IMPROVEMENT OF VIETNAM-THAILAND TRADE BALANCE
Improvement Of Vietnam-Thailand Trade Balance

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Abstract

Thailand always considers Vietnam as an important market. However the market share of Vietnamese goods in Thailand (only 2.2%) has been very low, making the trade deficit of Vietnam with Thailand still high. This article analyzes the real situation and commodity structure of exports and imports between the two countries from 2010 to 2018 to indicate the causes of Vietnam's trade deficit, then to propose general solutions for the improvement of the trade balance, for export enhancement and import control.

Keywords: Trade balance between Vietnam and Thailand, Vietnam's import from Thailand, Vietnam's export to Thailand, Vietnam's trade deficit.
1. Introduction
Thailand and Vietnam have established diplomatic relations since August 6, 1976. Over the past 43 years, this relationship has been upgraded to a strategic partnership since 2013. According to the Thailand’s statistics, currently, Vietnam is the Thailand's second largest trading partner in ASEAN, behind only Malaysia while Thailand is the largest trading partner of Vietnam, according to statistics from the General Department of Vietnam Customs. Vietnam’s trade with Thailand has accounted for 30% of Vietnam’s total trade with ASEAN and 4% Vietnam’s total trade with countries all over the world. The total import-export turnover between the two countries increased from 5.78 USD billion in 2009 to 17.5 USD billion in 2018, with an average growth rate of about 15.5% per year. The two sides are now targeting the two-way trade turnover of 20 USD billion in 2020.

There have been a number of studies on the trade balance between Vietnam and Thailand. In 1996, Quoc-Phuong Le, Duc-Tho Nguyen and J.S. Bandara examined the major factors influencing Vietnam's trade with the Association of Southeast Asian Nations (ASEAN) and other Asia-Pacific countries. Besides, M Kagawa, C Bailey (2006) addresses the gap in the literature by examining the nature of the linkages between Japan, a major importer, and two major exporting countries, Thailand and Vietnam, underlying which are informal agreements rather than formal contractual relationships. It examines the rationale and operation of such informal agreements in the context of a dynamic market characterised by an international division of labour between Thailand (with an advanced food products industry) and Vietnam (just emerging into the world market). In addition, Nguyen Khanh Doanh, Yoon Heo (2007) analyzed how Vietnam and Thailand balance their needs to protect domestic industries and compliance with regional and multilateral commitments. Moreover, when Dang Dinh Dao & Hoang Duc Than (2012) referred to trade management tools, they showed the concept and the role of the trade balance in import-export management, emphasizing its impact on the balance of international payments and the development of the autonomous economy.

The article is based on the trade balance theories to analyze the real situation and the commodity structure of imports and exports between the two countries from 2010 to 2018, then to indicate the causes of Vietnam's trade deficit and to suggest scientific solutions for the improvement of the trade balance between the two countries.

2. Research Methods and Approaches
Statistical analysis method: The author collected secondary data on export and import activities between Vietnam and Thailand from reputable organizations such as General Department of Vietnam Customs, Ministry of Industry and Trade, General Statistics Office of Vietnam; then used the statistical analysis method which was combined with data analyzing and processing to assess the current status of trade balance between Vietnam and Thailand, to analyze the Vietnam’s trade deficit and propose solutions to improve the trade balance between the two countries.
Regarding the content above, the authors uses the following research model:

**STATUS OF TRADE BALANCE BETWEEN VIETNAM AND THAILAND**

- Vietnam-Thailand trade relation,
- Status and structure of Vietnam’s exports,
- Status and structure of Vietnam’s imports,
- Comments on the trade balance
- Causes of the trade deficit

**SOLUTIONS TO IMPROVE TRADE BALANCE BETWEEN VIETNAM AND THAILAND**

- Common solutions to improve trade balance between Vietnam and China,
- Solutions to boost Vietnam’s export,
- Solutions to control Vietnam’s import.

3. **Status of trade balance between Vietnam and Thailand in 2010-2018**

According to the report of the Asia-Africa Market Department, after Vietnam joined ASEAN, the two-way trade turnover between Vietnam and Thailand surged remarkably. In the period of 1995-2008, the figure increased 11.4 times, from 541 USD million in 1995 to 6.2 USD billion in 2008 with an average growth rate of nearly 20.6% per year. The trade deficit with the Thai market also increased from 339USD million in 1995 to 3.62USD billion in 2008, with an average growth rate of 20% per year.

In recent years, trade relations between Vietnam and Thailand have developed rapidly. According to the General Department of Vietnam Customs and General Statistics Office of Vietnam, the two-way trade turnover has made great and unprecedented advances. The figure went up 2.56 times after 9 years in the period of 2010-2018, which is showed specifically in the following table:
3.1 Status and structure of key export commodities of Vietnam to Thailand

Firstly, along with the US and European Union markets, Thailand has become a major export market of Vietnam to ASEAN. For 9 years (except for 2015), the Vietnamese export has grown continuously, reaching nearly 5.5 USD billion in 2018, which was 4.65 times higher than 2010.

Secondly, although the value of Vietnam's exports to Thailand has increased in ASEAN, it ranks second behind Malaysia, still accounting for a small proportion of the gross domestic product.

### Table 1: Vietnam, Exports and imports of goods and services with ASEAN and Thailand as percentage of GDP

<table>
<thead>
<tr>
<th>Index</th>
<th>2010</th>
<th>2012</th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Export to ASEAN/GDP</td>
<td>9.4</td>
<td>11.2</td>
<td>10.8</td>
<td>10.3</td>
<td>9.3</td>
<td>8.6</td>
<td>9.9</td>
<td>10.3</td>
</tr>
<tr>
<td>Export to Thailand/GDP</td>
<td>1.1</td>
<td>1.8</td>
<td>1.8</td>
<td>1.9</td>
<td>1.6</td>
<td>1.8</td>
<td>2.2</td>
<td>2.3</td>
</tr>
<tr>
<td>Import from ASEAN/GDP</td>
<td>14.8</td>
<td>13.4</td>
<td>12.4</td>
<td>12.3</td>
<td>12.3</td>
<td>11.9</td>
<td>12.9</td>
<td>13.2</td>
</tr>
<tr>
<td>Import from Thailand/GDP</td>
<td>5.1</td>
<td>3.7</td>
<td>3.7</td>
<td>3.8</td>
<td>4.3</td>
<td>4.4</td>
<td>4.9</td>
<td>5.0</td>
</tr>
</tbody>
</table>

Source: General Statistics Office of Vietnam, Statistical Yearbook 2016, 2019

Thirdly, Vietnam's export products with large turnovers in 2017 and 2018 all have a stable increase.

In 2017, Vietnam's export commodities included phones, components thereof; computers, electronic products & spare-parts and components thereof; crude oil; means of transportation, parts...
and accessories; machine, equipment, tools; aquatic products; steels; textiles; fibers and all types of yarn. The turnovers of these products reached over 100 USD million, accounting for 30.55% of GDP. Among them, coffee and textiles had a strong increase of over 50%. In 2018, almost turnovers of export commodities to Thailand saw growth in comparison with 2017, accounting for 72.22% of GDP. Among these commodities, ores and minerals surged 26.1 times in terms of quantity (2514.38%) and 4.9 times in terms of value (390.36%) although the quantity only reached 4.1 thousand tons and the value was only worth 674.6 USD thousand. Their average export price was 161.28 USD per ton, decreasing 81.24%. Particularly in 12/2018, 4.1 thousand tons of ores and minerals were exported, being worth 526 USD thousand with the average export price that was 128.28 USD per ton. Besides, petroleum also increased 3.1 times (98.96% in quantity) with the export volume of 106.1 thousand tons, being worth 61.62 USD million.

Figure 2: Key export commodity groups of Vietnam to Thailand in 2014-2018
(Telephones, mobile phones and parts thereof; Computers, electronic products, spare-parts and components thereof; Crude oil; Other means of transportation, parts and accessories thereof; Machine, equipment, tools and instruments)

Unit: USD Million

Source: General Department of Vietnam Customs, Customs statistics yearbook of Vietnam’s import and export commodities
Fourthly, Vietnam’s export commodities to Thailand were very diverse. However, there have not been major items, so exports could not bring large turnover and high growth rates.

In the basket of goods exported to Thailand, in 2017, the export of phones and components reached 1,230 USD million. In 2018, this group hit the highest turnover of 1.39 USD billion, accounting for 25.43% of the total turnover, increasing by 13.5% compared to the previous year, and meaning that Vietnam only had one among 20 export commodity groups with turnover of above 1 USD billion to the world market.

3.2. Status and structure of import commodities from Thailand to Vietnam

Firstly, the import commodities to Vietnam from Thailand had a steady growth and greater value than export commodities, making the trade deficit of Vietnam with Thailand still high. The import in 2010 was 5,602 USD million while the figure in 2018 reached 12,006 USD million. The statistics in Figure 1 show that the trade deficit from Thailand has increased sharply in the past two years, mainly due to the increase in imports of goods from this market while exports decline or grow low. The statistics in Figure 1 show that the trade deficit with Thailand increased sharply in the past two years, mainly due to the increase in imports of goods from this market while exports declined or had a low growth grade. As a result, in 2016, Vietnam ranked fourth in trade deficit with Thailand after China, Korea and Taiwan.

Secondly, the value of imports from Thailand grew steadily, making Thailand become the leading exporter to Vietnam among ASEAN countries.

In 2018, Vietnam’s 10 largest trading partners accounted for more than 72% of the total import-export value. Among them, import and export between Vietnam and China was the largest, reaching 106.7 USD billion and accounting for 22.2% of the total import-export value of the country while import and export between Vietnam and Thailand ranked fifth, reaching 17.5 USD billion (accounting for 3.6%). In ASEAN, Thailand is also the biggest trading partner of Vietnam with the total import-export turnover between the two countries accounting for 30.2% in 2016, and for 30.5% of the total import and export turnover of Vietnam and ASEAN in 2017.

Thirdly, Vietnam’s import commodities from Thailand have been relatively diverse, with 41 commodity groups. According to the General Department of Vietnam Customs in 2016 and 2017, import commodities from Thailand that were worth over 100 USD million included all kinds of petroleum; machine and equipment; electric consumer products and parts thereof; vegetables and fruits; motor vehicles; plastics; computers, electronic products, spare-parts and components thereof; automobile components and spare parts; chemicals; fibers and all types of yarn; all kinds of paper; and all kinds of textile. Therefore, the quantity of import commodities with large turnover was higher, leading to a faster increase in the trade deficit with Thailand.
Figure 3: Key import commodity groups from Thailand to Vietnam in 2014-2018
(Petroleum products; Machine, equipment, tools and instruments; Electric consumer products and parts thereof; Plastics; Motor vehicles)

Unit: USD Million
Source: General Department of Vietnam Customs, Customs statistics yearbook of Vietnam’s import and export commodities

Fourthly, Thailand has had many key export products, experience in marketing and market promotion. Beside, this country has been able to make most of opportunities and to take advantages of its geographical location to save costs and quickly meet the demand of markets in which motor vehicles are a typical example.

According to the roadmap to implement ASEAN Trade in Goods Agreement (ATIGA), the import tariffs on automobiles from ASEAN region decreased from 50% to 40%, and continued to decrease to 30% in 2017 and to 0% in 2018. The number of cars imported from Thailand went up remarkably, making Thailand continued to be the leading supplier of automobiles for Vietnam, getting ahead of other partners such as China, South Korea and Japan.
According to the statistics from the General Department of Customs, in 2018, Vietnam automobile market imported 81,609 units worth more than 1.8 USD billion. Thailand was the largest automobile supplier for Vietnam with 55,634 units. This number of vehicles imported from Thailand was 4.76 times higher than that of the second largest automobile importer, Indonesia with 17,146 units.

3.3. Comments on trade balance between Vietnam - Thailand and the causes of Vietnam’s trade deficit

Firstly, in the bilateral trade relation between Vietnam and Thailand in the period of 2010-2018, Vietnam was always in the trade deficit position, especially after this relationship was upgraded to a strategic partnership in 2013.

According to the figure 1 above, due to the increase of export and import in which the import value was higher, the total import and export turnover between the two countries was 6.78 USD billion in 2010. This figure went up to 9.35 USD billion in 2013, and reached 17.5 USD billion in 2018. Corresspondingly, the trade deficit of Vietnam was 2,959 USD million in 2010, and then increased to 6,512 USD million.

Secondly, although Thailand has become Vietnam's largest export market in ASEAN, and Vietnam has become a major export partner of Thailand; the total import-export turnover between the two countries still accounts for a small proportion of each country's trade results. Vietnam’s value of trade exchange with Thailand only accounted for 3.5% of the country's total import-export turnover in 2013. This figure of Thailand was 1.9%. This is the starting point for the two countries to plan to increase the total two-way turnover to 20 USD billion in 2020. If this comes true, the increase in trade deficit with Thailand will be greater.

Thirdly, Thailand is an industrialized country; which has stronger product competitiveness with long-term strategic vision, experience in import and export management, ability of making most of good opportunities, and careful preparation in penetrating the wholesale and retail trade system of Vietnam. Therefore, the trade deficit of Vietnam with Thailand will be definitely higher if Vietnam does not have a proper strategy and suitable policies.

**Causes of Vietnam’s trade deficit with Thailand**
Looked at objectively, in order to develop from small production to large production, most of countries have to import a lot of iron and steel, equipment, and raw materials to build and renovate their infrastructure. Having advantages of a predecessor in trading with the policy of export growth since 1970 as well as the highest growth period in 1985-1996 for economic development, Thailand has made many products that meet the needs of the Vietnamese market. Although the two countries have similar economic structure, Thailand is a newly industrialized country with the stronger product competitiveness in the international market. Besides, the demands of Thailand and Vietnam are quite similar due to the similarities in culture of the two countries (About 93.6 percent of all the people in Thailand are Buddhists). In addition, Thailand has a flexible and smart trade policy to take advantages of free trade agreements. Thus, such reasons make Vietnam import mainly from the Thai market rather than other countries in ASEAN.

Looked at subjectively:

Firstly, due to the similar economic structure of the two countries, the product structure of the two countries is quite similar. However, the Thai products are more competitive than the ones of Vietnam. Therefore, although many kinds of domestic products are available, Vietnamese enterprises still import goods from Thailand such as electronic/electric consumer products and parts, vegetables and fruits, computers, plastic products, iron and steel, and household products such as detergents, cosmetics, kitchen utensils, furniture products ...

Secondly, being a predecessor in trading, Thailand has a lot of experience in strategic import and export management as well as a better vision, and takes advantages of free trade agreements better than Vietnam. According to the ASEAN Trade in Goods Agreement (ATIGA), Vietnamese commodities are eligible for a free or preferential duty rate of 99.9% from Thailand since 2010; on the contrary, Thailand was entitled to preferential import tax rate of 98% in 2016, and 98.2% in 2018 compared to the general tax rate of Vietnam. Thus, Thailand has better opportunities to access to the Vietnamese market.

Thirdly, in recent years, Thailand has boosted its investment in expanding the good distribution system in Vietnam. Until now, Thailand's largest retail conglomerates such as Central Group and TCC Group have been doing mergers and acquisitions for many retail chains of Vietnam like Metro, Big C, Family Mart, Nguyen Kim Electronics. The acquisitions of Vietnam's retail distribution system by Thai investors have created favorable conditions for more Thai household and consumer products to penetrate into the Vietnamese market. Without timely solutions, Vietnamese commodities will not have the opportunity to exist in both the domestic market and export markets.

Fourthly, having the vision and financial potential, the Thai Government has spent a large budget for the large-scale and effective deployment of trade promotion activities in the Vietnamese market in recent years. Thus, about 12 to 20 Thai product fairs are organized annually by the Ministry of Commerce of Thailand (Department of Export Promotion), Thai Business Association in Hanoi, Ho Chi Minh City and other Vietnamese provinces with a scale of 100-300 booths while Vietnam cannot do such activities.

Fifthly, Vietnamese consumers still have a preference for Thai products (only after Japanese, American and European Union products); which include electric/electronic products,
household products, fruits and other consumer goods due to their good quality, nice designs, competitive prices, and diverse categories. Thus, the trade deficit with Thailand is inevitable.

Sixthly, Vietnam still has a large import demand for Thai products, which are considered as inputs of production in Vietnam. Many products imported from Thailand belong to the groups that are necessary for the domestic production and consumption, accounting for 50% of total imports from Thailand. These products include machinery, equipment and spare parts; all types of petroleum; plastic materials; chemical; textile materials, leather shoes; all types of fabrics; all type of paper; fibers and yarns; animal feed and materials ...

Lastly, Vietnamese enterprises still have a timid and reluctant mentality in their exports to Thailand because they think that Thai enterprises also have the similar products with better quality and more competitive price. This is the reason why the market share of many Vietnamese export products to Thailand is still low although they have a lot of advantages. For example, at the end of 2018, Vietnamese tires and tubes, aquatic products, vegetables and fruits, raw coffee, instant coffee, iron and steel, electric wires and cables, ceramics only accounted for 5%, 7.3%, 10%, 86%, 15%, 1.4%, 5.4% and 4.7% of the market share respectively.

4. Solutions and recommendations for the improvement of Vietnam-Thailand trade balance

4.1. General solutions for Vietnam-Thailand trade balance

Due to the geographical locations, geopolitical situation, and strategic partnership of the two countries, the long-term development of Vietnam-Thailand trade relations is an unbiased reality that cannot be changeable. Vietnam is considered as a very important market in the ASEAN region by Thailand because it has more certain advantages when conducting trade transactions to develop the trade than ever before. Therefore, the key point of view is to develop the two countries' trade relations to a new level to take advantage of the breakthrough opportunities. However, Thailand is a country with stronger potential; so in the global economic integration, the internal power of each country determines the strength and efficiency of its integration. Therefore, it is necessary to develop a strategy of economic development in a sustainable way, ensuring that the focus is on economic development in association with good settlement of social and environmental issues in trade relations between the two countries. Besides, it is important to develop a sustainable trade development strategy in terms of infrastructure, business subjects, giving emphasis on domestic trade and boosting exports to foreign markets. An urgent task to do is to review the planning of key export products for markets including Thailand.

In the long term, it is necessary to transform the economic structure in the direction of modernism to increase the competitiveness of the economy, enterprises and Vietnamese products in the global market, giving priority to improving the quality of products with clear origin to meet safety requirements for consumers in the Thai market.

The government should also reform institutions and to create a fair, open, transparent, convenient and secure business environment for enterprises and citizens and for business entities in the market. The direction to create this environment is the system of law and policy, which is simple and easy to understand in the spirit of the Constitution: "The people can do anything prohibited by the laws" (Congress, 2013).
Lastly, the government must have policies to attract foreign investors, especially from countries which have advanced technologies to develop supporting industries, to produce goods for export and domestic consumption in order to quickly boost the export speed and to reduce the trade deficit.

4.2. Solutions to boost the export of Vietnamese commodities to the Thai market

In order to improve the trade balance, it is essential to put emphasis on exports to make its growth rate increase more strongly than the import growth rate.

Vietnamese enterprises need to do more researches on the demands of the Thai domestic market so as to have measures of boosting export that are suitable for each region and for each specific commodity category. Thailand has an import capacity of more than two hundred billion USD, close geographical distance with convenience in both sea and road transportations and cultural similarities. Moreover, there are more than 300,000 Vietnamese people living in this country. Although they have lived for 200-300 years in Thailand, they want support their homeland’s economy with preference for using Vietnamese goods. This is a good opportunity for Vietnamese products to penetrate into Thailand.

Regarding agricultural products and fruits, it is necessary to focus on building planning areas, supporting farmers and enterprises producing and processing Vietnamese fruit products with high quality, hygiene and safety according to international standards; supporting the promotion and geographical indication of products; step by step moving towards clean and organic agriculture. In order to promote the export, Vietnamese enterprises and traders need to raise the competitiveness of their products and enterprises in the market. To reach this goal, it is necessary to improve the quality of products; focusing on fresh, green, eco-friendly products and those having high added-value. First of all, they need to boost the export of Vietnamese goods with strong advantages like tires, tubes, aquatic products, vegetables, fruits, raw coffee, instant coffee, iron and steel, wires and cables; ceramics …

In addition, it is important to promote exporting products that Vietnam has strengths and high competitiveness in the market; products that the Thai market lacks. Vietnamese exporters need to give emphasis on improving product quality, implementing management measures according to international quality standards, looking into the origin of exported products.

Building and promoting Vietnamese brands to attract Thai businesses and consumers and to build trust with them are also essential. The current limitations of Vietnamese products come not only from quality but also from understanding market demand and brand promotion. For example, the Thai consumers favored dragon fruits that are small enough for one person to eat, have a clear brand name; but most of dragon fruits from Vietnamese source have big size, and their brand is still unknown.

Vietnamese exporters should take advantage of tariff concessions from trade agreements in ASEAN including Thailand. In 2016, they only took advantage of 30% of tariff concessions from C/O Form D. In 2018, the figure was 34%, so there are still a lot of concessions for them to use. It is necessary to supporting localities, associations and enterprises to organize or participate in trade promotion programs in the Thai market; enhance information activities; disseminate opportunities to access the Thai market from the establishment of the ASEAN Economic Community and the
implementation of the ATIGA Agreement; support enterprises to improve the efficiency of using Certificate of Origin (C/O) Form D when exporting to Thailand.

4.3. Solutions to control the import of goods from Thailand to Vietnam

In the long-term trade relations, it is necessary to develop both import and export to increase the scale of Vietnam’s economy. At this time, as the export growth strong has not been strong enough, import should be controlled strictly to reduce the trade deficit with Thailand.

Vietnamese Government needs to have a longer-term vision in planning strategies of economic and trade development. The general rule of the economies is to reduce import from the beginning; so it is compulsory to adopt the strategy of "import substitution", which means developing basic industries and supporting industries to ensure our self-sufficiency of raw materials to reduce import and to avoid the dependence on imported materials.

The government should continue to implement import management measures in accordance with regulations to ensure the quality of products imported from Thailand to meet the standards of food hygiene and safety, technical and environmental standards. At this time, it is necessary to define the concept of Vietnamese products to prevent fraud through the origin of goods. Quality management standards are the ultimate barrier to prevent counterfeit goods. However, it is also necessary to set a moderate threshold so as not to affect the production and business of enterprises. If the barrier is high, many Vietnamese products will not able to pass it in the domestic market.

The relevant agencies should actively implement the campaign "Vietnamese people give priority to using Vietnamese goods" as well as propaganda programs to encourage consumers to use domestic products, and boost trade promotion activities in Thailand.

The Ministry of Industry and Trade also needs to closely coordinate with the Ministry of Agriculture and Rural Development and relevant ministries, branches and localities in managing goods imported from Thailand and other countries to ensure the quality of imported products, efficiency of import. Besides, negotiations for making Thailand continue to open their market for Vietnam’s agricultural products also should be promoted.

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