

# PAKISTAN – VIETNAM POLITICAL, ECONOMIC AND TRADE RELATIONS

*Altaf Hussain Ansari\**

## **Abstract**

This research article entitled “Pakistan - Vietnam Political, Economic and Trade Relations” is written with the purpose to see the political, economic and trade relations in between the two countries. Pakistan and Vietnam have been relatively at low level and inconsistent, with the result that sustainable trade has not been able to grow over time. Pakistan’s trade was strongly western oriented; while it did not have comparable market access vis-à-vis South East Asian countries. In this regard, the data is collected from various secondary and tertiary sources. This research article is structured with eight sections. The first section is initiated with the introduction, the second mentions the political relations, the third section states economic relations, the fourth elaborates the need for potentiality in Pak-Vietnam trade, the fifth explores Pakistan–Vietnam balance of trade, the sixth describes import by Pakistan, the seventh shows overview of Vietnam and Pakistan and the finally it ends with the eighth section which demonstrates the conclusion and suggestions.

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\* Assistant Professor, Area Study Centre, Far East & South East Asia, University of Sindh, Jamshoro.

## **Introduction**

Pakistan's relations with Vietnam have continued to grow in strength over the years. Both countries have agreed to boost their political, economic and trade relations during a 3 day official visit by the President of Vietnam Tran Duc Louong. President Lounong visited Pakistan from March 24 to 27, 2006 at the invitation of President General Pervaiz Musharaf. During the talk, the two sides informed each other of their respective country's political and economic situation and agreed to further promote the friendship and cooperation between the government and peoples of the two countries.<sup>1</sup> Pakistan – Vietnam also had in depth exchange of views on measures to strengthen and enhance bilateral relations as well as on other regional and international issues of mutual concern. The talks took place in an atmosphere of cordiality and mutual understanding.<sup>2</sup> Leaders of Pakistan congratulated the important achievements made by the people of Vietnam in the course of renovation and expansion of international cooperation. President of Pakistan expressed his strong confidence that the people of Vietnam would continue to reap yet greater achievements in the cause of building and developing a prosperous country actively contributing to peace, stability, cooperation and development in the region and the world.<sup>3</sup> The government of Pakistan welcomed the decision of the Vietnamese government to reopen its Resident Embassy in Islamabad. Pakistan desires to build mutually beneficial links with the process of regional cooperation in South East Asia.<sup>4</sup>

According to the President of Vietnam the achievements made by the people of Pakistan in the political, economic and social

spheres and expressed his high appreciation for Pakistan's active contribution to the process of peace, stability and cooperation in South Asia. Vietnam government wished the Pakistani people ever greater success in their cause of building a peaceful and prosperous country that contributes to peace, security, stability and prosperity in the region and the world at large. The two sides highly valued the visits between the two countries which lay a firm foundation for the enhancement of friendship and bilateral cooperation in many areas. They agreed that both sides should exchange more delegations at various levels and promote existing mechanism for cooperation to develop bilateral relations in the fields of economy, investment and trade commensurate with the potential of the two countries.<sup>5</sup>

### **Political Relations**

Pakistan is pursuing an "oriental-oriented" policy which gives Vietnam an important position. Vietnam and Pakistan are enjoying fine development of political relations, which was marked with a recent exchange of high-level visits and the signing of a number of key agreements. Pakistan strongly supported Vietnam in its past struggle for national independence and is continuing to do so for the Southeast Asian nation in international forums and Vietnam also helped to the Pakistan on various forums.<sup>6</sup>

### **Economic Relations**

The Vietnam government however pushed for bilateral stronger economic ties, which remained modest despite a

growth of more than five times in two-way trade revenues over the past five years to US\$ 75 million currently in 2005-06. However, even this trade is much below the real potential and did not reflect the warmth in the diplomatic and economic relations. The Vietnam government policy of openness and industrialization had opened up new opportunities for Vietnam to make full use of its comparative advantages.<sup>7</sup> Due to pursuance of these policies, the total export volume surged from \$26 billion in 2004 to \$32.2 billion of Vietnam in 2006 and Pakistan surged US\$14.391 billion in 2005. [Economic Survey, 2005-06. p.75] Pakistan and Vietnam were the two fastest growing economies of Asia, underscores great potential for imports from each other and there is great potential for bilateral and economic cooperation in between the two countries. <sup>8</sup>

### **Need for Potentiality in Pak-Vietnam Trade**

According to Pakistan's statistics, the bilateral balance of trade in 2002 was US\$17.12 million, up by 0.25%, of which Pakistan exported US\$22.989 million and imported US\$5.870 million. In 1997-98 the bilateral balance of trade was US\$ 6.28 and total exports of Pakistan were US\$8627.663 and share in total export was 0.14%. Similarly total imports of Pakistan were US\$10118.021 and share in total imports was 0.03%. Statistics from Vietnam indicated that Pakistan was the small trading partner, but its export was more and import was less with Vietnam during the period from 1997-98 to 2001-2002.<sup>9</sup> The evidence is given in the following table -1.

**Table – 1: Pak-Vietnam Balance of Trade**

(Million US\$)

Year	Export	Import	Balance Trade	Total Exports of Pakistan	% Share in Total Export	Total Imports of Pakistan	%Share in Total Imports
1997-98	12.35	3.021	6.28	8627.663	0.14	10118.021	0.03
1998-99	3.497	4.378	088	7779.285	0.04	9431.656	0.05
1999-00	9.566	5.172	4.39	8568.599	0.11	10309.425	0.05
2000-01	20.06	7.820	12.24	9201.595	0.22	10728.918	0.07
2001-02	22.98	5.870	17.12	9202.218	0.25	10342.865	0.06

*Source:* Government of Pakistan (2003) Export Promotion Bureau, Karachi.

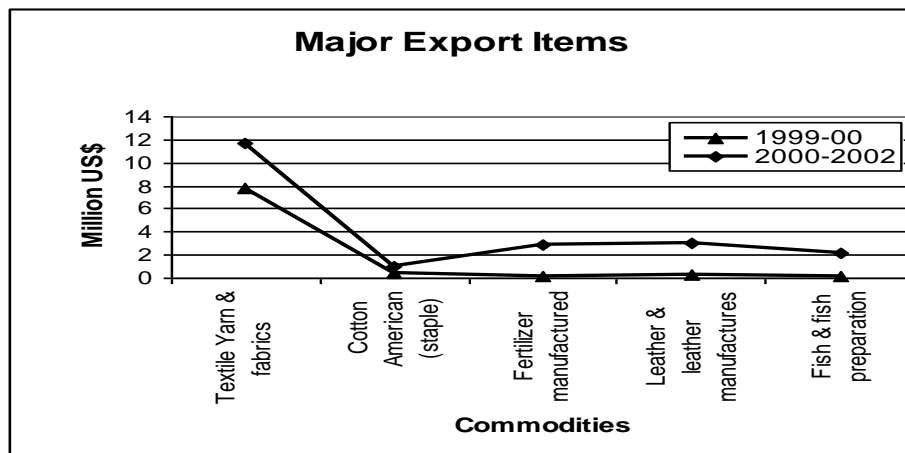
### Exports from Pakistan to Vietnam

The items exported from Pakistan are: textile yarn and fabrics, articles surgical of apparel and cloth accessories, raw cotton, rice, lubricating petroleum oil, sugar- cane refined , leather and leather manufactures, fertilizer manufactured cotton (American staple) , fish and fish preparation and others.

**Table-2: Exports from Pakistan to Vietnam**

<b>Pakistan Major Exports</b>		
<b>Major Exporting Items</b>	<b>1999-00</b>	<b>2000-2002</b>
Textile Yarn & fabrics	7.730	11.670
Cotton American (staple)	0.470	1.070
Fertilizer manufactured	-	2.850
Leather & leather manufactures	0.220	3.030
Fish & fish preparation	0.090	2.220

*Source:* Government of Pakistan (2003) Export Promotion Bureau, Karachi.

**Figure – 1: Exports from Pakistan to Vietnam**

Source: Government of Pakistan (2003) Export Promotion Bureau, Karachi.

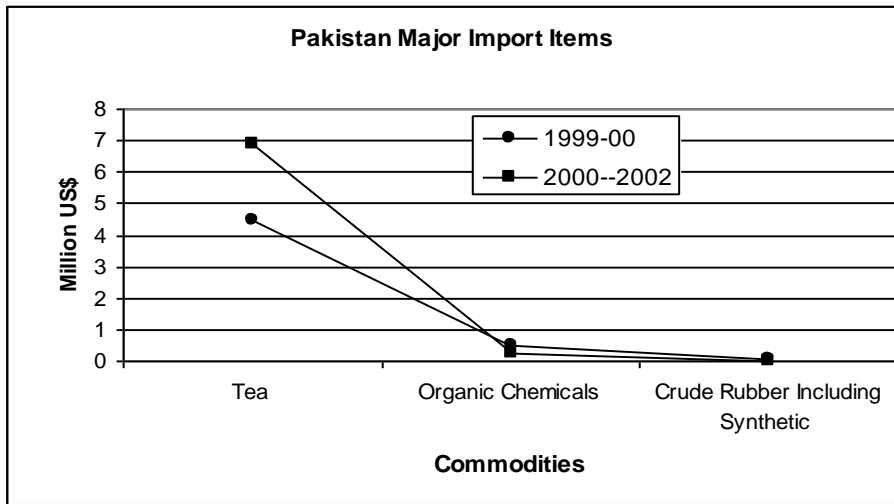
### Imports by Pakistan

Pakistan wants to expand its imports from Vietnam like, vegetables of pepper and dry anise flower and fruits, tea pepper black, cork and wood, sodium sulphide, organic chemical, crude rubber including synthetic and other. Pakistan had imported Vietnam's green tea which has become popular in the country.

**Table-3: Imports from Vietnam to Pakistan**

<b>Pakistan Major Import items</b>		
<b>Major Importing Items</b>	<b>1999-00</b>	<b>2000--2002</b>
Tea	4.440	6.870
Organic Chemicals	0.500	0.270
Crude Rubber Including Synthetic	0.070	-

Source: Government of Pakistan (2003) Export Promotion Bureau, Karachi.

**Figure – 2: Imports from Vietnam to Pakistan**

Source: Government of Pakistan (2003) Export Promotion Bureau, Karachi.

### Overview of Vietnam and Pakistan

Vietnam got independence on September 2, 1945. Its area is 331,114 sq. km.; equivalent in size to Ohio, Kentucky, and Tennessee combined. Its main cities are Capital--Hanoi 2.842 million, other cities --Ho Chi Minh, city formerly Saigon; 5.378 million, Hai Phong 1.711 million, Da Nang 715,000 and the climate of Vietnam's is tropical monsoon. The population was 83.1 million and its annual growth rate was 1.33% in 2005. The ethnic groups of Vietnamese are 85% to 90%, Chinese 3%, Hmong, Thai, Khmer, Cham, mountain groups. It is good thing that there is good literacy rate which was 90.3% that was more than Pakistan in 2004. The GDP of Vietnam was US\$53.1 billion and its real growth rate was 8.4% but its inflation rate was 8.4% and external debt was also US\$17.2 billion in 2005. The natural

resources are coal, crude oil, zinc, copper, silver, gold, manganese and iron. The agriculture and forestry shares 20.9% of GDP, and its principal products are rice, maize, sweet potato, peanut, soya bean, cotton, coffee, cashews and its cultivated land was 12.2 million hectares. Land use-21% arable; 28% forest and woodland; 51% other in the year 2005.<sup>10</sup>

Industry and construction made share 41% of GDP and its principal types are mining and quarrying, manufacturing, electricity, gas, water supply, cement, phosphate, and steel in 2005. The service sector shares 38.1% of GDP and its principal types are wholesale and retail repair of vehicles and personal goods, hotel and restaurant, transport storage, telecommunications, tourism, in 2005.<sup>11</sup>

Vietnam is even smaller than Balochistan but its trade is more, its exports are US\$32.23 billion and principal exports are garments/textiles, crude oil, footwear, rice just as second-largest exporter in world, sea products, coffee, rubber, handicrafts. Major export partners are U.S., EU, Japan, China, Singapore, Australia, Taiwan, and Germany. Imports are \$36.88 billion. The principal imports are-machinery, oil and gas, garment materials, iron and steel, transport-related equipment. The major import partners are China, Japan, Singapore, Taiwan, South Korea, Hong Kong, and Thailand. Exports to U.S were U\$6.5 billion and imports from U.S. US\$1.19 billion during the year 2005.<sup>12</sup>

Pakistan appeared on the world map on 14<sup>th</sup> August 1947 and its national day is celebrated every year on 23<sup>rd</sup> March from 1956 (Pakistan day). Its area is 796,096 sq.km and its climate remains mostly hot, dry, and temperate in North West, Arctic



in north. Its natural resources are: gas reserves, limited petroleum, five hundred billion worth coal reserves in Thar, iron, copper, salt, and limestone. According to UN Pakistan's population was 154 million in 2005 and its population growth rate is 2.0% per year. Pakistan comprises of four major ethnic groups viz: Punjabi, Sindhi, Pashtun, and Baloch. From religious point of view Muslims are 97%; Christians, Hindus and others are 3%. According to language point of view Punjabis 48%, Sindhis 12%, Siraiki 10%, Pashtu 8%, Urdu 8%, Balochi 3%, Hindko 2%, Brahvi 1%, English, Burushaski and others are 8%. Pakistan is primarily an agriculture country and its main exports are textile products, rice, cotton, leather goods. Its GDP was US\$ 78 billion, per capita income was near to US\$ 842, GDP growth rate remained 6.6% and foreign exchange reserves were US\$ 13 billion in the year 2006-07. Pakistan's exports are less as compared to imports. In 2004-05 its exports were US\$ 14.391 million and its import was US\$ 20.598 million. Pakistan got a few markets among from them are major markets, USA , EU, Middle East, Japan and its small partner Vietnam.<sup>13</sup> In Pakistan inflation was 6.6% and unemployment was 3,72 millions. Its foreign debt was US\$ 36.5 billion by end-March 2006 and it got economic aid from donor countries near about US\$ 2400 million. [Economic Survey 2005-06]

### **Trade matters of Pakistan**

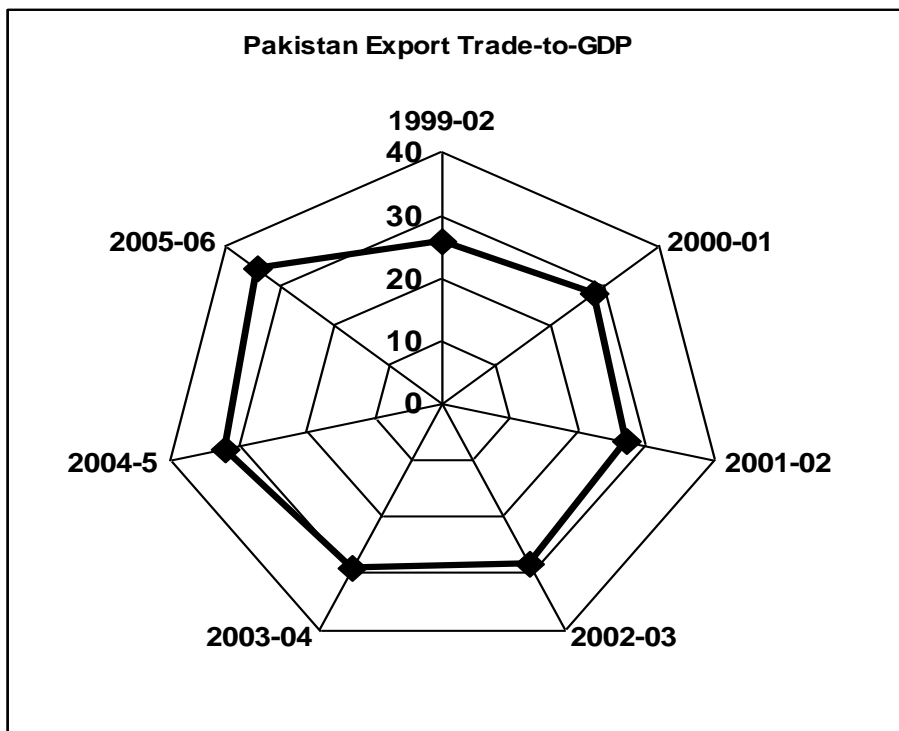
Globally trade matters more than ever before in a highly incorporated world today. Countries that have intensified their links with the global economy through trade and investment have usually grown more rapidly over a sustained

period and have consequently experienced larger reduction in poverty. Pakistan's foreign trade sector is being affected both by structural and cyclical factors.<sup>14</sup> On the domestic side, four years of strong economic growth strengthening domestic demand and triggering a resulting pick up in investment expenditure, has led to a massive flow in imports. On the external side, the world economy continues its power and broad -based expansion with growth reaching close to 5% in 2006 with similar expansion projected for the next year- which will be the fifth successive year that the world economy has grown by more than 4.0% per year.<sup>15</sup> A strong and geographically broad -based growth has helped world trade to expand strongly and at the same time the rapid expansion of global trade has been a key driving force for growth in almost every part of the world. Like many other developing countries, Pakistan and Vietnam have also benefited from a strong and sustained growth in world economy. Pakistan's exports grew at an average rate of 16.45% per annum over the last four years.<sup>16</sup> Notwithstanding global economic expansion, the sound macroeconomic policies that Pakistan pursued coupled with wide - ranging structural reforms, particularly in the areas of trade and tariff that it implemented over the last six or seven years have helped Pakistan doubled its exports in seven years and increased its trade-to-GDP ratio from close to 26 percent in 1999-2000 to estimated 34 percent in 2005-06.<sup>17</sup> The evidence is given in the following Table-4

**Table – 4: Pakistan's Export Trade-to-GDP**

<b>Year</b>	<b>Ratio Percentage</b>
1999-02	25.8
2000-01	28.0
2001-02	27.2
2002-03	28.4
2003-04	29.0
2004-5	31.6
2005-06	34.0

*Source:* Government of Pakistan (2005-06) Economic Survey, Finance Division, Economic Advisors Wing, Islamabad, pp.127



*Source:* Government of Pakistan (2005-06) Economic Survey, Finance Division, Economic Advisors Wing, Islamabad, pp.127

## **Conclusions / Suggestions**

It is concluded that Pak-Vietnam government agreed to promote the political, economic and trade relations and government of Pakistan also welcomed the decision of the Vietnam government to reopen its embassy in Islamabad. The visits between Pak-Vietnam lay a firm foundation for the enhancement of bilateral cooperation in various sectors. It is also noted that Pakistan government strongly supported Vietnam in its past struggle for national independence. The trade between Vietnam and Pakistan has increased but still there is a room for development because with an annual growth rate of 25% to 30%, with the volume of bilateral trade rising from \$12.35 million in 1997-98 to US\$ 22.98 million in 2001 and 75 million in 2005. US\$32.2 million in 2006. Similarly the bilateral balance of trade in 2002 was US\$ 17.12 million and it went up by 25%, of which Pakistan exported US\$ 22.989 million and imported US\$ 5.870 million. It is a good indication that the balance was in favor of Pakistan as compared to Vietnam. Pakistan mainly exports textile yarn and fabrics, articles surgical of apparel, cloth, raw cotton, rice, lubricating petroleum oil, sugar-cane refined, leather commodities, fertilizer, fish etc. Pakistan mainly imports from Vietnam vegetable of pepper and black cork wood, sodium sulphide, organic chemical, crude rubber including synthetic and green tea. The government of Pakistan must take efforts to increase the export of value added commodities and motivate the Vietnam government to invest in Pakistan through foreign direct investment and portfolio.

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