

**CUTS CENTRE FOR INTERNATIONAL TRADE
ECONOMICS AND ENVIRONMENT**

**CENTER FOR DEVELOPMENT AND INTEGRATION
VIETNAM**



**PROCEEDINGS
OF NATIONAL DIALOGUE
ON
LINKAGES BETWEEN TRADE, DEVELOPMENT
AND POVERTY REDUCTION
EVIDENCE FROM SELECTED INDUSTRIES IN VIETNAM**

Hanoi, July 2006



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INTRODUCTION

Globalization and trade Liberalisation are now the common concepts and major trend in the world. Integration into the global economy is now indispensable to those countries which aim at prosperity. However, both two sides of the issue need proper consideration as linkages between trade, development and poverty reduction are still under debates, especially for a developing country like Vietnam. Moreover, Vietnam is now very near to the WTO accession with deeper integration into multilateral and bilateral negotiations. Therefore, a comprehensive view with various dimensions to the effects of trade Liberalisation on development and poverty reduction is of much necessary for more harmonious policy recommendations.

For awareness building and policy-making facilitation, *Center for Development and Integration* (CDI) in cooperation with *CUTS Centre for International Trade, Economics & Environment* (CUTS-CITEE) has fulfilled several activities on the topic of linkages between trade, development and poverty reduction. Following the Vietnam's National Launching Workshop on the topic in November 2005, also under the project framework, the National Workshop namely *Linkages between Trade, Development and Poverty Reduction – Evidence From Selected Industries in Vietnam* is a relevant forum where many policy-makers, senior researchers, advocacy workers and also the public medias presenting case studies in key sectors, sharing experiences from other countries, analyzing impacts from trade Liberalisation on Vietnam and specific industries, and raising policy recommendations.

This report highlights main conclusions of Vietnam's *National Workshop on Linkages between Trade, Development and Poverty Reduction – Evidence from Selected Industries in Vietnam* held by CDI on the 7th July 2006 in Hanoi, the capital of Vietnam. The success of the Workshop was not achieved if it had not received the technical supports from Vietnam Asian-Pacific Economic Center and Institute of World Economics and Politics. Besides, the presentations of important leaders from ministries, institutes and NGOs have been main sources for valuable ideas coming from discussion through out the workshop.



SESSION 1 - OPENING

Dr. Vo Dai Luoc, Vietnam Asian-Pacific Economy Center and Prime Minister Research Group, delivered a short opening speech. He welcomed all distinguished participants and sincerely thanked them for joining in the National Workshop of the Project on Linkages between Trade, Poverty reduction and Development (TDP) – Evidence from Selected Industries in Vietnam. Special thanks goes to leaders from Ministries and Institutes who are very important persons in terms of information, policy making and experience sharing.

In his speech, competition, on the one hand imposes severe challenges, but on the other hand creates opportunities for businesses. In deeper integration into international economy, businesses should properly analyze advantages and threats they face. He showed the example of Vietnam “cat fish” antidumping case with unintended positive consequences of sharp increase and further development in domestic market to prove the point that not only challenges facing Vietnam in integration.

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

1. Share thoughts of WTO accession, outcomes and recommendations drawn from case studies in garment and leather footwear sectors and issues surrounding the EU antidumping case to Vietnam leather footwear products.
2. Evaluate and analyze impacts of trade Liberalisation on sugar cane and aquaculture industries, especially on the poor
3. Open discussion to participants on presented topics



SESSION 2 – IMPACTS OF INTEGRATION AND TRADE LIBERALISATION TO VIETNAM IN GENERAL AND GARMENT AND LEATHER FOOTWEAR IN PARTICULAR

*Chairmen: Dr. Nguyen Xuan Thang
Institute of World Economics and Politics
Dr. Doan Hong Quang, CDI*

In this session, the discussion was based on 3 presentations, including:

1. Vietnam and WTO Accession

*Dr. Vo Tri Thanh,
Head of Department,
Research Department on Economic International Integration Policies
Central Institute for Economic Management*

2. Impact of Trade Liberalisation on Footwear and Garment Industries in Vietnam

*Dr. Ngo Van Hoai,
Institute of Labor, and Social Studies and CDI
Ministry of Labor, Invalids and Social Affairs*

3. Half of Million Labors in Footwear Industry Facing Unemployment Risk – Whether the Balance between Trade and Development does Exist or Not

*Mr. Pham Hoang Hai,
ActionAid Vietnam*

Discussion focused on the following points:

Integration and trade Liberalisation mainly have positive impacts on development and poverty reduction in terms of job creation and income generation for the poor. Production development especially in garment and leather footwear sectors open more employment opportunities for farmers, workers with stable income sources, supporting their own lives and their families as well. Garment and leather footwear are considered the industries that contribute significantly to poverty reduction with rate of employment growth about 15-40% over the 2000 – 2004 period. These industries have remarkably created no-farm employment opportunities and hence making considerable contribution in rural poverty reduction.

However, these positive impacts need thorough evaluation and analysis to see whether they are of long-term or not. It is not uncommon that migrant workers face insecure working contracts, bad working conditions and promotion opportunities. Hence they are very vulnerable to shocks resulted from deeper integration. When Vietnam faced the EU antidumping case, half of workers in garment sector have been threatened unemployment since 15 – 60% reduced revenue against 2005 to about 76% enterprises and decrease of 25 – 30% in workers' earnings.

Though the miserable situation of female workers with tears because of unemployment due to consequences of antidumping case facing Vietnam leather footwear sector can be sympathized much, potential impacts from trade Liberalisation should be analyzed more comprehensively. For example, it would help to understand the sector's commitments, whether there have been violations of these commitments and what EU based on in the case. Market institution also means opening and integration, business are to involve in competition. Through 20 years of development, leather footwear has received supports from the government that considers it as one of the spearhead sectors in the economy. Existing privileges and subsidies may well be inconsistent with international trade regulations. The reliance on government's subsidies results in the habit to consider the State as a support source makes people always require State's



assistance whenever they confront difficulties even if they have to tackle the issues by themselves. In fact, state's support should be taken into careful consideration to avoid inconsistencies with international laws and regulations. In integration, some industries would benefit and some others lose. Thus, business community and society as well need to improve their awareness on the issue, understandings of opportunities and challenges to seek proper solutions.

It is true that integration has significant impact on social life. Areas with more advantages would receive more opportunities and vice versa, likely resulting in widening development gaps. As a result, mitigations measures are needed for the redistribution of potential gains from trade and narrowing the gaps.

Perhaps one positive aspect of the EU antidumping case is that the footwear sector has a good opportunity for adequate assessment of whole industry, the business environment and also the enterprises. This includes a comprehensive review of current mechanism, policy and strategy. In addition, factors contributing to weak internal resources, low added values and low competitiveness should also be taken into consideration. More over, the concept of "antidumping" seems so new to the many stakeholders in Vietnam while it is so popular and normal in other countries, for example China has established an "Antidumping Committee". Low awareness and knowledge of Vietnam enterprises on this issue need to improve with training courses and other advocacy activities. In case enterprises fail to convert opportunities into advantages, they would lose even in their yard.

Different conditions bring different advantages and threats to all countries in current globalization context as today's advantages would be tomorrow's threats. Better and further improved human capacity, institutions and policy systems are key factors for successful integration.



SESSION 3 - IMPACTS OF TRADE LIBERALISATION ON SUGAR CANE AND AQUACULTURE INDUSTRIES

*Chairman: Dr. Nguyen Xuan Thang
Director, Institute of World Economics and Politics
Dr. Doan Hong Quang, CDI*

In this session, the discussion was based on the two following 2 presentations:

1. Trade Liberalisation and Sugarcane Industry Development in Vietnam
*Mr. Tran Cong Thang,
Institute of Agricultural Economics
Ministry of Agriculture and Rural Development*
2. Trade Liberalisation and Shrimp Farming of the Poor in Ben Tre, Vietnam
*Dr. Le Anh Vu
CDI and Vietnam Institute of Economics*

Discussion has focused on the following points.

The two reports on sugar cane and shrimp farming are of opposite that the former industry's development is heavily subsidized while the later is of spontaneous development and progress. Sugar cane development supports poverty reduction in terms of job and income generation for rural farmers when they grow sugar supplying for factories. However, the price of sugar has fluctuated significantly in the past few years and this has negative impact on farmers growing sugar canes. By contrast, farmers raising shrimps seem to benefit considerably in the last few years due to increasing demand for their products. However, these gains could be short-lived as negative impacts on environment have not been taken into consideration.

Sugar cane industry is of unstable development. In 2003, almost factories in the industry lost but in 2004, they contributed VND 860 billion to the State budget, with profit of VND 165 billion. The numbers in 2005 are VND 1,500 billion and VND 364 billion respectively. The development benefited considerably from Decision 28 by Prime Minister (2004) to solve complicated financial issues among sugar cane factories. Under the Decision, ownership transferring, organizational restructure, and financial settlements have been implemented. The industry now consists of 33 factories as compared to 44 in the past. The changes taken place in context of changes in international and domestic market. Sugar price is doubled to USD 450 – 460/ton now from USD 260 – 280/ton in world market and VND 12,000/kg from VND 4,000 – 6,000/kg in Vietnam market. The price increase is derived from gap between supply and demand. The international demand on sugar is of 150 million tons but the supply is only of 147 – 148 million ton. The sufficiency coupled with causes of draught and absence of many factories at price slide some years ago make currently raised sugar price. Thus, the sugar cane industry is under “sin-diagramed” development and is necessary for being studied, seeking stable and effective development direction.

The factual situation displays small-scaled sugar cane growing areas and factories. The industry's development is to receive support from the State with high quality breed, well-built infrastructures, proper development strategy and policy as well.

The report of aquaculture in Ben Tre showed that negative impacts may dominate positive ones. It also identified the trade Liberalisation impacts on the sector, not the sector's response to these impacts. Over the past 3 years, the self-managing aquaculture teams in coastal districts in Ben Tre province and the Association of Sustainable shrimp farming under support from



VASEP (Vietnam Association of Seafood Export Producer) have been developed with implementation of GAP (Good Aquaculture Practice). These models have operated effectively, contributing to Ben Tre aquaculture development. Shrimp farming requires much attention to sustainable factors. The most urgent issue in aquaculture is of environment pollution, the development needs taking the factor into consideration to ensure preserving and develop resources. The State should play the role of service supplier and farmers are customers. Moderation and control by the State are of much need to ensure balancing development and minimize negative impacts of trade Liberalisation. Social awareness on environment protection and education must be promoted. Improved community awareness and participation would make great contribution to balance development and environment.



SESSION 4 – CLOSING

In wrapping up the workshop, Dr. Nguyen Xuan Thang concluded main advocacy points raised by all participants. Comments from others were that the information from the workshop is very useful. It was really an open discussion among policy-makers, researchers and development workers from NGOs.

Through presentations with supporting evidences, participants were provided a picture of globalization impacts on poverty, both positive and negative ones. Materials distributed at the workshops including all presentations, booklets of the two case studies and the TDP Project information are welcomed by all participants. They are looking forward to sharing more such materials and discussion in the future.

The workshop was a forum for all stakeholders sharing experiences, outcomes and recommendations especially those drawn during conducting of the two case studies, performing community voices and awareness on the issue of ***Linkages between Trade, Development and Poverty Reduction*** in Vietnam.



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WORKSHOP AGENDA

LINKAGES BETWEEN TRADE, DEVELOPMENT AND POVERTY REDUCTION

EVIDENCE FROM SELECTED INDUSTRIES IN VIETNAM

Time: 8.00 AM -11.45 AM, Friday 7th July 2006

Venue: Conference Hall, Trade Union Hotel, 14 Tran Binh Trong str, Hanoi

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|--------------|---|
| 8.00 – 8.30 | Registration |
| 8.30 – 8.40 | Session 1: Opening |
| 8.40 – 9.00 | Session 2: Impacts of integration and trade Liberalisation to Vietnam in general and garment and leather footwear in particular |
| | Vietnam and WTO Accession
<i>Dr. Vo Tri Thanh,
Head of Department,
Research Department on Economic International Integration Policies
Central Institute for Economic Management</i> |
| 9.00 – 9.20 | Impact of Trade Liberalisation on Footwear and Garment Industries in Vietnam
<i>Dr. Ngo Van Hoai,
Institute of Labor, and Social Studies,
Ministry of Labor, Invalids and Social Affairs</i> |
| 9.20 – 9.35 | Half of Million Labors in Footwear Industry Facing Unemployment Risk – Whether the Balance between Trade and Development does Exist or Not
<i>Mr. Pham Hoang Hai,
ActionAid Vietnam</i> |
| 9.35 – 10.05 | Open Discussion
<i>Main Discussants
Dr. Tran Dinh Thien, Deputy Director, Vietnam Institute of Economics
Ms. Nguyen Thi Tong, Secretary General, Vietnam Footwear Association</i> |



10.05 – 10.20	Break
10.20 – 10.40	Session 3: Impacts of trade Liberalisation on sugarcane and aquaculture industries
	Trade Liberalisation and Sugarcane Industry Development in Vietnam <i>Mr. Tran Cong Thang,</i> <i>Institute of Agricultural Economics</i> <i>Ministry of Agriculture and Rural Development</i>
10.40 – 11.00	Trade Liberalisation and Shrimp Farming of the Poor in Ben Tre, Vietnam <i>Mr. Le Anh Vu</i> <i>Vietnam Institute of Economics</i>
11.00 – 11.30	Open Discussion <i>Main Discussant:</i> <i>Dr. Le Van Sang, Vietnam Asian-Pacific Economic Center</i> <i>Mr. Ha Huu Phai, Secretary General, Vietnam Sugarcane Association</i> <i>Ms. Nguyen Thai Phuong, Director of Information Division</i> <i>Vietnam Fishery Association</i>
11.30 – 11.45	Session 4: Closing



LIST OF PARTICIPANTS

LINKAGES BETWEEN TRADE, DEVELOPMENT AND POVERTY REDUCTION

EVIDENCE FROM SELECTED INDUSTRIES IN VIETNAM

Time: 8.00 AM -11.45 AM, Friday 7th July 2006

Venue: Conference Hall, Trade Union Hotel, 14 Tran Binh Trong str, Hanoi

No	Name	Institution
Government Organizations		
1	Doan Thi Mai	Ministry of Finance
2	Nguyen Manh Cuong	Ministry of Labor, Invalids and Social Affairs
3	Le Tieu La	Ministry of Fishery
4	Tran Anh Tuan	Ministry of Fishery
5	Hoang Xuan Hoa	Central Economic Committee
6	Trinh Hong Ha	Central Economic Committee
7	Le Duc Thinh	Ministry of Foreign Affairs
Government Institutes and Universities		
8	Tran Dinh Thien	Vietnam Institute of Economics
9	Le Anh Vu	Vietnam Institute of Economics
10	Le Bo Linh	Southeast Asian Institute
11	Dang Duc Phuong	Institute of Environment and Sustainable Development
12	Vo Tri Thanh	Central Institute for Economic Management (MPI)
13	Pham Minh Thuy	Institute of Market and Price Studies
14	Ngo Van Hoai	Institute of Labor, and Social Studies
15	Trinh Thu Nga	Institute of Labor, and Social Studies
16	Nguyen Xuan Thang	Institute of World Economics and Politics
17	Bui Truong Giang	Institute of World Economics and Politics
18	Luu Ngoc Trinh	Institute of World Economics and Politics
19	Tran Cong Thang	Institute of Agricultural Economics
20	Dinh Thi Kim Phuong	Institute of Rural Development Policy and Strategy
21	Truong Thuy Hang	Institute of Human Studies
22	Vu Xuan Truong	University of Trade
23	Pham Minh Thao	National Economics University
24	Do Kim Trung	Hanoi Agricultural University
25	Nguyen Thi Thu Huyen	Danang Economics University



No	Name	Institution
Associations		
26	Nguyen Thi Tong	Vietnam Footwear Association
27	Ha Huu Phai	Vietnam Sugarcane Association
28	Duong Nguyen Khai	Vietnam Association of Seafood Exporters and Producers
29	Nguyen Viet Bang	Vietnam Association of Seafood Exporters and Producers
NGOs		
30	Nguyen Quang Vinh	Vietnam Chamber of Commerce and Industry
31	Le My Dung	Vietnam Chamber of Commerce and Industry
32	Vo Dai Luoc	Vietnam Asian-Pacific Economic Center
33	Le Van Sang	Vietnam Asian-Pacific Economic Center
34	Vu Xuan Dao	Center for Development and Integration
35	Doan Hong Quang	Center for Development and Integration
36	Ngo Thi Minh Huong	Center for Development and Integration
37	Ngo Huy Liem	Center for Development and Integration
38	Dang Ngoc Quang	Service Center of Rural Development
39	Hoang Xuan Quyen	Center for Rural Progress
40	Pham Hoang Hai	Actionaid Vietnam
41	Nguyen Thi Thanh Nga	UDNP Vietnam
42	Ngo Thi Quynh Hoa	DFID
43	Truong Thi Dung	Netherlands Embassy in Vietnam
44	Vu Thi Thu Phuong	Oxfam GB Vietnam
45	Cao Thi Thu Hien	Center for Development and Integration
46	Tran Hong Van	Center for Development and Integration
47	Pham Thuy Hung	Center for Development and Integration
48	Vu Van Ngoc	Center for Development and Integration
Media		
49	Minh Hue	Asia Pacific Economic Journal
50	Luong Quang Loc	Commerce Newspaper
51	Nguyen Nam	Market Newspaper
52	Ta Anh Tuan	Vietnam Communist Party Newspaper Online
53	Vu Phuc Thang	People's Army Newspaper Online
54	Le Ngoc Son	Financial Times
55	Nguyen Thi Ngoc Anh	VN Investment Review



No	Name	Institution
56	Truong Huy Cuong	Nhan dan online
57	Quang Toan	Economics Times
58	Thai Hong Minh	Social Labour Magazine
59	Nguyen Ngoc Cuong	Asia Pacific Economic Journal