**CHINA’S WTO ENGTRY CHALLENGES FDI FLOWS, STAPLE EXPORTS**

*By Luu Phan*

China’s entry intro the World Trade Organization later this year will put Vietnam in a more difficult position to lure foreign direct investment (FDI) and bring more challenges to the country’s main exporters, but experts said this does not mean Vietnamese goods have no way to compete with those from China on the regional and world markets.

Pham Chi Lan, vice chairwoman of the Vietnam Chamber of Commerce and Industry (VCCI) said Chinese business environment has proved more attractive than ASEAN countries in recent years, and its WTO entry will prompt more foreign investors to shift their investment projects from ASEAN countries.

She said FDI flowing into China and ASEAN was shared in a 30:70 footing in the early 80s, but the proportion was reverse at present. “Vietnam should strive harder to improve investment climate if it is to maintain FDI flows”, she added.

Tran Du Lich, head of the HCMC Economic Institute, said China’s WTO entry would surely threaten the exports of many developing countries, including WTO members, as it had already succeeded in satisfying the world market with products of low quality and low prices.

He however pointed out that Vietnam’s garment – textile, footwear and electronic goods had long competed in unfavorable position with similar products from China as the latter had enjoyed U.S, most favored nation status over the past ten years, “So I could say that China’s entry would not much affect Vietnam’s exports. Local business could compete in their owns way by targeting other market segments because world market demand is diverse and always changing,” he said.

Lich added that it was more important for Vietnam to compete with Chinese products in the domestic market. “This does not relate to China’s WTO entry but when Vietnamese businesses have gained a firm foothold in the domestic market, they will be able to provide a solid unchor for their overseas operations,” he remained.

Phan Dinh Do, chairman of the Vietnam Footwear and Leather Association, acknowledged that the local footwear sector would face tougher times ahead as the WTO member status would give China optimum conditions to export footwear to member countries.

He complained that high power, telecoms and transports charges coupled with hurdles caused by State relevant officials had made it impossible for local businesses to lower their production costs to improve their competitiveness.

Meanwhile, Tran Dinh Lam, head if the science research and international cooperation division of the University if Social Sciences and Humanities, said in addition to efforts to turn out better products to fight against Chinese businesses, Vietnam should learn from China’s integration preparations to improve its reform progress.

Government policies should be strictly implemented at agencies of all levels. Banks, customs and tax officials must realize their responsibilities to help beef up exports rather than trying to bother business for their own benefits.

He said the Government should pay more attention to the recruitment of State employees to ensure their effective working capacity, citing examinations as the best choice.

He added that the Government should sign employment contracts with directors of State – owned enterprises as a way to force them to seek most efficient management methods and consider themselves part of the market competition.

Trade Deputy Minister Mai Van Dau said Vietnam’s exports to China jumped 80% in the first eight months of 2000 but the tempo fell to 35% in the same period this year to shout USSI billion. Dau however said the result was still “encouraging” given declining exports in recent times.

Bilateral trade between the two countries stands at USSI billion annually.