

# Regional Economic Integration and Risks for Agricultural Products: A Banana Value Chain Analysis in Huong Hoa District, Quang Tri Province, Vietnam

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## ABSTRACT

This article aims to analyze the impact of regional economic integration on agricultural production risk in the case study of banana value chain in Huong Hoa district, Quang Tri province, one of the provinces located on East-West economic corridor. The article utilises methods of value chain analysis that is mainly based on descriptive statistical analysis, combining with qualitative and quantitative analysis to describe the structure, mechanism of operation and the creation of values. The research results indicate that the bananas are consumed in both the domestic and abroad market, namely: 80% of Huong Hoa banana is consumed in the Chinese market, and 5% is exported to the Thailand market and the 15% remaining is for the domestic market. Banana farmers are the agents holding the highest financial position on all three indicators of cost, marginal revenue and profit, but the least of benefit in channels in all three markets: China, Thailand and domestic market. The study also points out that the highly dependent degree of Chinese market is one of the main factors creating instability and unsustainability of the banana value chain in Huong Hoa district in the long-term. This article highlights the risks of agricultural products (cases of bananas) under the regional economic integration process.

## KEYWORDS

Banana, Economic Corridor, Integration, Quang Tri, Value Chain

## 1. INTRODUCTION

Building economic corridors aims at strengthening regional economic integration is the popular trend in many areas of the world including the Mekong subregion with East-West economic corridor. The main objective of the construction of East-West Economic Corridor (EWEC) is to attracting investment, infrastructure improvement, development of agriculture, tourism, industries and hunger alleviation and poverty reduction for the region in East-West economic (Banomyong et al., 2008). This is an initiative of the Ministerial Conference of ASEAN countries in Manila in 1998.

With more than 1450 km in length, connecting Myanmar through Thailand, Laos and ends in Da Nang, Vietnam, EWEC is an important traffic bridge in the Mekong sub-region countries, contributing commodity circulation between the countries in the region and create the motivation for production development. Since the EWEC officially operated in 2006, a number of agricultural products of localities on EWEC have access to export markets (Hue, 2014). Therefore, in recent years, many specialized areas of the tropical fruit have been formed and developed, which is the banana production areas in Huong Hoa district, Quang Tri province.

Before the foundation of EWEC, banana was only scattered grown in some areas in Huong Hoa district with small area (400ha) and only for domestic market, mainly in the local market of the district and the neighboring provinces, namely Quang Binh and Thua Thien Hue (Quang, 2015). By early 2007, when the Chinese and Thailand traders started buying banana in the district, the banana growing actually developed and many previously uncultivated forest land has been converted to banana cultivation (Huong Hoa District People's Committee, 2015; Quang, 2015). According to statistical department of Huong Hoa district, the total area of banana in 2015 was about 6.4 thousand ha (double increase over 2005), with yields estimated at 80 thousand tons (Huong Hoa Statistical Office, 2015). Currently, banana has become staple crops, creating more jobs and income for local people, especially the ethnic of Van Kieu and Pa Co.

However, the banana market in Huong Hoa district is still a low-end market, shoddy, unstable prices and entirely depends on traders, and thus income of the farmers are not high, not really a source of steady income. One other important feature is that the majority of banana in Huong Hoa district is consumed in the Chinese market (accounting for 80% of total banana yield) - a market-style "swollen" cheap, lacking information and without commercially contractual commitments, leading to the potential risks, instable market and may result in the disruption of the local banana.

As a result, this study focuses on clarifying the panorama of banana markets in Huong Hoa district, Quang Tri province by applying the value chain analysis approach to point out the connections, operation mechanism, the profits division between the actors in the chain and the market risks. The research results will provide useful information for policy makers in planning and building development strategies for the solid and sustainable position of banana market in Huong Hoa district, Quang Tri province.

## 2. BACKGROUND

Economic corridor is defined as "a connector to link production, trade and infrastructure within a specific geographic framework of the centre of economic activities, but it will extend benefit through transport development to rural area through linkage of production activities" (Ishida & Isono, 2012). The development of economic corridors is considered as major determinants of economic integration in many countries because the core priority of economic corridor approach facilitates the transportation and trade. The economic corridor will not only improve the connectivity among regions in the country but also has the potential to enhance the link between countries (Lord, 2009). The impacts of economic corridor at the cross-border areas are observed in various forms. At the macro level, economic corridor development can be seen at impact on economic growth, foreign investment and poverty reduction in the cross-border regions (Brunner, 2013; Ikegami, 2015). At the micro level, previous researchers

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