

CUST CENTER FOR INTERNATIONAL TRADE
ECONOMICS AND ENVIRONMENT



CENTER FOR DEVELOPMENT AND INTEGRATION
VIETNAM



NATIONAL LAUNCHING WORKSHOP

ON

**LINKAGES BETWEEN TRADE, DEVELOPMENT
AND POVERTY REDUCTION**

Hanoi, November 2005

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INTRODUCTION

Integration into the global economy has been acknowledged as the obvious trend of any country. However, linkages between trade, development and poverty reduction are still debatable, especially for a developing country like Vietnam. Moreover, Vietnam is in the process of World Trade Organisation (WTO) accession and a deeper integration with multilateral and bilateral negotiations. Therefore, it is important to have a comprehensive view with various dimensions to the effects of trade liberalisation on development and poverty reduction for more appropriate policy recommendations.

For awareness building and policy-making facilitation, *Center for Development and Integration* (CDI), Vietnam with the cooperation of *CUTS Centre for International Trade, Economics & Environment* (CUTS-CITEE), India, have planned to implement the project entitled, 'linkages between trade, development and poverty reduction'. Vietnam's National Launching Workshop on this topic is the first step attracting attention from different policy-makers, senior researchers, advocacy workers and also the public media to share experiences of integration from other countries, to analyse some initial effects of trade liberalisation in the region and in Vietnam particularly, and to raise policy recommendations.

This paper is the report contains the proceedings and the conclusions of Vietnam's *National Launching Workshop on Linkages between Trade, Development and Poverty Reduction* organised by CDI on November 10, 2005 in Hanoi, the capital of Vietnam. The success of the Workshop would not have been achieved had it not received the technical supports from Vietnam Asian-Pacific Economic Center (VAPEC), Vietnam and Institute of World Economics and Politics (IWEP), China. Besides, the presentations of senior experts and managers from ministries, institutes and non-governmental organisations (NGOs) have been the main sources for valuable ideas coming from discussion through out the Workshop.

SESSION 1 - OPENING

On behalf of CDI, Dr Doan Hong Quang presented a short opening speech welcoming all distinguished participants and sincerely thanked them for participating in the National Launch Workshop of the project on Linkages between Trade, Poverty reduction and Development (TDP). He extended special thanks to senior experts and officials in managerial positions from Ministries and Institutions who are very important persons in terms of exchanging information, policy making and experience sharing.

Dr Quang provided a brief introduction of the TDP project as a significant initiative of CUTS Centre for International Trade, Economics and Environment (CUTS-CITEE), Jaipur, India, which is being implemented in 15 countries. Then, he outlined the project objectives and activities.

Workshop Agenda and expectations were also illustrated in order to get the attention for an effective discussion. They include:

1. Share experiences and lessons learnt from other countries in the region, especially from the case of China's WTO accession, on linkages between trade, development and poverty reduction.
2. Give out the projection with the actual experience in Vietnam on the main question of the effects of trade liberalisation on poverty in Vietnam.
3. Synthesise the views from three different groups of policy-makers, researchers and associations/NGOs, at micro, meso and macro levels, and at both sides of positive and negative impacts to get the consensus on advocacy points.

SESSION 2 – LINKAGES BETWEEN TRADE, DEVELOPMENT AND POVERTY REDUCTION IN ASIAN REGION

*Chairman: Dr Nguyen Xuan Thang
Director*

Institute of World Economics and Politics, Vietnam

In this session, the Workshop covered four presentations, including:

1. The Positive Impact of Trade on Growth and Poverty Reduction
*By Dr Doan Hong Quang
Center for Development and Integration, Vietnam*
2. WTO Accession – Experience from China
*By Dr Vo Dai Luoc
General Director
Vietnam Asian-Pacific Economic Center, Vietnam*
3. Impact of Trade Liberalisation on Poverty in South East Asia
*By Dr Vo Tri Thanh
Head of Department
Research Department on Economic International Integration Policies
Central Institute for Economic Management, Vietnam*
4. WTO Accession – Vietnam Main Commitments
*By Dr. Tran Dinh Thien
Deputy Director
Vietnam Institute of Economics, Vietnam*

Discussions in the presentations focused on the following points:

International economic integration has impacts on the poor through many indirect and direct channels, including institution, production factor, markets, social security policies, growth, income, employment, environment and distribution. From the theoretical point of view, the static models of integration show a positive impact as the integration raises the efficiency of resource allocation. However, the dynamic effect is not clear due to the different results of the process of technology transfer, learning and specialisation. Moreover, conclusions from existing models are dependent on assumptions. In fact, no clear impact is found in any country. Potential trade earning from deeper integration does not mean positive impact on growth and poverty reduction.

Trade liberalisation brings both opportunities and challenges. It seems that trade liberalisation increases risks and makes the poor more vulnerable. Short-term effects do not contain enough information to conclude on policies and overall impacts because long-term effects may be in reverse direction.

The experience from China's WTO accession is very useful for other developing countries. WTO accession has facilitated China in growth rate, policy

reforms and economic structure modernisation. What can be learnt from China is the complete implementation of WTO commitments. From pre-accession policies such as moving to market economy, non-tariff barrier (NTBs) elimination, to step-by-step economic restructure and market opening, China always considers the complete commitment implementation is meant for its benefit. Despite the criticisms in the fields of property intellectual rights or too high commitments on trade liberalisation, policy instruments that China employed have not violated WTO's principles and commitments. Such technical measures help China from negative impacts of reforms, especially social impact.

Before China's accession, there are many studies showing that China would face various shocks, especially industry shocks e.g. automobile industry and agriculture. Despite these worries, machinery, agriculture and banking sectors have still developed well. Other countries are concerned with the flooding of Chinese goods in their domestic markets. Korea has faced a high unemployment rate due to this factor. Therefore, Chinese exports' advantages of low labour price and currency value have placed other countries into much more careful policy consideration. However, there is still the existence of some burning issues, including trade disputes, exchange rate, and human resource investment.

As for developing countries, positive impacts of trade liberalisation on poverty mainly come from labour-intensive industries' development and agriculture opportunities expansion. In the short-term, negative impacts to some extent seem to be obvious with unemployment and income reduction due to restructuring of economy. Whether integration impacts at the household level is negative or positive depends on some factors including:

- Factor price fluctuation with regard to labour and marketisation level of household activities;
- Demand for skilled labour;
- The flexibility/availability of factor markets.

From experiences of other countries in the East Asian region compared to South Asia, America and Africa, economic growth and poverty reduction have been impressive achievements. In the context of globalisation, high and sustainable economic growth is the important determinant for poverty reduction. Macro economic stability, export facilitation, infrastructure and human resource development are factors for economic growth. However, the impact of trade liberalisation on poverty is far from reaching a viable conclusion. Trade liberalisation will procure opportunities but the capacity to capture these opportunities is still the million dollar question.

In order to enjoy benefits from globalisation, Vietnam has to open markets faster than expectation, especially when China, India, and Thailand already have accessed WTO.

Advocacy Points:

- There is a need for supporting policies to bring into play potential positive impacts of trade liberalisation. In this context, the governments of developing countries need to play the pro-active role along with the participation of relating partners.
- There can be no sustainable poverty reduction without efficient resource allocation as the necessary condition. Trade liberalisation itself, especially export promotion instruments, can not explain for the different results in economic growth and poverty reduction. Attention be placed to study integration risks, macro policies, foreign direct investment (FDI), economic restructure, labour migration, and ethnicity in relations with trade liberalisation.
- There is no need to worry about WTO accession commitments such as NTBs eliminations and services liberalisation. Vietnam can apply substitute measures learnt from China experience. The biggest lesson from China experience is to pursue market economy with deeper integration.
- WTO accession is only the starting point of a new phase of global integration. Post-accession industry policy will have to follow many WTO commitments regarding Trade Related Intellectual Property Rights (TRIPs) and Trade Related Investment Measures (TRIMs).

SESSION 3 - IMPACTS OF TRADE LIBERALIZATION ON POVERTY IN VIETNAM

*Chairman: Dr Vo Dai Luoc
General Director
Vietnam Asian-Pacific Economic Center, Vietnam*

In this session, the Workshop covered four presentations, including:

1. Poverty Updates in Vietnam
*Dang Kim Chung
Deputy Director of Department
Department of Social Protection
Ministry of Labour, War Invalids and Social Affairs, Vietnam*
2. Determinants of the Poor's Vulnerability
*Le Xuan Nghia
Director of Department
Department of Banking Development Strategy
State Bank of Vietnam, Vietnam*
3. Trade Liberalisation and Employment for the Poor
*Nguyen Lan Huong
Deputy Director
Institute of Labour, and Social Studies,
Ministry of Labor, War Invalids and Social Affairs, Vietnam*
4. Community Asset Building for the Poor- New Approach in the Context of Trade Liberalisation – Cases of Bac Giang and Ha Giang Provinces
*Tran Nhu Trang
Center for Rural Progress, Vietnam*

Workshop discussion focused on the following points:

The achievement in poverty reduction in Vietnam for a decade is acknowledged as the most successful story of economic development. However, the poverty reduction rates are neither the same across the country's regions, ethnicities nor sustainable. Vietnam has recently applied the new poverty line, including non-food items. The inequality is still a major issue, which tends to be growing. This income gap will affect the chance to participate and achieve the integration of the economy.

Minor ethnic groups and mountainous people are given special focus in the discussion. Concerns are raised whether these people should enjoy the benefit of trade expansion when they are characterised by undernourishment, temporary living, no electricity, no safe-drinking water, landlessness and low education etc.

Some new phenomena regarding poverty have emerged in the new context of integration. Labour migrants accept a lower wage to compete with the local labour. In

addition to urban poverty with labour migration, there is poverty due to landlessness from urbanisation. Farmers sell their land for cash, and then can only find off-farm jobs within a short period of time but no livelihoods after that, especially the poor farmers with low education.

Besides, the notion that people fall back into poverty tends to increase due to risks of natural calamity, price fluctuation, market access, investment movement and innovation. Unsustainable socio-economic policies with bad effect on environment have increased the vulnerability of local people. The case of shrimp production in Ninh Thuan province is mentioned as an example.

The fluctuation in agricultural product price is considered as the most important factor in an agricultural economy like Vietnam. This factor becomes all the more important when farming households do not diversify their income sources and they are moving from self-consumption production to goods production.

Labour is a main asset of the poor. Theoretically, global integration will create more jobs in labour-intensive industries in developing countries. Therefore, the removal of trade barriers and market distortions would be one of the most effective solutions to poverty reduction.

In Vietnam, the employment creation is always set as one of the most important targets of macro economic policies of the government. The employment strategy in the period of 2001-2010, so far, has created 5.9 million of jobs (78 percent planned), which is the over-expected achievement. However, there are many risks behind this beautiful figure. Challenges for sustainable employment are due to the fact that the poor workers are mainly:

- self-employment in the agricultural sector,
- in the informal sector, and
- in the rural area.

The labour market segmentation is the barrier for labourers that are poor to get benefited from globalisation.

Cases of Bac Giang and Ha Giang Provinces are discussed with the implementation of a new approach called, 'Community Asset Building for the Poor'. This approach emphasises the coordination and integration of five types of assets, including natural resource, human resource, social capital, physical asset and finance. It takes into account many factors, grouped into the principles: *people-centered; responsiveness and participation; dynamic multi-level involvement; partnership* among both public and private sectors; and sustainable economically, institutionally, socially and environmentally. Implementation in the fields shows preliminary positive results thanks to well-established technology transfer, management, coordination and connections between farmers, processing factory and local authority. Farming households participating in the project gain higher income.

Advocacy Points:

- Without attention to environment protection, economic policy will be less sustainable.
- Local production supports such as agriculture services and credit programmes are important for the poor to escape poverty. However, due to low capacity, the poor has found difficulty in accessing to these supports. Many poor households are left out of formal credit markets because higher interest rate prevents them from escaping poverty.
- Subsidy on agricultural inputs through the state input distribution in some cases is not the way to go. Despite cost reduction thanks to subsidy, farmers face the risk of low-yield variety.
- There is still a need to improve the market access in terms of information, training and credit for the poor. Solutions are needed to assure that the poor can participate in a value chain of production of well-known products with brand names and they receive right return.
- Off-farm employment in the rural area should be given more attention to create jobs for the poor. Since the vast majority of the workers in Vietnam are unskilled and most of them are poor, priority in pro-poor policies should be given to improving human capital of people, especially the poor.
- Formal credit programme for the poor seems to face many difficulties without other supporting programmes like business training and agricultural services.
- It should apply the new approach of Community Asset Building for the Poor on a wider scale.

SESSION 4 – CLOSING

While wrapping up the Workshop, Dr Doan Hong Quang recapped the main advocacy points raised by participants. Comments from participants confirmed that the information from the Workshop is very useful. It is really an open discussion among policy-makers, researchers and development workers from NGOs.

Through presentations with supporting evidences, participants are provided with a comprehensive picture of globalisation impacts on poverty, both positive and negative. Publication materials distributed at the Workshop included: all presentations, reports by Oxfarm, Asian Development Bank (ADB), and VAPEC on the topic, and the TDP Project information, which are well received by the participants. They are looking forward to sharing more such materials and discussion in the future. Also, the call for coordination for the next two case studies on the topic held by CDI is well received.

The Workshop ending is the starting point of discussion network on the topic of ***Linkages between Trade, Development and Poverty Reduction*** in Vietnam.

WORKSHOP AGENDA

VIETNAM TDP LAUNCHING WORKSHOP

Time: 8.00 a.m. -11.40 a.m. , Wednesday November 10, 2005
Venue: Conference Hall, Institute of World Economics and Politics,
176 Thai Ha Street, Hanoi

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| 8.00 – 8.30 | Registration |
| 8.30 – 8.40 | Session 1: Welcome and Opening |
| 8.40 – 10.00 | Session 2: Linkages between Trade, Development and Poverty Reduction in Asian Region
<i>Chairman: Dr Nguyen Xuan Thang</i>
<i>Director, Institute of World Economics and Politics</i> |
| 8.40 – 8.50 | The Positive Impact of Trade on Growth and Poverty Reduction
<i>Dr Doan Hong Quang,</i>
<i>Center for Development and Integration, Vietnam</i> |
| 8.50 – 9.00 | WTO Accession – Experience from China
<i>Dr Vo Dai Luoc,</i>
<i>General Director, Vietnam Asian-Pacific Economic Center</i> |
| 9.00 – 9.10 | Impact of Trade Liberalization on Poverty in South East Asia
<i>Dr Vo Tri Thanh,</i>
<i>Head of Department,</i>
<i>Research Department on Economic International Integration Policies</i>
<i>Central Institute for Economic Management, Vietnam</i> |
| 9.10 – 9.20 | WTO Accession – Vietnam Main Commitments
<i>Dr Tran Dinh Thien,</i>
<i>Deputy Director, Vietnam Institute of Economics, Vietnam</i> |
| 9.20 – 9.30 | Discussant
<i>Dr Le Van Sang,</i>
<i>Vietnam Asian-Pacific Economic Center</i> |
| 9.30 – 10.00 | Open Discussion |
| 10.00 – 10.15 | Break |

- 10.15 – 11.30** **Session 3: Impacts of Trade Liberalisation on Poverty in Vietnam**
Chairman: Dr Vo Dai Luoc,
General Director, Vietnam Asian-Pacific Economic Center
- 10.15 – 10.25** Poverty Updates in Vietnam
Dang Kim Chung,
Deputy Director of Department
Department of Social Protection
Ministry of Labour, War Invalids and Social Affairs, Vietnam
- 10.25 – 10.35** Determinants of the Poor's Vulnerability
Le Xuan Nghia,
Director of Department
Department of Banking Development Strategy
State Bank of Vietnam
- 10.35 – 10.45** Trade Liberalisation and Employment for the Poor
Nguyen Lan Huong,
Deputy Director,
Institute of Labor, and Social Studies,
Ministry of Labour, War Invalids and Social Affairs, Vietnam
- 10.45 – 10.55** Community Asset Building for the Poor- New Approach in the Context of Trade Liberalisation – Cases of Bac Giang and Ha Giang Provinces
Tran Nhu Trang
Center for Rural Progress, Vietnam
- 10.55 – 11.30** Discussion
- 11.30 – 11.40** **Session 4: Closing**

LIST OF PARTICIPANTS
VIETNAM TDP LAUNCHING WORKSHOP

Time: 8.00 a.m. -11.40 a.m., Wednesday November 10, 2005
Venue: Conference Hall, Institute of World Economics and Politics,
176 Thai Ha Street, Hanoi

No	Name	Institution
Government Organisations		
1	Tran Ngoc Hai	Ministry of Trade
2	Doan Thi Mai	Ministry of Finance
3	Ho Minh Chien	Ministry of Planning and Investment (MPI)
4	Bui Xuan Du	Ministry of Labour, War Invalids and Social Affairs
5	Dang Kim Chung	Ministry of Labour, War Invalids and Social Affairs
6	Le Xuan Nghia	State Bank of Vietnam
Government Institutes and Universities		
7	Tran Dinh Thien	Vietnam Institute of Economics
8	Vo Tri Thanh	Central Institute for Economic Management (MPI)
9	Tran Binh Minh	Central Institute for Economic Management (MPI)
10	Pham Minh Thuy	Institute of Market and Price Studies
11	Nguyen Viet Hung	Institute of Commerce Studies
12	Nguyen Lan Huong	Institute of Labour, and Social Studies
13	Trinh Thu Nga	Institute of Labour, and Social Studies
14	Nguyen Xuan Thang	Institute of World Economics and Politics
15	Luu Ngoc Trinh	Institute of World Economics and Politics
16	Tran Van Tung	Institute of World Economics and Politics
17	Lai Lam Anh	Institute of World Economics and Politics
18	Le Ai Lam	Institute of World Economics and Politics
19	Le Thi Binh	Institute of World Economics and Politics
20	Nguyen Hai Quan	Institute of World Economics and Politics
21	Bach Ngoc Thang	National Economic University
22	Bui Thien Son	Academy of Finance
23	Pham Tuong Van	Academy for External Affairs

24	Vu Xuan Truong	University of Trade
Associations and NGOs		
25	Nguyen Hoang Luu	Association of Small and Medium Enterprises
26	Pham Van Hong	Vietnam Chamber of Commerce and Industry
27	Vo Dai Luoc	Vietnam Asian-Pacific Economic Center
28	Nguyen Ba Ngo	Vietnam Asian-Pacific Economic Center
29	Le Van Sang	Vietnam Asian-Pacific Economic Center
30	Vu Xuan Dao	Center for Development and Integration
31	Doan Hong Quang	Center for Development and Integration
32	Ngo Thi Minh Huong	Center for Development and Integration
33	Ngo Huy Liem	Center for Development and Integration
34	Hoang My Lan	Vredeseilanden in Vietnam (VECO Vietnam)
35	Pham Manh Cuong	Oxfam GB
36	Vu Thi Thu Phuong	Oxfam GB
37	Nguyen Hoai Chau	ActionAid
38	Tran Nhu Trang	Center for Rural Progress
39	Hoang Xuan Quyen	Center for Rural Progress
Media		
40	Trong Truong Giang	Asia Pacific Economic Journal
41	Luu Phan	Sai Gon Times Newspaper
42	Hoang Anh Minh	Sai Gon Times Newspaper
43	To Thi Hoang	Financial Times
44	Vu Quynh Huong	Financial Times
45	Cam Thuy	Voice of Vietnam
46	Dam Van	New World Journal
47	Luong Quang Loc	Commerce Newspaper