

# Potential importing commodities to the Czech Republic from Vietnam: Vietnam Market Research

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## Abstract

The primary objective of this research paper is to provide a comprehensive overview of the results and findings obtained through a quantitative research study focused on exploring import-export possibilities between the Czech Republic and Vietnam. By conducting this research, we aim to shed light on the current state of trade between these two countries and identify potential opportunities for further collaboration. Throughout the study, various quantitative research methods were employed to collect and analyze relevant data pertaining to the import and export activities between the Czech Republic and Vietnam. These methods included data collection from official trade statistics, surveys conducted with industry experts and stakeholders, and econometric modeling to assess the economic viability of different trade scenarios.

*Keywords: Commodities; Czech Republic; Export; Import; Vietnam.*

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## 1. Introduction

The main goal of the research is to analyze the import potential of selected commodities from Vietnam to the Czech Republic and, based on the analysis, propose appropriate recommendations. The main goal is divided into secondary objectives, which are in particular:

1. Secondary objective number one: to create a theoretical framework defining the basic concepts associated with the research topic.
2. Secondary objective number two: to identify selected commodities and analyze them in terms of import potential and to present conclusions.
3. Secondary objective number three: propose appropriate recommendations for practice (based on the analysis).

The research paper brings also the following aspects to the light of the research concerning Czech Republic and Vietnam:

- Study for importing commodities from Vietnam to the Czech Republic for companies.

- Development of proposals and recommendations for practice that can be considered while implementing imports from Vietnam to the Czech Republic (concerning the legal and managerial environment).

## 2. Literature overview

A manager is, according to the definition of the so-called formal authority, a person who is entrusted with a team of co-workers with whom he or she has the task of fulfilling the given goals. Khelerová states that authority is significant for a manager, and is primarily based on knowledge. The manager achieves recognition and is accepted by co-workers in an expert position. But a manager must also be a good negotiator and leader; it is not enough to be just an excellent expert (Khelerová, 2010, p. 78).

Managerial aspects of international operations are visible, especially in the timing of internationalization, the extent of the geographical process of the company, methods of entering global markets, or in the provision of business activities in terms of organizational and personnel (Meixnerová, Zapletalová, & Stefanovová, 2017).

Trade is primarily an actual transaction, which is associated with services and goods; it can be viewed from an institutional, functional, or combined perspective, which creates a national economic concept of trade (Štěrbová, 2013, p. 15).

Trade itself involves actual and financial-economic transactions related to the exchange of goods and services. In trade, people are generally separated in space and time due to the division of labour, and a market is created. Trade as such is an integral part of economy. The trade can be viewed from two angles. It can be a functional concept where trade is defined as an exchange (purchase, sale, or direct barter exchange). However, trade can also be examined in terms of the institutional concept. It is defined as the range of enterprises and departments of enterprises that carry out trade operations and play an essential role as intermediaries between production and consumption (Štěrbová, 2013, p. 15).

In the traditional sense, foreign trade consists of import, export and can be examined in terms of territorial or commodity structure. Foreign trade represents “*trade of one national economy with its surroundings, i.e., with one or more other national economies, or as well as the trade of one state with other states.*” (Štěrbová, 2013, pp. 15-16).

International trade, in general, can be seen as „*the sum of foreign trade activities of two or more national economies or states if their borders coincide with the borders of economies,*“ which implies that international trade consists of two or more foreign trade activities (Štěrbová, 2013, p. 18).

Factors that affect the international trade environment are mainly economic factors, socio-cultural factors, political and legal factors, and technological factors (Kumar, 2007, stránky 42-47).

Export. From a linguistic point of view, the noun export is “the sale and transport of goods to other countries” or “a product sold to another country,” as stated in the Oxford Dictionary (Oxford, 2020).

Imports represent the transition of goods or services from the foreign to the domestic economy. Import is the sale of a non-resident to a resident. Import means also a cross-border sale from abroad to a domestic country. It is an integral part of the traditional concept of foreign trade (Štěrbová, 2013, p. 16).

### 3. Methodology

From the methodological point of view, the analysis is carried out mainly by the methodology of analysis, data, and information synthesis, but also by description; the research itself is then carried out by the methods of explanation, comparison, analysis, and measurement.

Quantitative research. The actual analysis of commodities is carried out by a questionnaire survey, which is a quantitative survey technique. A quantitative study and a questionnaire survey are used to ensure a more significant amount of data and, at the same time to verify the appropriate hypotheses (Soukup, 2011, p. 270).

Step-by-step research. A random selection was addressed to 100 selected import-export companies, to which an electronic questionnaire in English was sent via a hypertext link. The respondents completed the questionnaire, and the data were processed and analyzed by the author using office software and other tools, such as Microsoft Word and Microsoft Excel. Conclusions and recommendations for practical use are drawn from the analysis findings. The research works with the English version of the questionnaire to avoid unwanted mixing of languages and maintain the overall linguistic uniformity of the work.

Research sample, its selection, and characteristics and selection criteria. The research sample was selected at random using the following criteria:

- It must be a legal entity, i.e., a company in any state-recognized form,
- It must be a company domiciled in Vietnam,
- It must be a company that carries out foreign trade, namely import-export or only export.

### 4. Hypotheses of the Research

The research hypotheses are determined concerning the main goal of the research. Four research hypotheses are established:

1. **Hypothesis H<sub>1</sub>**: the addressed Vietnamese companies already export goods to the Czech Republic and have the necessary infrastructure in place.
  - *Evaluation of Hypothesis H<sub>1</sub>*: at least 60% of the contacted Vietnamese import-export companies have established business relations with the Czech Republic, i.e., they export goods from Vietnam to the Czech Republic.
2. **Hypothesis H<sub>2</sub>**: companies that do not export goods from Vietnam to the Czech Republic would be interested in this export.
  - *Evaluation of Hypothesis H<sub>2</sub>*: at least 50% of the addressed Vietnamese import-export companies, which do not yet export their products to the Czech Republic, would have a severe interest in exporting commodities to the Czech Republic or are preparing for this step.
3. **Hypothesis H<sub>3</sub>**: Vietnamese companies mainly export raw materials to the Czech Republic in the following classes (SITC): Class 0 - food and live animals, Class 7 - machinery and transport equipment, and Class 8 - various industrial products.
  - *Evaluation of Hypothesis H<sub>3</sub>*: among the top ten items in terms of frequency, export products can be classified in class 0, class 7, or class 8 respectively.
4. **Hypothesis H<sub>4</sub>**: Vietnamese import-export companies see the future export potential to the Czech Republic in electronic equipment (Class 7, Division 77), clothing (Class 8, Division 84), and footwear (Class 8, Division 85).
  - *Evaluation of Hypothesis H<sub>4</sub>*: Among the first five most frequently mentioned commodities that Vietnamese import-export companies will list as promising for

export to the Czech Republic will be commodities classified in Division 77, Division 84, and Division 85 (for example, sports shoes, T-shirts).

Based on the analysis, the results are presented, and hypotheses are evaluated and are verified or, on the contrary, not verified.

## 5. Research Results

A typical respondent is an export or import-export company registered and based in Vietnam. The company is based in South Vietnam in a city or agglomeration with more than 5,000,001 inhabitants (Research Question No. 1-4).

A typical company is engaged in the main activities in commodity class 7, which represents machinery and transport equipment, including office machinery and telecommunications equipment (44.59%). It is a company that has already established business relationships with a partner in the Czech Republic. It exports its products to the Czech Republic (71.62%) but is still looking for new business partners in the Czech Republic (54.05%) (Research Question No. 5-7).

A typical company exports to the Czech Republic, among other things, agricultural products, mechanical equipment, welding, and metalworking machines and similar equipment, household goods and tools, electric cables, and footwear.

A typical respondent - a company from South Vietnam - believes that the export potential to the Czech Republic is in commodities: household goods and tools, agricultural products, electric cables, welding and metalworking machines, and similar equipment and coffee in the form of coffee beans (Research Question No. 10 -11).

**Table 1 Vietnamese companies export potential of commodities from Vietnam to the Czech Republic**

No.	An item with potential for export to the Czech Republic	Frequency of appearance	SITC Classification
1	Household utensils and tools	19	Class 6, all divisions; Class 7, division 77
2	Agricultural products	12	Class 0, all divisions
3	Electric cables	11	Class 7, division 77
4	Welding machines, machine tools, and similar equipment	10	Class 7, division 72
5	Coffee	7	Class 0, division 07

*Source: Author based on the analysis.*

A typical respondent states that exports to the Czech Republic can help Vietnamese exports, and at the same time, the Czech Republic may be one of the essential markets (Research Question No. 12).

A typical company already exports products or services to the Czech Republic (71.62%). Still, it was also found that companies that do not yet export products to the Czech Republic are planning or interested in this export (21.62%). For companies that do not yet export products to the Czech Republic, the biggest obstacle is the lack of interest in demand and sales in the target market (8.11%) (Research Question No. 8-9).

## 6. Hypotheses Verification

The research hypotheses were determined concerning the main research goal and the secondary research objectives. The initial hypotheses are confirmed or not verified.

### **Hypothesis H<sub>1</sub>: the addressed Vietnamese companies already export goods to the Czech Republic and have the necessary infrastructure in place (verified).**

Criterion: at least 60% of the contacted Vietnamese import-export companies have established business relations with the Czech Republic, i.e., they export goods from Vietnam to the Czech Republic. **Hypothesis H<sub>1</sub> was verified** when it was proved that 71.62% of respondents (53 answers) have business relationships with Czech companies and export to the Czech Republic (Research Question No. 6).

### **Hypothesis H<sub>2</sub>: companies that do not export goods from Vietnam to the Czech Republic would be interested in this export (verified).**

Criterion: at least 50% of the addressed Vietnamese import-export companies, which do not yet export their products to the Czech Republic, would be seriously interested in exporting commodities to the Czech Republic or are preparing for this step. **Hypothesis H<sub>2</sub> was confirmed.** Out of the total number of 74 respondents, 53 respondents already export their products to the Czech Republic. Of the remaining 21 respondents, ten respondents are interested in exporting to the Czech Republic, and another 6 respondents plan to export commodities to the Czech Republic in the following year(s). This means that 16 out of 21 respondents are interested in or even planning to export commodities to the Czech Republic. It was found that 76.19% of the surveyed companies (16 respondents) that do not yet export commodities to the Czech Republic are interested in or preparing to export to the Czech Republic, the hypothesis was confirmed (Research Question No. 8).

### **Hypothesis H<sub>3</sub>: Vietnamese companies mainly export raw materials to the Czech Republic in the following classes (SITC): Class 0 - food and live animals, Class 7 - machinery and transport equipment, and Class 8 - various industrial products (verified).**

Criterion: the top ten items in terms of frequency in export products, are classified in Class 0, Class 7, or Class 8. **Hypothesis H<sub>3</sub> was confirmed.** The surveyed Vietnamese companies state that they export to the Czech Republic, among others, agricultural products (class 0, frequency: 13), mechanical equipment (class 7, frequency: 13), welding and metalworking machines (class 7, frequency: 10), household goods and tools (class 6 and class 7, frequency: 7), electric cables (class 7, frequency: 6), footwear (class 8, frequency: 6), coffee (class 0, frequency: 5), electrical components and cabinets (class 7, frequency: 5), rice (class 0, frequency: 5) and toys (class 6 and class 7, frequency: 5). In terms of frequencies of individual categories, these are the following classes (total frequency):

- Class 0 - food and live animals: 23
- Class 6 - industrial goods classified mainly by material: 12
- Class 7 - machinery and transport equipment: 46

- Class 8 - miscellaneous manufactured articles.

Based on the above findings, it can be characterized that commodities classifiable into the category of machinery and transport equipment (frequency: 46) and food and live animals (frequency: 23) are imported from Vietnam to the Czech Republic, as determined by the analysis of Question No. 10.

**Hypothesis H4: Vietnamese import-export companies see the future export potential to the Czech Republic in electronic equipment (Class 7, Division 77), clothing (Class 8, Division 84), and footwear (Class 8, Division 85) (not verified).**

Criterion: among the first five most frequently mentioned commodities that Vietnamese import-export companies list as promising for future export to the Czech Republic are commodities that are classified in Division 77, Division 84, and Division 85 (for example, sports shoes, T-shirts). **Hypothesis H4 was not confirmed**, as the first five most frequently mentioned commodities with export potential to the Czech Republic are the following products: household goods and tools, agricultural products, electric cables, welding machines and metalworking machines and similar equipment, coffee (Question No. 11).

According to the Standard International Trade Classification, these are class 0 (all divisions: agricultural products, coffee), class 6 (all divisions: household appliances and tools), and class 7 (divisions 72 and division 77: electric cables, welding machines, and metalworking machines and household utensils and tools).

In contrast to the introductory Hypothesis H4, it was found that class 8 (namely Division 84 and Division 85: clothing and footwear) has no potential in terms of Vietnamese exporters. Conversely, commodity class 0 (including agricultural products such as Coffee Beans), class 6 (including household goods), and class 7 in the form of division 72 (metalworking and welding machines and equipment) may have some export potential.

## 7. Recommendations (based on the research)

The recommendations are to be divided into two main parts: general recommendations for international trade and import-export specific recommendations.

### 1. General Recommendations:

- Support for the implementation of the EU-Vietnam Trade Agreement (EVTA) into Czech practice and society
- Workshops, presentations, lectures, and educational activities of Czech companies on the import of goods from Vietnam to the Czech Republic, or exports from the Czech Republic to Vietnam under the new EU-Vietnam Trade Agreement (EVTA)
- To support individual Member States in the successful and rapid implementation of the rules for the EU-Vietnam Trade Agreement (EVTA) into the legislative framework of the Member States
- Continue to work together to expand free trade opportunities between the Member States of the European Union and Vietnam and to remove other tariff and non-tariff barriers to free trade
- Implementation of the EU-Vietnam Trade Agreement (EVTA) into Vietnamese law, customs, and social practices
- Support for Vietnamese companies to export to the European Union and to the Czech Republic

- Discussions, lectures, forums, and educational activities in terms of disseminating information about the possibilities of partnership with Czech business partners and exports to the Czech Republic

## 2. Import-Export specific recommendations:

The following commodities (classified according to the Standard International Trade Classification) may be designed for import from Vietnam to the Czech Republic by analysis, research, and own study of documents, professional publications, and knowledge of practice:

- Household utensils and tools (Class 6 and Class 7, Division 77)
- Agricultural products and coffee (Class 0)
- Electrical cables (Class 7, Division 72)
- Welding machines, machine tools, and similar equipment (Class 7, division 72)

## 8. Discussion

The Vietnamese government agency Asem Connect Vietnam states that in the first nine months of 2020, goods worth USD 282.29 million were exported from Vietnam to the Czech Republic, including exports of other machinery, equipment, tools, and their parts worth USD 94.17 million, computers, electronics and electronic components worth USD 63.03 million, footwear worth USD 49.60 million, and vehicles or parts thereof worth USD 16.8 million. Until September 2020, other commodities were exported to the Czech Republic for approximately USD 75.49 million (ASEM Connect, 2020). The Vietnamese government agency report results correspond to the author's questionnaire survey, which found that Vietnamese companies export machinery and transport equipment, industrial goods classified mainly by material, various industrial products, and food and live animals to the Czech Republic (Hypothesis H3).

The Vietnam Plus report states that Vietnamese companies are looking for ways to support and develop partnerships with Czech companies, as stated at the Czech-Vietnamese Business Forum in 2019, among others (Vietnam Plus, 2019).

The Vietnamese Ministry of Planning and Investment also says that Vietnam and the Czech Republic are making significant efforts to strengthen their mutual trade partnership (Ministry of Planning and Investment, 2019).

## 9. Limitations of the Research

The limitation of the research is that the investigation is focused on the Vietnamese market and does not take into account Czech Market. Therefore, the second research investigating the Czech market is planned to provide complex information on the import-export potential between the Czech Republic and Vietnam.

Another limitation of the research is that the information provided in the research paper may change since the market structure and needs of the customers and companies may change over time. Therefore, it may be recommended to carry out similar research in the future 5–10 years.

## 10. Summary and Conclusion

The research was conducted as quantitative survey in a questionnaire form. The questionnaire consists of 12 questions; 8 questions are closed, 3 questions are semi-closed, and

1 question is entirely open. One hundred selected import-export companies were addressed by random selection based on set criteria, to which an electronic questionnaire in English was sent.

The standard criteria for choosing the companies was that the company must be export or import-export company; the company must be based in Vietnam and operate there according to the relevant laws.

The following facts affecting the export of commodities from Vietnam to the Czech Republic were also found by the investigation and subsequent analysis:

- A new EU-Vietnam trade agreement that entered into force in 2021, which would remove up to 99% of tariff and non-tariff barriers,
- It can be assumed that Vietnamese export companies and Czech import companies already have sufficient infrastructure in the Czech Republic,
- Vietnamese companies are interested in exporting their products to the Czech Republic and are looking for business partners in the Czech Republic (for import),
- At present, Class 0, Class 6, Class 7, and Class 8 are imported from Vietnam to the Czech Republic, namely food and live animals, industrial goods classified mainly by material, machinery, and transport equipment.

Based on the analysis, the following proposals and measures regarding commodity imports are determined. It is recommended to examine the interest in importing the following commodities (according to SITC):

- Household utensils and tools (Class 6 and Class 7, Division 77),
- Agricultural products and coffee (Class 0),
- Electrical cables (Class 7, Division 72),
- Welding machines, machine tools, and similar equipment (Class 7, division 72).

In the future, it is recommended to conduct market research and the interests of Czech companies and consumers in selected commodities (household goods and tools, agricultural products and coffee, electric cables and welding machines, metalworking machines, and similar equipment) to determine the interests of Czech companies and consumers.

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