MEASURES TO MITIGATE RISKS FOR VIETNAMESE ENTERPRISES EXPORTING GOODS TO ASEAN MARKETS

With the advantage of being an economically dynamic and geographically close region, Vietnam – ASEAN trade relations have had high growth rates in recent decades. This has helped open new opportunities for Vietnamese exporters to get access to and expand its markets internally in a region of about 625 million population and larger external markets, as well as to get deeper engagement in the global value chain. However, the export of Vietnamese goods to these countries is always unpredictable and highly risky. Potential risks come from the policy of the states, from the parties and exporters involved, from the protection of domestic trade, from the customs and practices of the consumers. This has been especially true since the ASEAN Economic Community is officially established by the end of 2015. Risk identification is an important step to minimize and prevent risk and vulnerability in export activities for Vietnamese exporters while integrating into the region. By using a systematic, multi-dimensional approach, the paper uses a combination of quantitative and qualitative research methodologies to identify the risks for Vietnamese exports to the ASEAN market, which is based on data of export status and studies about the actual situation of exporters. At the same time, on the basis of the development orientation between Vietnam and AEC, the article is to provide solutions to reduce risks that are applicable for the state and industrial communities, thereby improving the efficiency of Vietnamese exports to the ASEAN markets.

Keywords: Vietnam; ASEAN; export; import; measures; risk; mitigate; trade
JEL: O01

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Introduction

In business activities, especially import-export business, there are always more varied and complicated risks. Although ASEAN is a relatively easy market, the income of ASEAN countries is also relatively low (except Singapore and Brunei). Standards and quality requirements of export goods to the region are not strict. However, Vietnamese goods continue to encounter many risks and disadvantages while entering the ASEAN markets. Current studies have not referred to the fact that Vietnamese exporters need to identify risks, handle risks as well as provide solutions to overcome these risks when exporting goods to ASEAN markets.

By research methods such as analysis, comparison and descriptive statistics based on published data of the General Statistics Office of Vietnam (secondary data) and in-depth interviews with experts and researchers (preliminary data) on risks and exports of Vietnamese goods to ASEAN, the paper focuses on clarifying the characteristics of ASEAN import markets; assess the current risk situation for Vietnam’s exports to this market in recent years; On that basis, the paper proposes solutions to minimize risks for Vietnam’s exports to ASEAN in the coming years.

Literature Review

In the study of SIDF (2004) (Saudi Industrial Development Fund), it is shown that exporters must take the initiative in taking risk preventive measures because if risks occur, it will directly affect the exporters’ revenue. Transactions conducted with foreign partners further increase the complexity of each type of risk. SIDF defines risk management as a process in which each step must be clearly defined and implemented in sequence, building a deep awareness of the risks and their impacts on the exporters. The study also affirms that exporters must be accountable for the effects and risks of each export decision in their risk management strategy. Risk management is basically a combination of three steps: risk assessment, risk control and risk monitoring.

M. Christopher, N. Thorsten and W. Michael (2008) concluded that political risks are also a major obstacle in the export process, so they should be considered in the risk identification models in the export process, thereby identifying the appropriate solutions.

Chuck Hsiao, Richard Malak, Irem Y. Tumer, Toni Doolen (2013) demonstrate that when exporters do not manage risks properly, it will lead to excessive cost, wasted manpower and effort, and even heavy damages. The current risks are mainly technical risks, but exporters also need to consider risks stemming from human resources and opportunity costs. Therefore, managers need to develop a model to combine different types of risks in the project, especially the relationship among those risks.

Ralph, L., Christian, H. and Rico, B. (2013) point out 5 steps in the export risk management, in which: (i) the importance of an export project for exporters are clearly defined; (ii) analysis related to the expected gains and losses is made; (iii) possible risk “matrices” while exporting
are identified; (iv) risk preventive measures and (v) potential risks arising in the export process are monitored and adjusted.

Paolo and Vahid (2016) are of the view that enterprise management, especially risk management, affects exportability, creates a supportive framework for business to minimize risks related to exports and a safe platform for exporters to upgrade their position in the commercial world. This study mainly uses secondary data collected in the United States and the European Union (EU) to analyze specific risks, from issues of money laundering, dual-use risk, thereby analyze the risk management procedure. The authors conclude that to ensure export safety, organizations need to comply with export regulations. In the United States, there are offices of the State Department and the Ministry of Finance that provide comprehensive information on export compliance and control, at the same time, warn exporters of the consequences of non-compliance. In the EU, the European Institute for Export Compliance (EIFEC) is also an organization providing export risk consultancies. In order to minimize and control risks leading to losses or sanctions, exporters must develop a framework to identify partners and the risks associated with export compliance. Finally, every enterprise needs to develop a penalty and sanctions framework for failing to comply with the established regulations.

Several studies in Vietnam have dealt with the theme of risk mitigation in export. The doctoral thesis by Duong Van Hung (2010), titled Promoting Export of Vietnam’s footwear enterprises in Hanoi to EU market, focused on measures to promote exports to the European Union (EU) market of footwear enterprises in Hanoi area. In particular, the author emphasized that enterprises in Hanoi initially had the advantage in finding sources of information, which helped them measure possible risks in the EU market. However, in the context that the EU imposed anti-dumping duties on footwear, enterprises need to analyze technical barriers, apply product quality management standards and strict environmental management to adapt to the technical barriers.

Le Quang Thang (2015), in his research on the Export of Vietnamese goods to the Middle East market, impact and policy implications, focuses on factors affecting Vietnam’s exports to the Middle East. The study is based on the theory of factors affecting exports of one country, from the point of view of the exporting and exported countries as well as international factors. The author is of the view that the impact factors will produce both positive and negative effects and that measures to promote export should be based on the negative effects and the hindering factors. This research approach is relatively consistent with the model of risk mitigation research, which focuses on measuring, analyzing and predicting risks that may occur, based on hindering factors causing risks in the process of exporting goods.

Another study by a Vietnamese author to be mentioned here is Factors affecting Vietnam’s processed goods exports to the European Union market by Vu Thi Mai Anh (2019). This research pointed out the positive and negative factors affecting the processed goods of Vietnam to the EU market. Particularly, the study added some new impact factors such as institutional gap, technological gap, macro-economic environment, trade liberalization, tariffs, human capital, technological innovation capacity. Especially, the study uses the
Technical Efficiency index (TE) to determine the prospect of exporting Vietnamese’s processed goods to EU market.

**Characteristics of ASEAN Import Markets**

Formally joining ASEAN in 1995 is an important step in the process of Vietnam’s open door and integration. Vietnam has actively and proactively engaged in ASEAN economic integration. Vietnam has taken advantage of its geographic proximity, its dynamic development and the large size of its population to make ASEAN a leading trade partner of Vietnam.

The export structure of Vietnam to ASEAN is changing positively both in quality and value. The average growth rate of Vietnam to ASEAN reached 17.1% over the years, bringing the export turnover from nearly $1 billion in 1995 to $18.3 billion in 2015 (more than 18 times) (Ministry of Industry and Trade 2016). After being formed in late 2015, AEC has basically become a common market, a unified production space. In particular, it helps create a single market that can exploit the optimal free trade preferences (FTA). Tariffs on goods flowing between countries in the region are to be gradually reduced to 0%. Vietnamese exporters have opportunities to penetrate into ASEAN markets. By 2017, ASEAN was Vietnam’s fourth largest export market with a total export turnover of $21.51 billion, second only to the European Union (EU), the United States and China (General Department of Customs 2018) (Figure 1).

**Figure 1**

Vietnam – ASEAN Trade turnover of goods during the period 1996-2019 (Billion USD)

Among the Southeast Asian countries, Thailand is Vietnam’s largest export market in 2017 with Vietnam’s export turnover to this market reaching $4.8 billion; followed by Malaysian
market at $4.2 billion; Singapore at $3 billion and Philippines at $2.8 billion (Ministry of Industry and Trade 2017).

The export structure of Vietnam to ASEAN has been changing in a positive way, both in terms of quality and value. From the traditional items that Vietnam has an advantage, including primary agricultural products and raw materials such as rice, coffee, rubber, crude oil with low processing content, over time, Vietnam has started to export many items of consumer and industrial goods such as computer components, textiles, processed agricultural products with high value and stability. Currently, the major export items of Vietnam to ASEAN include agricultural products (rice), telephones and spare parts; computers, electronic products and equipments; textiles, crude oil, etc. (Ministry of Industry and Trade 2013). Among these items, telephone and spare parts, computers, electronic products and components; textiles, fisheries contributed more than 45% of the value of exports to ASEAN in 2017.

After the commitments to AEC came into effect, many economists were optimistic for Vietnam’s exports as the business would benefit from positive factors by eliminating tariff barriers and reducing non-tariff barriers (Pham Viet Dung, 2016, p. 28). In addition, the Economic Community aims at creating a single common market and a unified production base, including the free movement of goods, creating opportunities for those Vietnamese goods that have advantages and are suitable for ASEAN markets. Trade agreements of ASEAN Economic Community such as AITIGA, which stipulates 98% of goods will be subject to tax at 0% by 2018. Up to now, in terms of trade cooperation with other countries in the ASEAN region, Vietnam has completed the tax elimination roadmap, so Vietnamese exporters have golden opportunities for exporting and expanding markets. Vietnam can also benefit from free trade agreements with external partners of ASEAN such as India, China, Australia, New Zealand.
However, ASEAN is also a market with great competitive pressure. When ASEAN countries abolish tariff barriers, they also set up a system of technical standards to protect their domestic markets and restrict the export of other countries. Tariffs of many commodities are cut, but trade barriers may be tightened as free trade agreements give rise to non-trade barriers in the name of trade protection remedies. In particular, rules of origin play a particularly important role. In order to be able to export to ASEAN countries and enjoy tax incentives, exporters must prove the origin of goods at a rate specified for each item. The similarity of some products such as textiles, agricultural products, and fisheries of Vietnam and ASEAN countries also poses a big challenge for Vietnamese exporters.

In addition, the similarity of main items of AEC members such as textiles, rice, and fertilizer... creates a lot of competitive pressure. All members of the bloc produce consumer goods that are competitive with each other, so when the linking process occurs too quickly, it may lead to losing the advantage when it is forced to compete with each other. It can be said that these are also major risks for Vietnamese exporters in the ASEAN market.

**Current Risk Situation of Vietnam Export Goods to ASEAN Market**

The causes of the risks in exports are determined from both the sides of the exporting and the importing countries. With the establishment of AEC, the tariff on many items have been cut, but the risks are still coming from the rules of origin, technical standards, food safety and the Covid-19 pandemic.

The rules of origin have had a negative impact on the export situation of Vietnamese exporters into the ASEAN market. The rules of origin require at least 40% of the products produced originating in ASEAN to enjoy the tax rate of 0%. Many Vietnamese exporters find it difficult to meet the regulations because of the source of raw materials. At present, only about 20% of Vietnamese products meet the standards of the rules of origin (Tran Van Hung et al., 2015).

This, in turn, poses a risk to Vietnamese exporters. While exporting to ASEAN markets, Vietnamese exporters do not enjoy preferential tariffs, causing them to bear considerable costs incurred in the process of production and export, leading to high selling prices and disadvantages compared to other countries.

By 2017, Vietnam’s National Single Window mechanism (NSW) has successfully linked with 4/10 ASEAN countries (Indonesia, Malaysia, Thailand, Singapore) to exchange the Certificate of Origin Form D for export goods originating from ASEAN (or ATIGA Certificate of Origin (C/O) form D). The National Single Window (NSW) allows customs declanants to submit electronic information and documents for customs clearance and the procedures of state management agencies in relation to the import and export goods through an integrated information system. State management agencies shall decide to allow goods to be imported, exported or transitted; the customs office decides to clear the goods, release the goods by the integrated information system. In addition, the mechanism for exchanging information on ATIGA C/O form D has officially operated as the Protocol on the legal framework for the implementation of the ASEAN Single Window has officially come into force. ASEAN Single Window (ASW) is an environment in which national single window
mechanisms work and integrate with each other. The implementation of the ASEAN Single Window derives from the need to create favourable trade conditions for ASEAN countries through the signing of the Agreement on the establishment and implementation of ASEAN Single Window (2005) and the Protocol on the development and implementation of ASEAN Single Window (2006). The General Department of Customs of Vietnam is trying to coordinate with the Ministry of Industry and Trade, Ministry of Information and Communications to plan the official implementation of ASW on C/O form D to other countries in the region.

The similarity of major items of AEC member countries such as rice, fertilizer, textiles… lead to the greater pressure of competition. If the process of linking together into one community takes place too quickly, it may lead to the loss of market edge and force mutual competition. Therefore, in order to improve the competitiveness, reducing the risks of exporting goods in the community, Vietnam’s participation in the value and supply chain in ASEAN must satisfy at least three aspects, i.e., large-scale production, timely delivery, access to appropriate distribution channels.

Technical standards are among the risks faced by Vietnamese exporters when entering the ASEAN market. One of the aspects of cooperation within the AEC framework is cooperation in technical standards and norms. However, ASEAN countries have different levels of development as well as different objectives and policies. Therefore, the unification of a common technical barrier between ASEAN countries is very difficult (Van Chi 2016). Technically speaking, in developed countries, international standards are often met, while in less developed countries, technical standards are rather arbitrary, often proposed by business associations and not by the governments. The large disparity in economic development level, socio-cultural conditions of ASEAN countries leading to problems, related to the inconsistency in customs procedures and technical regulations, pose risks to Vietnamese exporters. The overlap in quality standards has led many Vietnamese exporters to “shuffle” when they have to meet many standards and regulations at the same time and even risk the transaction. In addition, the implementation of ASEAN Single Window has only completed the linking in terms of Certificate of Origin (C/O); other related administrative procedures such as the quarantine certificate, food safety certificates or exchange of electronic vouchers… have not been provided, which causes risks for the export activities in ASEAN region.

A typical example of the technical barriers of Thailand market – Vietnam’s leading trading partner in the ASEAN region. In fact, during the process of exporting goods to this country, many technical barriers set up by Thai companies have caused risks for export companies. Requirements of packaging, labels, import certificates and permits… may lead to risks. In the programs introducing Vietnamese products, Thai consumers are very much interested in agricultural and seafood products such as Da Lat butter fruits, dragon fruit, Japanese-origin sweet potatoes, catfish (cá ba sa)…. The risks of Vietnamese goods do not come from quality. When Bac Giang litchi is exported to Thailand, it is still reimbursed due to the requirements related to the standard size of the product, although it is eligible for circulation in the fastidious market with agricultural products such as Australia. Thailand’s control system of imported goods is particularly strict with the requirements of package, packaging specifications and brands. As a rule, the packaging of the products must be made of...
guaranteed materials, heat resistant, moisture resistant. Some Vietnamese exporters use waterproof packaging or use hay and straw for packaging, which reduces the quality of the goods in the process of transportation and preservation and therefore do not meet the requirements.

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**Risks involved in agricultural products**

Currently, many countries in the ASEAN region, especially Malaysia, Thailand, Singapore ... have constantly changed some regulations in importing agricultural products such as traceability and food safety. Relevant ministries and branches, especially the Ministry of Agriculture and Rural Development, should actively coordinate with other ministries and customs authorities in the region in updating their regulations on agricultural, forestry and fishery products. Enterprises of both sides have demand on agricultural products; however, due to the new regulations from the importing country in ASEAN, many exporters are still unable to grasp these adjustments. The fact that ASEAN partner countries require high quality will still create risks for Vietnamese exports, but it will become an opportunity for Vietnamese exporters to improve quality and be more active in production – business activities.

Customs General Departments of ASEAN countries, together with relevant Ministries of Vietnam, can coordinate to organize international seminars aiming at exchanging information and professional skills on food safety, animal and plant quarantine, regulations. The seminars may help Vietnamese exporters grasp the process to comply with regulations, thereby focus on building raw material areas to traceability, ensure product quality to export to markets in ASEAN countries.

*Interview with Prof. Nguyen Van Song, Former Dean Faculty of Economics and Rural Development, Vietnam National University of Agriculture*

Singapore is also a high demand market for quality products, including packaging, labelling, animal and plant quarantine and standards for goods and services. In particular, for electronic items, equipments and components, the Singapore Safety Authority has issued 35 specific requirements for standards, norms and a list of regulated electronic devices (Ministry of Industry and Trade, 2016). Or, for food and fishery products, the sample must meet all food safety requirements and other requirements for each specific item in the “Sale of Food Act” to be imported into Singapore. In addition, food items must be labelled in accordance with regulations to be imported and consumed in Singapore.

Moreover, the domestic environment has not really facilitated good conditions for the exporters of Vietnam. There is a lack of information for the process of integrating and engaging in the regional market. Vietnamese exporters are always “hungry for information” about the new demand in the market, including macro demand. This is the situation even with traditional and important markets such as the ASEAN region.

Most of the exporters have not grasped the legal characteristics of these markets. They do not have information on technical barriers and sanitary and phytosanitary measures. In addition, exporters have not studied specifically about the rules of origin, tariff reduction before
planning their production and export activities. This leads to risks while exporting. Vietnamese’s small and medium exporters are not only small in scale, capital and technology but also more backward than other ASEAN countries. Their vision and business thinking are rather limited and short-sighted, which also lead to risks in export activities. If tariff barriers are removed completely, then the requirement of origin emerges as a new barrier to business. To meet the requirements of origin of goods when exporting to ASEAN countries and enjoy the tax incentives, exporters must prove the origin of goods according to the rate specified for each item.

Box 2

Where does the risk come from?

Although a number of large exporters in Vietnam, which have established a considerable reputation in the market, they face many risks when penetrating the ASEAN market. The main reason is that most businesses still lack official and detailed information about this market and they must gather information by themselves that takes time and cost, so Vietnamese businesses are still “hesitant”. Exporters have not bravely grasp the opportunity, because they have a psychology of doubt, fear of risk, lack of confidence in their capabilities. One of the reasons is due to lack of understanding about the regional market.

Interview with Dr. Nguyen Thi Ngoc, Hoa Binh University, Hanoi 12 February, 2019.

A survey by the Vietnam Chamber of Commerce and Industry (VCCI) showed that, after one year of establishment, only 16% of Vietnamese businesses really understand about the ASEAN Economic Community (AEC) (Van Chi, 2016). In the era of information technology, exporters continue to face the lack of specific information which meets the demand and directly affects their business activities.

In recent years, Vietnam’s steel exports are mainly to ASEAN countries, as these markets have great demand in terms of quantity but are not too strict in terms of quality. However, in the context of ASEAN countries applying many trade protection remedies, exports to this region have faced many risks and great losses. In 2015, the Malaysia Ministry of International Trade and Industry (MITI) conducted anti-dumping investigations for Vietnamese alloyed and non-alloyed cold rolled coil of thickness of 0.2-2.6 mm and width of 700-1300 mm in this market. Apart from trade competition, steel is issued because all countries want to be protected for development. However, the main reason for the investigation was due to the lack of understanding of the laws and management mode of the importing country. Another risk is that, businesses sign very sketchy contracts and often do not use legal tools to protect their interests. Businesses only meet a number of basic terms such as quantity, price… and most of them ignore the terms on penalty or compensation (Hai Van, 2015).

Covid-19 pandemic started in Wuhan, China, in December 2019 and began to spread strongly to Vietnam, ASEAN countries, many countries and regions around the world. This pandemic raging throughout 2020, especially starting in March 2020, has caused disruptions to regional and global trade chains. This greatly affects the import and export of goods in Vietnam. Thanks to good control of the Covid-19 epidemic in the first quarter of 2020, the export growth to ASEAN countries and a number of other major partners has progressed in a
positive trend. Vietnam’s export performance from April 2020 to December 2020 was adversely affected by this pandemic.

In that context, Vietnam’s goods importers from ASEAN announced that they would postpone their orders in April and May and have not temporarily negotiated an order from June onwards (normally every year, this is the time when parties negotiate for year-end orders). The main reason is that the importers use the Force Majeure clause when these countries close cities, even nationwide, people are required to stay at home. For this reason, products such as textiles, garments, food, footwear, wooden products... are suffering from the Covid-19 epidemic due to the improvement of raw materials from Q1 in 2020. However, it is now facing difficulties in output markets, especially the main export markets of Vietnam, namely ASEAN, the US and the EU.

However, so far, Vietnam has basically controlled this pandemic, it is expected that exports to ASEAN countries will increase again in 2021. This expectation can become a reality if ASEAN countries can also control the Covid-19 pandemic like Vietnam.

**Measures to Mitigate the Risks of Goods into the ASEAN Market**

The common point in previous studies (mentioned in the section on literature review) is that they clearly identified the need to take into account political, social, economic and technical factors and risk assessment related to potential hazards while developing, analyzing and comparing legal options in order to choose the optimal adjustment measure for safety from that hazard. Thus, the awareness of the types of risks in export needs to be popularized at both micro and macro levels, thereby creating specific strategies to protect Vietnamese exporters against those risks. It can be said that to reduce the risk and thereby increase the export of Vietnamese goods to ASEAN markets, the Vietnamese government and exporters must focus on early and full identification of risks and finding out where they come from; measure, analyze, forecast these risks and solutions. At least, there should be a focus on the following two groups of measures:

**Firstly**, the measures by the government. In Vietnam, the government plays a role in regulating the market in the introduction of goods to foreign markets. In particular, the Ministry of Industry and Trade should regularly review the projects on export production, timely remove difficulties to put export production projects into operation and sustainable growth. The Ministry of Industry and Trade should also coordinate with relevant ministries and departments to promulgate documents that help businesses increase its added value and produce products that meet the quality and appropriate standards and are suitable to the demand of the customers in ASEAN countries.

The Government of Vietnam should establish channels of information for businesses in ASEAN markets. It should aim at building an agency for information collecting and processing as an information source for the businesses to refer to. By the end of 2016, official information on the ASEAN markets had been posted on the website of the Ministry of Industry and Trade. The E-Commerce Department of the Ministry also has an overview channel on the markets as well as import and export tariff tables so that enterprises can get
more information to boost export. However, most of the information is often sporadic and
general. Businesses often find it difficult to make quick and effective use of the available
information.

In addition to the implementation of specific measures to support exporters in terms of market
information, capital, exchange rates… the Government should continue to accelerate
administrative reforms to create favourable conditions for the issuance of certificates of
origin, customs procedures and related procedures to promote exports to the ASEAN market.
Specifically, it is necessary to create favourable conditions for the exporters to issue the
certificates of origin on their own by simplifying administrative procedures, shortening the
time for issuing C/O by using electronic C/O as well as improving the C/O e-system.

The Government should monitor and examine the economic and trade situation inside and
outside ASEAN region in order to promptly respond to the unexpected changes from the
importing markets. In the near future, it is necessary to accelerate the development and
application of national standards in line with regional standards, especially ASEAN
standards. In addition, the Government should provide consultancy, support and training of
high-quality human resources to help businesses produce and export goods into ASEAN
markets.

Another measure of this group is that the Government of Vietnam should accelerate the
process of comprehensive economic integration through trade agreements to be able to
intervene in dealing with legal risks occurring to the disadvantage for exporters. The
directions for accelerating economic integration include: (i) active implementation of
commitments under FTA, particularly the implementation of the ASEAN FTA/CEPT,
ASEAN – China FTA (ACFTA), Vietnam – US Trade Agreement (BTA), Vietnam – EU
Free Trade Agreement (VEFTA), Vietnam – Korea Free Trade Agreement (VKFTA) and
ASEAN Economic Community (AEC) (Ngo Xuan Binh, 2017).

Currently, the Regional Comprehensive Economic Partnership (RCEP) is a new cooperative
mechanism of 16 Asia – Pacific countries (including 10 ASEAN countries and 6 partner
countries). It has reached a flexible agreement in many areas, including market access. The
scope of RCEP is a high-quality free trade agreement aiming at a higher goal of forming a
comprehensive partnership between ASEAN and the six partners. The current RCEP focuses
on the reduction of tariffs and free trade, which are applicable not only to trade in goods,

services and investment such as TPP, but also expand to broader areas including intellectual
property, environment and labour. As of September 2019, 16 countries have concluded
negotiations on issues such as customs and trade facilitation, state procurement, economic
and technical cooperation, and small and medium enterprises (SME). However, at a meeting
held in November 2019, countries failed to reach an agreement on RCEP when India decided
to withdraw from the seven year-long negotiations on this agreement. Specifically, the Indian
side stated that the current form of RCEP does not reflect the basic spirit and guiding
principles agreed upon previously (Tapchicongsan, 2019).

Nowadays, regionalism in Asia is creating many changes, especially in the economic field.
RCEP negotiating countries still have many concerns about trade deficits with other member
states like China. Further promotion of free trade will likely create a larger trade deficit in
ASEAN countries as well as in India’s trade relation with China. The Indian side is concerned
that regionalism will create negative effects on the Indian economy with regard to the trade deficit issue if it joins RCEP. Two-way trade between India and China reached US$95.5 billion in 2018. However, China’s trade surplus with India was 53 billion USD. India is not at all willing to lower its trade barriers (Tapchicongsan, 2019).

Secondly, the group of measures to be implemented by the exporters. Vietnamese exporters need to develop strategies to penetrate and develop their commodities in ASEAN markets. Those which are well aware of import and export procedures will change their own business strategy towards ensuring the regulations as well as improving the quality and competitiveness of products.

As mentioned in the section on literature review, most studies indicate that local exporters need to work towards building a systematic, cost-effective and practical internal procedure in order to create solutions when risks arise in each respective export market. Risk management is a combination of three specific steps, i.e., (i) risk assessment, (ii) risk control and (iii) risk monitoring. This paper is of the view that the three-step combination of risk management is also consistent with the ‘5M + C’ model that it proposes, i.e., exporters must actively reform their governance and build appropriate business strategies; promote linkages in the chain to increase value; enhance its competitiveness and meet the needs of ASEAN markets. Each enterprise needs to improve its competitiveness in the “5M+C” model, namely “Machine innovation” – M1), “Money innovation” (M2), “Management innovation” (M3), “Marketing” (M4), “Men, Human Resource” (M5) and “Enterprise culture” (C).

In market penetration and market system building strategies, exporters need to adopt mixed marketing systems based on products, pricing, distribution and advertising decisions. For Vietnamese enterprises exporting goods to ASEAN countries, it is important to focus on product, distribution and advertising decisions so that they can take full advantage of this potential market.

To penetrate deeply into these markets, businesses need to diversify their products and focus on building their brands. Currently, it is quite common that Vietnamese goods exported to ASEAN countries, especially agricultural products such as coffee, pepper, tea… do not have a brand or hide under another brand. In this situation, Vietnamese exports have to suffer double losses due to the lack of awareness of brand building and protection. Localities and exporters in Vietnam should be aware of the role and significance of brand building and development.

Establishing an appropriate and effective distribution and sale channel is also a measure that Vietnamese exporters should utilize. Exporters should determine they sell goods to customers through the direct distribution channels or through intermediaries; the number of distribution channels, points of sale; the combination of channels… For example, in Singapore, in recent years, online retail is growing, as more brands offer more conveniences to customers. The chain of convenience stores in the free residential areas and the increase in the number of speciality retailers providing high-quality food continue to increase. Exporters in Singapore have appropriate distribution strategies for each type of product to meet the need of the customers. Focus is put on the identification of competitors. Vietnamese exporters should learn this experience in order to reduce the risks and increase business efficiency.
In the communication activities, Vietnamese exporters need to understand the characteristics of the markets and the import-export process of each market and anticipate solutions to respond to unexpected situations. While exporting to the ASEAN market or dealing with a new partner, exporters should explore the cultural, religious, political and economic characteristics of each market as well as its financial strength to ensure the efficiency of export activities. Product promotion should be linked to the culture of each country in which religious factors are taken into account. For markets with a predominantly Muslim population such as Malaysia, food containing beef or pork or its derivatives thereof, or lard, must be declared... or use any other words to inform the buyer of this. Meat and meat products must have the “Halal Food” logo issued by the Islamic Development Authority of Malaysia (JAKIM).

In the context of Vietnam’s deep integration into markets of different continents, the quality of goods must meet the international standards for each specific commodity. For a long time, Vietnamese agriculture was not based on market demand. Farmers focused on raising and planting products, which have a high price and pay little attention to the market demand. Although there is much strength in agricultural production, 90% of Vietnam’s agricultural products are still exported in raw form, leading to the difficulty in its consumption because due to issues related to preservation and risks during transportation. The technology of preserving and processing agricultural products in Vietnam is very backward. Even in some of the key provinces of the Mekong Delta, there is not any enterprise involved in the processing sector (H.Chung 2017). There is a lack of maintenance facilities, such as the cool storage at the raw material areas.

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<td>Risk mitigation strategy needs to be based on Vietnamese enterprises’ weaknesses</td>
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<td>Small and medium exporters are first exporting encounter difficulties in promoting products, packaging design and product quality meeting required standards, therefore, every step is crucial. Compared to other partner companies in ASEAN, many Vietnamese exporters are lag far behind in development potential, experience and the ability to use foreign languages, causing misunderstandings about technical regulations, especially in some countries requiring Halal certification. Finding proper ways to overcome these weaknesses may help reduce the risk when supplying goods into this market.</td>
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*Interview with Dr. Nguyen Binh Giang, Deputy Director of Institute of World Economics and Politics, Vietnam Academy of Social Sciences, 04 February, 2019.*

Besides the specific measures for the exporters in market research, the manufacturing facilities of the exporters should also work closely with the suppliers of raw materials to ensure safety. Vietnamese agricultural products are also exposed to many risks due to natural disasters, epidemics... which make the supply of raw materials unstable. In addition, the scale of agricultural production is fragmented, technology is backward and the preliminarily processing and preservation is based on the experience of the farmers. Therefore, in many cases, the products do not meet the standards for goods exporting to some countries with relatively strict technical barriers, such as Singapore, Malaysia... Enterprises should monitor the operation of the production facilities to ensure the quality of agricultural products, to meet
the technical demand of the buyer and help protect their trademarks, avoid the phenomenon of counterfeit goods which adversely affect their reputation.

Moreover, through associations, small and medium enterprises in the country should work together to protect their interests against the risks of export. The business community should be more concerned about updating the new standards within ASEAN and determine the impact of those technical regulations on the exports of each enterprise. The timely adherence to legal regulations of the ASEAN countries, especially technical regulations, food hygiene and safety (with enterprises exporting agricultural products), will help businesses actively raise the ability to exploit the market and apply the quality management standards right from the selection of export products and suppliers which will help reduce risks. Investment and Trade Promotion Centre of Ho Chi Minh City host lots of forum for managers and businesses for sharing information and solutions to limit risks through experiences in promoting international markets, including the ASEAN market. In the framework of the ASEAN market and export forums, experts have provided detailed advice on how to supply goods in multinational supermarket chains, providing products with Halal certification for Islamic countries in the ASEAN region, while managing financial risks in the export process.

Box 4

Promoting cooperation aimed at reducing risks

To meet the demand for breaking into the market or link with other ASEAN enterprises, Vietnamese enterprises, especially small and medium exporters instead of self – access should connect with reputable government organizations such as Department of Industry and Trade. According to many partner companies in ASEAN, the prestige of small and medium exporters will increase significantly when entering the market together with associations or government departments. Unless through a Trade Promotion agency, small and medium-sized enterprises are likely to remain unconnected after a year. Exporters through Trade Promotion agencies can correctly perceive the market, leave stage of surveying the target market. In addition, along with the Trade Promotion agencies, businesses will easily connect to the supermarket chains, commercial counsellors or the Vietnamese Embassy in the host country, because these agencies have direct and specific instructions on contact methods, technical regulations of products and goods. The most important factor is the boldness of enterprises. This is also a solution to reduce risk.

Interview with Prof. Do Hoai Nam, Former President of Vietnam Academy of Social Sciences, 10 February, 2019.

It is to be noted that over-reliance on one market poses risks to the exporters. This is because if there is a fluctuation from that market on raw materials – inputs for production, all sales, profits, jobs and income of workers will be reduced. Vietnam should promote market diversification and enhance its trade relations with the US, EU, Japan and South Korea (Ngo Xuan Binh, 2017). In order to avoid risks for exports, Vietnam should aim at expanding the export market, taking advantage of international integration opportunities to promote exports, especially taking advantage of Free Trade Agreements (FTA) to create a new competitive edge for exporters. The participation in ASEAN Economic Community (AEC) requires Vietnam to grasp the movement of this process and encourage the engagement of its exporters in AEC. With the formation of AEC, there are about 50 bilateral and multilateral FTAs that ASEAN countries are implementing or taking part in its negotiation. Therefore, if we rely on
ASEAN, together with other ASEAN countries, to agree on a number of important issues, including the integration of FTAs with intra-regional partners, Vietnam can enhance its position in its relations with big powers such as the US, Japan, China and India... It is important for Vietnamese exporters to make good use of the FTA preferences to identify key markets and focus on meeting the technical and quality requirements of this market to increase the number and value of export orders. Exporters need to tackle the defects in market identification, focusing on highly potential markets with clear commercial corridors to avoid uncontrollable risks. Exporters can assess the potentials of a market by studying the total import demand of that market. As of July 2019, Vietnam participated in a total of 16 FTAs (including all 3 FTAs under negotiation), in addition to the first 9 traditional FTAs Vietnam joined with partners in the ASEAN region or with ASEAN’s common partners in Asia, there are also 4 new generation FTAs (VCCI, 2019). Recently, The European Union Vietnam Free Trade Agreement (EVFTA), signed in June 2019, is considered a new generation bilateral agreement – it contains important provisions for intellectual property (IP) rights, investment liberalization and sustainable development.

Thailand, despite being competitive with Vietnam in most agricultural, forestry and aquatic products for export, yet it is possible for some goods to penetrate into this market. According to the assessment of many Vietnamese experts, Vietnamese goods have their own strengths that Thai goods do not have, such as quality, constant supply, competitive prices. Therefore, Vietnamese exporters should not be too cautious. Instead, they should have appropriate trading strategies. Currently, Vietnam MM Mega Market Company has been connecting domestic exporters to more than 700 Big C supermarkets in Thailand. Initially, more than 1,200 tons of dragon fruits were exported to Thailand. They are also connecting Vietnamese suppliers to export some other commodities, especially agricultural products. According to the survey of MM Mega Market, Thai consumers are very much curious and willing to try new products. In the programs introducing Vietnamese products, it is shown that Thai consumers are very much interested, especially agricultural products such as Da Lat butter fruits, dragon fruits, Japanese-type sweet potatoes, catch-fish... (Ha Anh, 2017).

Thus, in order to penetrate deep into the ASEAN market and join the global value chain, Vietnamese exporters need to change their thinking in the production process, focus on creating added value difference in their products, avoiding the mass production of low-value items. In order to ensure the effectiveness and sustainability of export development, it is more important that the goods should give consumers “special effects”.

Conclusion

Currently, ASEAN is one of the leading trade partners of Vietnam. It is also the crossing area of many bilateral trade agreements between ASEAN and other intra-regional and extra-regional partners. This will open opportunities for Vietnamese goods to reach out to larger markets such as China, Korea, India, and Japan... Vietnam – ASEAN trade turnover is growing both in depth and width. However, in the current period, requirements for higher quality export products are major challenges (risks) for Vietnamese exporters, especially in the context of trade protection remedies being used by partners, such as rules of origins and
technical regulations. This is the main cause of constant risks to Vietnam’s exports to ASEAN. The issue is not only to ensure the quality of products according to standards, but also to strive for “superior” quality and show the “difference” of the product in comparison to the products of the same type in the market. Developing new products and renew the existing products using modern technology etc., is an important factor to gain, retain and expand the market effectively.

The Government of Vietnam should work with enterprises to get information on integration, the legal basis and the mechanism for settling disputes. In other words, In order to minimize risks for goods exported to ASEAN, the Vietnamese government and exporters need to work closely with each other in identifying risks, forecasting and handling risks. The Government needs to support exporters, not only to help develop ASEAN market information systems in Vietnam but also to continue providing export credits to these enterprises through the state commercial banking system. At the same time, strengthening cooperation and increasing dialogue with governments of ASEAN countries to improve the legal environment, creating favourable conditions for Vietnamese exporters in handling risks and trade disputes. It is important to emphasize that, in order to avoid risks when exporting to ASEAN markets, enterprises should not only increase market research but also enhance connectivity and transactions with importers from ASEAN to be updated about market information and tastes of customers in each ASEAN country.

It should be emphasized that even when the ASEAN economic community commits to the best implementation of the intra-bloc agreements, the risks of origin, specific technical standards (associated with certain types of goods and associated with culinary culture...) and uncontrolled Covid-19 pandemic, there are still risks to Vietnamese goods exported to ASEAN markets. This shows that Vietnamese exporters continue to face these challenges. In 2020, as the fifth chair of ASEAN, Vietnam had proactively connected, hosted and organized many seminars with ASEAN partners to mitigate these risks. ASEAN partners (government and businesses) also share this view with Vietnam.

References


Measures to Mitigate Risks for Vietnamese Enterprises Exporting Goods to ASEAN Markets.


