Conceptualizations and Findings. *Adv. Int. Mark.*, 2, 177–198.
5. Aaby, S. F.N & Slater. (1989). Management influences on export performance: A review of the empirical literature 1978–1988. *Int. Mark. Rev.*, 6(4), 7–23
6. Robertson, C., & Chetty, S. K. (2000). A contingency-based approach to understanding export performance. *Int. Bus. Rev.*, 9(2), 211–235, 10.1016/S0969-5931(99)00037-2.
7. Zou, S., & Stan, S. (1998). The determinants of export performance: A review of the empirical literature between 1987 and 1997. *Int. Mark. Rev.*, 15(5), 333–356, 10.1108/02651339810236290.
8. Sousa, C. M. P., & Coelho, F. (1998). The determinants of export performance: A review of the research in the literature between 1998 and 2005. *Int. J. Manag. Rev.*, 10(4), 343–374, 10.1111/j.1468-2370.2008.00232.x.
9. Cavusgil, S.T., & Zou. (1994). Marketing strategy – performance relationship: an investigation of the empirical link in export market ventures. *J. Mark.*, 58, 1–21
10. Pfeffer, G. R., & Salancik. (1978). *The External Control of Organizations: A Resource Dependence Perspective*. New York: Harper & Row.

11. Hofer, C.W., & Schendel. (1978). *Strategy Formulation: Analytical Concepts*. St. Paul: West.
12. Yeoh, P.L. (2004). International learning: Antecedents and performance implications among newly internationalizing companies in an exporting context. *Int. Mark. Rev.*, 21(4-5), 511-535, 10.1108/02651330410547171.
13. Kim Langfield-Smith. (2007). Multiple Perspectives of Performance Measures. *Eur. Manag. J.*, 25(4).
14. World Integrated Trade Solution. (2021). <https://wits.worldbank.org/CountryProfile/en/Country/VNM/Year/2007/TradeFlow/Export> [accessed at 6 February 2021].
15. Nguyen Cong Giang. (2020). *Some solutions to increase import and export activities between Vietnam and China*. <http://tapchitaichinh.vn/su-kien-noibat/mot-so-giai-phap-tang-cuong-hoat-dong-xuat-nhap-khau-vietnam-trung-quoc326641.htm> [accessed at 10/3/2021].

Received date: June 1, 2021

Reviewed date: June 12, 2021

Accepted date: June 25, 2021

Author information:

LAM THANH HA

Diplomatic Academy of Vietnam

XUẤT KHẨU NÔNG SẢN CỦA VIỆT NAM SANG THỊ TRƯỜNG TRUNG QUỐC - CÁC TÁC ĐỘNG CỦA YẾU TỐ BÊN NGOÀI

● **LÂM THANH HÀ**

Học viện Ngoại giao

TÓM TẮT:

Nông sản là một trong những mặt hàng xuất khẩu quan trọng nhất của Việt Nam, có mức đóng góp đáng kể vào tổng kim ngạch xuất khẩu của cả nước. Tuy nhiên, hoạt động xuất khẩu nông sản của Việt Nam rất dễ bị tác động bởi các yếu tố bên ngoài. Trung Quốc hiện là thị trường lớn nhất đối với nông sản Việt Nam. Những thách thức mà Việt Nam phải đối mặt khi xuất khẩu nông sản sang thị trường Trung Quốc bao gồm các rào cản kỹ thuật, thời gian đánh giá rủi ro dài, các hạn chế đối với các sản phẩm được xuất khẩu qua hạn ngạch chính thức và những thay đổi thường xuyên trong chính sách của Trung Quốc về nhập khẩu hàng hoá. Nhằm thúc đẩy hơn nữa hoạt động xuất khẩu nông sản, Việt Nam cần thu thập và củng cố thông tin về các tiêu chuẩn nhập khẩu và hướng dẫn người nông dân về các yêu cầu chất lượng sản phẩm.

Từ khoá: sản phẩm nông sản, thị trường Trung Quốc, các yếu tố bên ngoài.