VIETNAM – KOREA TRADE RELATIONSHIP AND COOPERATION OPPORTUNITY IN FOOD INDUSTRY

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I. VIETNAM – KOREA TRADE RELATIONSHIP

II. OPPORTUNITIES FOR COMMERCIAL AND INVESTING COOPERATION IN FOOD INDUSTRY
   1. Dairy industry
   2. Alcohol & Beverage industry
   3. Vegetable oil industry
In recent years, Korea has always been one of the important commercial partners of Vietnam:
- the fourth largest exportation market of Vietnam
- the second largest importation market of Vietnam

The average growth of bilateral trades in the last 10 years (2001-2010) exceeded 20%

The average growth of bilateral trades in the period of 2007-2011 reached 29%:

<table>
<thead>
<tr>
<th>Year</th>
<th>Change</th>
<th>Percentage</th>
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<tbody>
<tr>
<td>2007</td>
<td>Increased by</td>
<td>39.8%</td>
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<tr>
<td>2008</td>
<td>increased by</td>
<td>34.4%</td>
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<tr>
<td>2009</td>
<td>Increased by</td>
<td>2.1%</td>
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<tr>
<td>2010</td>
<td>increased by</td>
<td>42.2%</td>
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In 2010 the growth in exportation reached the level of 49.8%, which has been the highest level in the last 10 years. Exportation from Vietnam to Korea remarkably exceeded 3 billion USD for the first time.

• In the first two months of 2011, Vietnamese exporting volume has reached 749 million USD which increased by 129% compared to the same period last year.

• Top 03 major exporting products of Vietnam to Korea remained to be Crude oil, Textile and Seafood.

• High export growth products are:
  - Crude oil: 245%
  - Textile: 134%
  - Electronic goods and components: 137%
  - Rubber: 131%
TRADE RELATIONSHIP BETWEEN VIETNAM – KOREA

Importation to Vietnam from Korea

• The average growth of Vietnam importation in the last 10 years (2001-2010) reached 19.6%:
  2007 increased by 37.8 %
  2008 increased by 32.5 %
  2010 increased by 39.9 % (9.7 billion USD)
  (Because of economic recovery and the extension of Korean business investments in Vietnam)

• The major importing products from Korea remained to be raw materials, accounted for 70% of total importation from Korea:
  o Steel accounted for 12.5 %
  o Oil and gas accounted for 11.0 %
  o Plastic materials accounted for 7.2 %
  o Machineries and equipments accounted for 10.4 %
  o Textile and footwear materials accounted for 3.9 %
  o Automotive parts and components accounted for 3.5 %

• In the first two months of 2011, the importation of Electronic goods and components has claimed the largest volume in total importation to Vietnam from Korea which accounted for 240 million USD as 13.6%.
The results of our cooperation in bilateral trading and commerce recently has been very positive and valuable in terms of ensuring economic benefits for both countries.

The products exchanged have never been substitutes but complements and have helped in satisfying the economic demands as well as in contributing to support and develop various important industries.

However, there are still several industries such as food processing industries, which have been left out of our investing channels.

Hope to see our governments and entrepreneurs to seek on researching and studying in order to strengthen and diversify our cooperation in more sectors and industries.
The development strategies for food processing industries:
Encourages domestic and international investors to invest in any part of the industrial supply-chains in order to satisfy domestic demands and to export.

1. Dairy industry

Vietnamese consumers begin to have more concerns about healthiness to purchase more dairy products. Supporting factors for the expansion of dairy industry:
- a young population with the growth of 1% per year
- GDP per capita grows 6% per year

Supplies of fresh milk are currently able to satisfy 22-25% of total demands.

- Even toward 2025, domestic production of raw milk capability would only satisfy the industrial demands for production of liquid milk and yogurt, raw milk for production of dried milk powder would still need to be imported.
In June 2010, Vietnam MOIT approved the Strategic plan for development of dairy industry toward 2020, visible until 2025.

- In the period of 2011-2015, Vietnam needs to invest and reinforce the capability to increase the productivity by double to reach the level of 2,000 tons per day.

- In the period of 2012-2025, Vietnam needs to further increase the capability of refined manufactories by 1,400 tons per day to reach the level of 2,411 tons per year.
2. Alcohol & Beverage industry

The Strategic plan for development of Alcohol & Beverage industry:
Toward 2015, visible until 2025, the industry is orient to be developed for sustaining purpose, which focus deeply on matching food safety standards and being environmental friendly.

**Productivity in 2010:**
- 2.5 billion liters of beer
- 80 million liters of industrial alcohol
- 2 billion liters of beverage
- export the approximately 70-80 million USD in value.

**Corresponding figures in 2015:**
- 4.0 billion liters of beer
- 188 million liters of industrial alcohol
- 4.0 billion liters of beverage
- Approximately 140-150 million USD in value of exportation
2. Alcohol & Beverage industry (cont.)

**Brewery sector** planned to be facilitated, extended and standardized in terms of constructing new factories with new equipments to improve productivity. New joint-venture brewery factories will have the capability to produce at least 100 million liters of beer per year to ensure their competitiveness.

**Alcohol sector** is oriented to focus on producing high quality products by applying advanced technology. International cooperation with global leading alcohol manufacturers will be encouraged in order to produce for exportation and to replace imported products in domestic market.

**Beverage sector** is prepared to be invested with high-end technologies and encouraged to use local resources and to build provincial resource areas. Whereby, beverage manufacturers produce juice using fresh fruits will be preferably supported.
3. Vegetable oil industry

Demand of vegetable oil consumption:
- 2005: 311,490 tons
- 2010: 690,000 tons
- 2015: 1,200,000 tons (expected)

The Industrial Policies and Strategies Institute (IPSI) of Vietnam MOIT researched, Vietnamese average consumption vegetable oil has increased as follow:
- 2005: 3,75 kg / person / year
- 2008: 7,04 kg / person / year
- 2010: 7,3-8,3 kg / person / year
- 2015: 16,2-17,4 kg / person / year
- 2020: 18,6-20,0 kg / person / year
3. Vegetable oil industry

**Planning:**
Vietnam is encouraging international investors to invest and build vegetable oil factories to use local resources.

**Incentive policy:**
Assistances in compensation and site clearance, assistances in infrastructure construction, deduction on land tax, earning tax within the first years of operation.

**Vietnam MOIT published the Decision of approval strategic plan for vegetable oil industry development toward 2020, visible until 2025:**
- In period of 2011-2015, the average growth of industrial production value will be at least 17.37% per year.
- In period of 2016-2020, the average growth of industrial production value will be at least 7.11% per year.
- In period of 2021-2025, the average growth of industrial production value will be at least 3.69% per year.
All critical industries that produce necessity products, directly support basic needs of Vietnamese people will still be highly concerned by Vietnamese government in the upcoming years. We are yearning to receiving your kind supports and cooperation from both government and business sides for the development of Vietnamese food processing industries.

Vietnam MOIT always looks forward to facilitate business of any Korea investor as well as other international investors in industrial and commercial cooperation to ensure our win-win situations.