Impact of the EU-Vietnam Free Trade Agreement (EVFTA) on Vietnam

Started and ended in the context of the bilateral development of Vietnam-EU relations, especially in the field of economy and trade. EVFTA is expected to bring positive impacts on many fields for Vietnam and challenges that businesses and state agencies of Vietnam need to address.

I. OVERVIEW OF EVFTA

The Free Trade Agreement between Vietnam and the European Union (EVFTA) is a comprehensive, high-quality agreement with a deep and broad commitment, in accordance with the provisions of the World Trade Organization (WTO), including both traditional and non-traditional sectors such as Government procurement, intellectual property and sustainable development. The Agreement consists of 17 Chapters, 8 Annexes, 2 Protocols, 2 Memorandum of Understanding and 4 Joint Statement that cover many issues including: trade in goods (including general provisions and market opening commitments), rules of origin, customs and trade facilitation, quarantine and food safety (SPS) measures, technical barriers to trade (TBT), trade in services (including general regulations and market access commitments), investment, trade defense, competition, State-owned enterprises, Government procurement, intellectual property, trade and sustainable development, cooperation and capacity building, legal-institutional.

II. IMPACT OF EVFTA AGREEMENT

Started and ended in the context of the bilateral development of Vietnam-EU relations, especially in the field of economy and trade. EVFTA is expected to bring positive impacts on many fields for Vietnam and challenges that businesses and state agencies of Vietnam need to address.

1. Opportunity

1.1. Economic impact

In the context of the Covid-19 epidemic causing negative effects on global production and import and export, the implementation of the EVFTA Agreement is expected to be important to help offset the decline. reduction of our country's economy. From the business side, the EVFTA Agreement is also affirmed as the ultimate solution to bring more diverse market opportunities for businesses, helping

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1 Original article: http://evfta.moit.gov.vn/default.aspx?page=news&do=detail&category_id=13caec66-a1f8-4b9c-9066-b25657f4d36d&id=74e3c98e-0290-4673-9e76-6d824f186832
businesses regain momentum during this difficult period. Specifically, Vietnamese businesses will have the opportunity to access new supply chains to replace the old supply chains that have been disrupted or stalled in traditional markets due to the Covid-19 epidemic recently. This is an important premise for businesses to recover and promote production and business after the epidemic stage. In addition, the export market of Vietnamese businesses also has the opportunity to expand and diversify, reducing dependence on a certain market group.

In terms of growth, the calculation shows that EVFTA is expected to contribute to an average GDP growth of 2.18 to 3.25% (for the first 5-year period), 4.57 -5.30% (for the next 5-year period) and 7.07-7.72% (for the next 5-year period).

In terms of exports, the EU is now one of Vietnam’s major trading partners, with two-way turnover in 2019 reaching US $ 56.45 billion, of which exports reached US $ 41.5 billion and imports from EU reached 14.9 billion USD. A prominent feature of the import-export structure between Vietnam and the EU is the very large complementarity, which is less of direct competition. Therefore, if put into practice, EVFTA will be a huge boost for Vietnam’s exports, helping to promote bilateral and Vietnam trade relations in a more comprehensive and deeper way. Commitments to reduce / eliminate tariff barriers on the EU market will be a great advantage of Vietnamese businesses in the post-epidemic phase to exploit this US $ 18 trillion market. According to calculations, EVFTA Agreement will help Vietnam's export turnover to the EU increase by about 42.7% in 2025 and 44.37% in 2030 compared to no Agreement.

By sectors, sectors with high export growth rates to the EU market can include the following groups:

(1) Agricultural products: rice (increase by 65% by 2025); sugar (8%); pork (4%); forestry products (3%); cattle and poultry meat (4%); beverages and tobacco (5%);

(2) Manufacturing industry: some labor-intensive products continue to have very high growth rates, especially in the period when the majority of tariff barriers are removed. Specifically: textile (67%), apparel (81%), leather and footwear (99%);

(3) Service sectors: Transport services have a very high growth rate, which is relatively high protection by Vietnam in this group. Specifically, waterway transport increased by 100%, air transport by 141%, finance and insurance by 21%, and other business services increased by 80%.
On the import side, it is expected that the increase of Vietnam's imports from the EU will not focus on the time immediately after the EVFTA Agreement comes into effect because Vietnam has a long roadmap to eliminate taxes, from 7-10 years. Calculations by the Ministry of Planning and Investment in 2019 show that, in case of improving productivity, making good use of opportunities to attract FDI as well as commitments on tariff and non-tariff, import turnover of Vietnam Male from EU will increase by 0.5-1.15% (for the first 5-year implementation period), 2.72% -5.02% (for the next 5-year period) and 10.08% -14.7% (for the next 5-year period).

Regarding foreign direct investment, commitments to treat fairly, equally, safely and adequately protect each other's investments and investors in the IPA will also contribute positively to building a transparent legal and investment environment, creating favorable conditions for businesses, from which Vietnam will attract more investors from the EU and other countries.

With the scale and potential of the EU, Vietnam has the opportunity to become a strong attraction for EU investment and a transshipment point connecting EU trade and investment activities in the ASEAN region. This impact will be strongly resonated when the ASEAN Economic Community is implemented as well as with the implementation of important FTAs such as the FTA with the Eurasian Economic Union, with Korea, or CPTPP Agreement.

1.2. Institutional impact

EVFTA will be an opportunity for us to continue institutional-legal reforms in line with international standards, perfecting the business environment in a more open, transparent and predictable manner, thereby promoting both domestic and foreign investment as well as other business activities, including cross-border transactions, cross-border services, etc.

In addition, amendments and amendments to EVFTA in some fields such as intellectual property will also help businesses enjoy greater protection of investment results. for creative activity. This is the motivation for businesses to continue investing more in creative activities in order to innovate technologies and create a good environment for attracting foreign technology transfer to improve the quality of Vietnamese products.

1.3. In terms of politics, national security and foreign strategy

EVFTA shows the strong determination of both sides in promoting bilateral relations, contributing to the deepening and substantive relationship between Vietnam and the EU. Together with the CPTPP, the
ratification and implementation of EVFTA affirms Vietnam's commitment to the international free trade system, accelerating our FTA negotiations with other important partners, marking the stage of comprehensive and extensive international integration of Vietnam. From a multilateral perspective, with Vietnam taking the role of ASEAN Chair in 2020, EVFTA will increase Vietnam's role and position in EU-ASEAN relations as well as create a model for a trade agreement. freedom between ASEAN and the EU in the future.

1.4. In terms of social security

In terms of social security, EVFTA is expected to help increase employment by about 146,000 / year, focusing on labor-intensive industries and high export rates to the EU market. Not only that, the EVFTA Agreement is also expected to help increase wages for workers through more efficient market operations and spillover effects on FDI enterprises. According to calculations, the salary of FDI enterprises will be approximately 1% higher than that of domestic enterprises.

In addition, because the economies of the EU member countries are developed at a higher level than Vietnam and are complementary to the Vietnamese economy, imports from EU countries are largely uncompetitive. directly, so with a reasonable tax reduction roadmap, combined with perfecting the social security system, we can handle the social problems arising from joining EVFTA. Since EVFTA includes commitments on environmental protection, the process of opening up, trade liberalization and attracting investment will be implemented in a more environmentally friendly way, helping us to grow sustainably and more solid.

2. Challenges and solutions

The agreement can bring certain challenges. Firstly, Vietnam is committed to opening markets with goods and services for the EU, creating certain competitive pressures on our economy, businesses and goods and services. However, this is a healthy, selective and competitive pressure. More importantly, because the economic structure of the EU and Vietnam is very complementary, without direct confrontation, the expected competition pressure will not be large. In addition, Vietnam's open-door commitment is on a roadmap, especially for sensitive product groups, so EVFTA is also a reasonable opportunity and pressure for Vietnamese businesses to adjust and change their business method and improve its competitiveness.

In response to competitive pressures, supporting businesses, especially small and medium-sized enterprises, to take full advantage of opportunities as well as minimize challenges encountered during
the implementation of the Agreement, the Government has been direct the ministries and branches to continue promoting information, propagation and guidance activities in order to raise enterprises' awareness and understanding of the provisions and commitments of the Agreement. In addition, the Government also instructs ministries and sectors to proactively study and apply the measures allowed to be applied in accordance with Vietnam's international commitments in general and EVFTA in particular to support and protect interests. legitimate interests of domestic industries in the face of foreign goods competition.

Second, EVFTA includes strict rules and regulations on investment procedures, customs, trade facilitation, technical standards, animal and plant quarantine measures, intellectual property, and purchasing. government procurement, sustainable development, etc. Fully complying with these regulations requires reforming our legal system. However, basically, this is also consistent with the policy of reforming administrative procedures, increasing the efficiency of public procurement, renewing our growth model. On the other hand, this work has been actively and urgently implemented by the Government. Right before the signing of EVFTA, the Government has directed the ministries and branches to coordinate with the Ministry of Justice to urgently review the current provisions of the legal documents under their management so as to propose directions. amended, supplemented or formally applied to ensure compliance with EVFTA requirements.