



doi 10.5281/zenodo.7084898

Vol. 05 Issue 08 August - 2022

Manuscript ID: #0700

EU-VIETNAM FREE TRADE AGREEMENT (EVFTA) AND VIETNAM AGRICULTURAL PRODUCTS EXPORT: OPPORTUNITIES AND CHALLENGES

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ABSTRACT

EVFTA is a newly generated free trade agreement with the highest level of commitment that a partner has for Vietnam among the FTAs signed. Regarding agricultural products, which are Vietnam's strengths, the EVFTA's commitments bring opportunities to expand and diversify export markets; increase exports and promote the improvement of agricultural product quality. In order to meet the strict requirements of the EU, stakeholders including the Government, production facilities, and exporters of Vietnamese agricultural products must take advantage of opportunities and overcome challenges as a result of the EVFTA. By analyzing opportunities and challenges, the article proposes some solutions to take advantage of opportunities and remove difficulties in exporting Vietnamese agricultural products to the EU.

KEYWORDS

EVFTA, agricultural products, exports, opportunities, challenges

1. Introduction

The EU-Vietnam Free Trade Agreement (EVFTA), is the largest new-generation free trade agreement in the country's history in terms of direct benefits to Vietnam. The European Union (EU) is one of Vietnam's most important and stable trading partners. The implementation of the EVFTA will help improve bilateral trade with the EU, maintain positive trade results, and help strengthen Vietnam's crucial global value chains. Most importantly, the structural and economic changes brought about by the implementation of the EVFTA will help reinforce domestic reforms, enabling Vietnam to strengthen its economy, competitiveness, creativity, and innovation.

The EVFTA is an opportunity and a challenge for Vietnam's exports of goods in general and particularly exports of agricultural products. Strong commitments to tariff reduction from the EU are the biggest opportunity to help Vietnam easily access the EU market (WB, 2020). However, the EU is a large market with strict standards on food safety, origin, intellectual property, and environmental protection. Customers' needs are diverse with a focus on food quality, product packaging, labeling, and ease of use (WB, 2020). The article has generalized and systematized the basic theory of free trade and free trade agreements. Based on studying the commitments of the agreement and analyzing the current situation of Vietnam's agricultural exports to the EU, the article briefly assesses the opportunities and challenges of the agreement to Vietnam's agricultural exports and proposes solutions.

2. Overview of the EU-Vietnam Free Trade Agreement (EVFTA)

EVFTA is a new generation FTA between Vietnam and EU member states. After 10 years of negotiations, the EVFTA Agreement officially took effect in August 2020. With strong commitments in the field of goods market opening, the EVFTA brings more opportunities for Vietnamese enterprises to improve their exports to the EU market (Delegation of the European Union to Vietnam, 2020). In particular, the provisions of the agreement affect the export of agricultural products, notably the commitment to eliminate tariffs. The EU will remove tariffs as soon as the EVFTA comes into effect for Vietnamese goods belonging to 85.6% of the tariff lines in the tariff, equivalent to 70.3% of Vietnam's export turnover to the EU. After 7 years, 99.2% of tariff lines in the tariff will be eliminated, equivalent to 99.7% of Vietnam's export turnover to the EU. (VCCI, 2020)

The EU plays a significant role in international relations through diplomacy, trade, investment, development aid, and international organizations, with interests and responsibilities for regional and global security today. The EU is a large market with more than 516 million people, accounting for more than a quarter of the world's GDP, pervasive but stringent, with strict requirements for quality and environmental friendliness (European Market Department. Europe-Americas, 2021). In contrast, Vietnam is a country with advantages in agricultural products and agricultural exports. In particular, in the post-Covid-19 context, both Vietnam and the EU are seriously affected by the Covid-19 pandemic, the EVFTA brings opportunities and challenges for Vietnam in increasing agricultural exports to the EU.

3. Opportunities and challenges of exporting Vietnamese agricultural products to the EU market

3.1. Opportunities for exporting Vietnamese agricultural products to the EU market

In the context of agricultural exports, Vietnam is too passively dependent on certain markets. The EVFTA has opened great opportunities for Vietnam's agriculture to diversify markets and penetrate a potential market like the EU. The European Union is currently the largest market for

agricultural products in the world. With a large annual import volume and variety of types, the EU is considered a potential market for agricultural exporting countries. On the other hand, after the impact of Covid-19, the EU economy is forecasted to recover faster than expected. (Institute of Policy and Strategy for Agriculture and Rural Development, 2021)

Vietnam's key agricultural products entering the EU are seafood, rice, crop products, and vegetables, all of which enjoy preferential tax rates right after the EVFTA comes into effect. For seafood products, about half of the tariff lines are equivalent to 840 tariff lines, of which the majority from 6% to 22% will be at 0% and most of the crop and vegetable products are imported and receive tax incentives when entering the EU. According to the commitment, 520 out of 556 tax lines will be 0%, respectively. Some key export agricultural products of Vietnam such as cashew nuts, coffee, and pepper all dropped to 0% immediately after the implementation of the Agreement (VCCI, 2020). The remaining half of the tariff is currently at between 5% and 26% and will go to 0% after a period of 3 to 7 years. (Ministry of Industry and Trade, 2021)

The EU is a special market, considered a "super-country" with highly stringent requirements on technical barriers, including regulations regarding the origin, animal and plant quarantine; quality management, food safety, and hygiene. Through exporting agricultural products to difficult markets like the EU, EVFTA is an opportunity for Vietnam to increase the turnover of exported agricultural products, especially products with a competitive advantage such as seafood and vegetables, fruit, rice, cashew, coffee, and pepper... to raise the commercial value. As a result, in 2021, the revenue of exported goods to the EU market rose by 14.2% compared to 2020, reaching 40.12 billion USD (Ministry of Industry and Trade, 2021). The EVFTA not only brings opportunities for export growth but also helps our country's agricultural sector accelerate restructuring, focusing on improving competitiveness through improving product quality, traceability, origin, and packaging... contributing to bringing agricultural products and goods of Vietnam to participate more deeply in global supply chains.

3.2. Challenges of exporting Vietnamese agricultural products to the EU market

Institutional challenges and business environment

Issues of intellectual property, workers' rights, and environmental protection to meet the requirements under the commitments of the EVFTA still face many difficulties in law enforcement. EVFTA affects the way the distribution system is built (from the domestic market to the foreign market). In particular, the production and processing facilities under the mandatory conditions and requirements of the EU market are lacking and weak in terms of scale, quality, and level of technology application.

Challenges on the part of farmers, cooperatives, agricultural production establishments

One of the biggest problems of Vietnam's agricultural exports is that the quality and technical standards have not been achieved in each shipment, and the conditions for traceability have not been ensured (Hien.N.T.T., 2021). Currently, Vietnam has gradually established some concentrated and specialized agricultural production areas. However, it lacks synchronization of inputs and factors supporting agricultural production for export; resources for the production of agricultural products for export, including limited capital and labor; lacking investment in technology with high transportation costs and poor storage conditions. Farmers do not have a deep understanding of advanced techniques to improve yield and product quality. Links between farmers and scientists, businesses, and the state are still loose. It is the dispersion in production, and asynchronous investment, many regions are not able to provide services to meet product development requirements such as seeds, irrigation,

purchasing, and processing... are the main reasons. leading to the number of agricultural products not meeting the export requirements of large orders. This limits the ability to exploit and promote potentials and comparative advantages; leading to failure in meeting the requirements of the EU market, hence not being able to take full advantage of the EVFTA's commitments to penetrate this potential market.

Europe is a fastidious market with high requirements for product quality and design. Considered a sensitive commodity group, agricultural products are set by the EU with strict quality rules and standards. All EU countries aim to import organic fruit and vegetable products, apply strict standards on food safety, and promote social responsibility; environment, and business ethics (WB, 2020). Some new trends in consumption such as super food; organic vegetables; products of natural origin without artificial additives; products of high quality and "unique" origin, convenient to use... have not yet met demand (Europe-America Market Department, 2020)

Challenges for exporters

Based on EU regulations, enterprises exporting agricultural products must ensure standards on the scale, technology, and rules of origin. However, most Vietnamese exporters face difficulties when exporting to the EU due to a lack of market information and understanding of the EU's strict requirements related to the products' origin labeling requirements. South will have to meet to enjoy preferential treatment in the EU tariff schedule. Agricultural products will have to meet sanitary and phytosanitary standards detailed by the EU General Food Law, individual legislation of each member state, and even supermarkets with regulations, particular rules are more stringent than those of general application. This is a challenge for Vietnamese small and medium-sized exporters due to limited technical and financial capacity. (Delegation of the European Union to Vietnam, 2021).

However, the State does not have a substantive support organization and does not have its research group in the EU market. In addition, trade promotion activities to the EU market have not yet expanded to all member countries and have not gone deep into beneficiaries. Logistics costs in exporting agricultural products are still high and subject to strong competition from many countries in the region such as Thailand, India, China, Indonesia, and Brazil... Trade costs of Vietnam are higher than those of Vietnam. Countries in the ASEAN region lead to the price of Vietnamese products is often 10-20% higher than that of your country (Hien. N.T.T, 2021).

4. Proposing solutions to take advantage of the opportunities of EVFTA to export

Vietnamese agricultural products to the EU market

Firstly, the solution to perfect institutions and policies

In order to take advantage of the EVFTA's opportunity to export Vietnamese agricultural products to the European market, the Vietnamese Government needs to continue to improve institutions, policies, and laws to create a legal environment for agricultural exports to the EU market. EVFTA has suggestions and standards as the basis for adjusting Vietnamese law. In addition to the contents adjusted in the past, the necessary contents to continue to internalize the international commitments in the EVFTA agreement to promote agricultural exports include:

- Impact on policies and ways of operating export activities (perceptions, practices, operating methods)
- Impact on the way the market is organized, agricultural production activities are organized
- Impact on the way the market is organized, production activities are organized

- Impact on how to find customers (both traditional and potential customers)
- Impact on the way the distribution system is built (from the domestic market to the foreign market)

The main focus of industry development activities should be on small and medium enterprises in Vietnam. The Vietnamese government needs to invest more in improving production standards and processes; develop commodity classification standards for some key agricultural products. In the meantime, initial funding for certification is also required, although in the medium and long term manufacturers need to be financially self-sufficient to become a sustainable industry. The Government supports businesses to improve product development capacity, meeting the criteria to achieve international certification for products such as EuroGAP, VietGAP, GlobalGAP...

The Government, the Ministry of Industry and Trade, and the Ministry of Agriculture and Rural Development continue to develop strategies for each industry based on the commitments in the EVFTA based on taking full advantage of the advantages and meeting the requirements of the EU side, including specific implementation planning for subsectors, specifying actions with specifically allocated responsibilities along with an expected timeframe for each of those subsectors. Support requirements such as logistics, infrastructure, and access to finance, and the development of corporate social responsibility should be fully considered in the overall strategy.

Second, solutions to improve the capacity of agricultural export enterprises

In general, agricultural product exporters need to take measures to stabilize the source of goods, invest in large-scale and methodical production, apply technology, reduce transportation costs, and apply technology in agricultural preservation, changing the product label to be more attractive and suitable to the tastes of customers. Businesses need to strengthen coordination, and form alliances and associations to jointly promote the national brand of vegetables, fruits, and agricultural products; move towards opening a representative office or having a representative in the EU to facilitate the introduction of goods and signing of contracts. Businesses can also find companies in the EU for joint ventures and associations instead of directly performing transactions, which is also a way to enhance reliability for customers in the EU, and convenient for information exchange, drafting, and signing of export contracts. Exporting enterprises should pay special attention to the commitments of the agreement so that they have a strategy to maximize the benefits that the Agreement brings to agricultural exports. In addition to the major markets that have entered, export enterprises are studying to expand to other potential markets in the 27 EU member states.

Third, solutions to improve the quality of export agricultural products of production facilities

Facing great opportunities brought by EVFTA in agricultural exports, Vietnam's agricultural sector has also gradually reorganized production in the direction of cooperation, linking raw material production with processing and consumption of products according to chain, connecting to the consumption system in EU countries. Therefore, the problem for Vietnam is to overcome the fragmentation in agricultural production for export, invest in resources to develop agricultural production, improve the level of farmers' knowledge and strengthens the chain link in the production and export of agricultural products. In order to increase product homogeneity and enhance export value, Vietnam also needs to expand and speed up the process of modernizing the processing of agricultural products.

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