



Research Article

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## Impact of the EU: Vietnam Free Trade Agreement (EVFTA) on Agricultural Product Export Enterprises in Vietnam

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### Abstract

New-generation free trade agreements (FTAs) have promoted Vietnam's international integration process and brought many opportunities for Vietnamese exporters. Agricultural products are most affected when implementing new-generation FTAs. Impacts can include both positive and negative effects. The objective of this article is to analyze some of the impacts of the FTA between the EU and Vietnam on Vietnam's agricultural export enterprises after the agreement is signed. Research results show that the FTA has increased the import and export volume of agricultural products, and some of the strengths of Vietnamese agricultural products have also increased. Research results also show that when participating in FTAs, if businesses do not adapt in time, they will be left behind. At the same time, the paper also provides recommendations and solutions for enterprises and enterprises exporting agricultural products to Vietnam and the state to take advantage of and limit the negative impacts of FTAs.

**Keywords:** Exports, Agricultural products, EVFTA, Vietnam, EU, enterprises

## 1. Introduction

In the era of renovation and integration, Vietnam has signed a lot of free trade agreements, including the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP), the EU-Vietnam Free Trade Agreement (EVFTA), the EU-Vietnam Investment Protection Agreement (EVIPA), the UK-Vietnam FTA (UKVFTA), and the Regional Comprehensive Economic Partnership (RCEP). The EU-Vietnam Trade Agreement (EVFTA) is a new free trade agreement with high standards, comprehensiveness, great openness, and a balance of benefits. In the context of the EU-Vietnam Trade Agreement (EVFTA) taking effect, agricultural product is one of the products that benefit from the tariff preferences brought by the agreement.

The new generation FTAs requires all participants, including Vietnam, to carry out the review, administrative reform, and judicial reform; to improve the legal and business environment. The new generation FTAs help Vietnam consolidate and improve the state management apparatus to accelerate administrative reform, enhancing accountability, particularly with very high standards of transparent governance and proper behavior (ThiHoa et al., 2021). It also helps Vietnam improve public administration, responsibility, and discipline, renovating the growth model, restructuring the economy, and ensuring sustainable socio-economic development. New generation FTAs make Vietnam a critical "link" in the network of economic links with leading economies worldwide. Moreover, the new generation FTAs is considered a long-term strategy to help Vietnamese enterprises deeply participate in regional value chains and improve production capacity for export and competitiveness. In addition to promoting import and export turnover, new-generation FTAs also contribute to helping Vietnam develop domestic trade. Domestic goods circulation has also continuously increased in scale (Kawai & Wignaraja, 2009).

Vu Thi Thanh Huyen and Nguyen Thi Thu Hien (2020), in the study of Sustainable export of Vietnamese agricultural products in the context of joining the new generation free trade agreement between Vietnam and the EU, with research methods such as statistics, synthesis, comparison, and SWOT analysis methods, the authors have clarified issues related to sustainable export of Vietnamese agricultural products in the context of participating in EVFTA in terms of economic, ecological and social sustainability. Since then, the article has proposed solutions to promote agricultural exports in a sustainable way in the near future.

Nguyen Ngoc Duong (2020), in the study Overcoming non-tariff barriers in EVFTA of Vietnamese agricultural products, the article pointed out that when tariff barriers are removed, non-tariff barriers will become the main issue. In the EU market, countries will tend to apply a series of new and stricter non-tariff barriers to Vietnamese products. The biggest non-tariff barrier affecting Vietnam's exports to the EU in the past and in the future is related to the use of trade remedies, mainly SPS and TBT. The article has focused on clarifying the non-tariff barriers that Vietnamese agricultural enterprises will face and proposing some solutions to support enterprises to overcome barriers when exporting to the EU market.

Vu Thi Thu Huong and Nguyen Thi Quynh Tram's (2020) study of Vietnam's agricultural product exports to the EU market and the opportunities and challenges of EVFTA. This study focuses on analyzing the current situation and trend of Vietnam's agricultural exports to the EU market in the period 2010-2018, and at the same time analyzes the opportunities and challenges of EVFTA for Vietnamese agricultural exports. Research results show that: during the research period, Vietnam's key agricultural products exported to the EU belong to product groups with codes in the harmonized tariff table, including HS 09 (Coffee, tea, and spices), accounting for the largest average structure of 45.02%, the second place is fish products (HS 03) accounting for 24.93%, followed by edible fruit and nut products (HS 08), accounting for 14.86%. Vietnam's agricultural exports to the EU have only focused on a few familiar customers and have left many markets in the EU open. Opportunities coming from EVFTA are considered from the following aspects: accessing and expanding export markets; access to investment capital; improving competitiveness at the product, enterprise, industry, and national levels. Challenges from EVFTA are approached analytically from the perspective of

meeting non-tariff measures for agricultural products imported into the EU; threats from trade remedies; increased competitive pressure. Thereby, the author has proposed several recommendations with policy implications to take advantage of opportunities and overcome challenges from EVFTA for Vietnam's agricultural exports to the EU market in particular and the world market in general.

Ha Xuan Binh (2020) with a study on Solutions for the sustainable development of Vietnam's rice exports to the EU market in the context of EVFTA implementation. In this study, the author stated that the EU is a market with great potential and growth potential for Vietnam's rice. When EVFTA comes into effect, it will be a big boost for Vietnam's rice exports to a market of more than 500 million people with a tax rate of 0% applied to a quota of 80,000 tons. In addition to the positive effects, rice exports cannot avoid the difficulties and challenges brought by EVFTA such as strict regulations on technical barriers; origin; quality; food safety, hygiene, and environment;... Developing sustainable rice exports to the EU market requires the rice industry to synchronously implement three groups of solutions to ensure economic goals; social and environmental objectives for export activities in the new context to be consistent with international practices.

Tran Thi Thu Nguyet (2020) with a study on Challenges for Vietnamese businesses in the context of the implementation of the Vietnam - EU Free Trade Agreement. In this study, the author has pointed out the challenges for Vietnamese enterprises, which are: difficulties in ensuring the rules of origin of goods, barriers from EU's strict requirements on hygiene, technological progress, difficulties in complying with regulations on intellectual property, labor and environment from EVFTA, increasing competitive pressure on the domestic market, enterprises still lack information about agreements. In order to take advantage of opportunities as well as respond to challenges brought by EVFTA, a number of solutions that businesses need to focus on in the coming time are as follows: businesses must actively exploit the information market and master the commitments in the FTAs to have effective market access strategy; improve the competitiveness of enterprises in the market; promote linked production along the value chain.

Do Thi Hoa Nha and Ma Thi Huyen Nga (2016), in the study Exploiting the advantages of the Vietnam - EU Free Trade Agreement to promote the export of Vietnamese agricultural products to the EU market. In this article, the author has reflected on the reality of Vietnam's agricultural exports to the EU market in the period 2005 - 2015, the results show that: agricultural export turnover has increased 3.8 times from USD 669 million in 2005 up to USD 2,531 million in 2015. Products with a high proportion include coffee, fruits, and nuts, of which coffee alone accounts for 50% of export turnover. Besides the obtained results, the export of agricultural products to the EU market has some limitations, which are: Vietnam's agricultural products mainly export raw and unprocessed agricultural products and production technology. still backward. The quality of Vietnamese agricultural products is not high, it can be said that this is the biggest barrier to our country's export to the EU market today, the reason is pointed out by the authors: that we have not successfully built a production chain. Therefore, the stages from production, selection of varieties, and zoning of raw materials to processing, preservation, and sales have not met the requirements of the EU market. In order to exploit the advantages of EVFTA to promote To strengthen the export of Vietnamese agricultural products to the EU market in the next period, the authors have proposed a number of solutions, namely:

- Group of solutions to boost demand for agricultural products: promote the export of agricultural products with high competitive advantages, continue to expand the number of products protected by geographical indications, and improve the quality of agricultural products. export.
- Group of solutions to boost the supply of agricultural products: actively attract foreign direct investment from EU countries in the agricultural sector, and improve the quality of human resources in the agricultural sector.
- A group of solutions to improve the quality of the State's intervention policies: improve the quality of institutions, establish a specialized department to provide and consult information related to export activities of enterprises...

Do Thi Hoa Nha (2017), with a study on factors affecting agricultural products exported to the EU market - An approach from gravity model. In this study, the author used the gravity model and data from the period from 2005 to 2017 to analyze and evaluate the factors affecting the export of agricultural products to the EU market. The research model has quantified the effects of factors: GDP per capita, population, geographical distance, technology gap, institutional quality, and WTO accession, the items studied. Including coffee, pepper, and fruit. The research results show that (i) factors: GDP per capita, population, institutional quality, and WTO accession have a positive impact on export turnover; (ii) the following factors: geographical distance, and technological distance have opposite effects on export turnover. From the results drawn from the quantitative analysis, combined with the qualitative analysis, the author has proposed groups of solutions to promote the positive factors, and limit the negative factors, thereby promoting the export of agricultural products. of our country into the EU market in the following years.

Pham Van Kiem and Nguyen Thi Quynh Trang (2020), in the study Research on the impact of agricultural product monitoring imported into the European Union on Vietnamese enterprises, research has shown that in recent years, Vietnam's refusal and supervision of agricultural products imported into the European Union has caused significant impacts on Vietnam's agricultural export enterprises. Some small businesses have had to withdraw from this market, leaving the opportunity to participate in new businesses and the opportunity to increase export value to businesses with more potential and experience. Not only that, the reputation of enterprises in particular, and the export of Vietnamese agricultural products, in general, is also affected, making the competitiveness of agricultural products reduced in the international market. Not only analyzing the impacts of this risk on the activities of agricultural export enterprises through qualitative analysis, but the article also provides some recommendations to help enterprises overcome the limitations. Existing regulations, gradually improve the quality and production process of products to gradually penetrate the European Union market, which is considered a potential but fastidious market with a series of strict standards for products. agricultural products.

S. Sachdev (1993), International Competitiveness and Agricultural Export of India. In this article, the author has analyzed the comparative advantage in the export of agricultural products. According to S. Sachdev, the SCT of agricultural products is affected by the use of natural resources. Therefore, it is not easy to quantify the SCT of countries' agricultural products. S. Sachdev has deeply analyzed India's comparative advantage in trade in agricultural products, pointing out that the types of agricultural products that India focuses on producing and exporting will have advantages and prices. treat.

Paul Piang Siong Teng (2013), Agricultural Biotechnology and Global Competitiveness. This book is a collection of papers presented at the 2013 Asia Agribusiness and Food Business Conference on agri-biotechnology and global competitiveness. The articles focus on analyzing and clarifying: Trends in the application of biotechnology in agriculture; commercialization of agricultural biotechnology; risk management in agriculture; sustainability of agricultural production; the role of biotechnology in improving green productivity and competitiveness of agricultural products.

Weiming Yao (2015), Impact of Agricultural Modernization, Economic Growth and (Industrialization on the International Competitiveness of Agricultural Agriculture). In this book, the authors analyzed the current situation and the impact of agricultural industrialization and modernization, on economic growth and on the international competitiveness of agricultural products in China and the world from 1986 to 2011. Based on the assessment of the current situation, the author proposed solutions to overcome the slowness of the process of agricultural industrialization and modernization in China, which are: improving the level of science and technology in agriculture; using World Trade Organization rules to create an enabling environment for agricultural development and improve the international competitiveness of agricultural products; strongly develop the processing industry...

Roger D. Norton (2017), The Competitiveness of Tropical Agriculture, A Guide to Competitive Potential with Case Studies the competitive potential of tropical agriculture. The author emphasizes

that exports of tropical fruits, berries, nuts, and other high-value crops are growing very rapidly from developing countries. However, the production and export of agricultural products in developing countries often face difficulties and obstacles in the value chain such as issues of food safety, environment, especially competition. competition among exporting countries.

Attila Jambor - Suresh Babu (2018), *Competitiveness of Global Agriculture: Policy Lessons for Food Security*. Research work on combining food security and agricultural competition in the treatment of countries. The author has systematized the concepts of food security, and agricultural competition; conduct an assessment of global and regional food security challenges in the context of increasingly fierce agricultural integration and competition. The author outlines commercial models; global agricultural competition and uses it as the basis for analysis of global food security. On the other hand, the author also points out which countries and regions should focus on high-competitive product groups, and at the same time points out lessons on agricultural development policies of some countries that have been successful, encouraging recommendations on solutions to increase national, regional and global agricultural competitiveness to achieve the goal of sustainable food security. OECD (2015), *Agricultural policies of Vietnam 2015*, PECD Publishing House, Paris. The report has assessed the policy context and main trends of Vietnam's agriculture such as: policies to support agriculture, factors of production and productivity, trade in agricultural products; policies to promote agricultural exports...and from there make recommendations to promote production and export of agricultural products of Vietnam.

ICARD-MISPA (2005), Scientific report on "competitiveness of Vietnamese agricultural products in AFTA integration". TOR No. MISPA A/2003/06. The report has studied the current situation, potential and competitive advantages of a number of Vietnamese agricultural products, including rice, tea, pepper, pork, chicken, and pineapple on the domestic market in the context of AFTA integration. At the same time, a research report on the effects of Vietnam's accession to AFTA on a number of agricultural products up to 2004 is also reported.

European Commission (2015) "EU and Vietnam reach agreement on a free trade deal". The report outlines the basic contents that the two sides have achieved through the signing of the EVNFTA free trade agreement, such as reducing and eliminating tariffs on 99% of tariff lines when the agreement comes into force, reducing barriers, non-tariff barriers for EU exports, protection of geographical indications for intellectual property, ensuring the playing field for EU businesses when participating in bidding and public procurement in Vietnam, opening the market service market, promoting investment...

European Commission (2016) "Bilateral agriculture trade relation". The report has focused on analyzing the trade relationship of agricultural products with Korea with the implementation of the FTA trade agreement between the two sides with the conditions of commitment and implementation, tariff reduction, non-tariff, the establishment of import and export supervisory agencies between the two sides... the impact of the free trade agreement between the two sides has created a strong growth in the export of agricultural products. for both sides.

Christoph Lam (2015) "The EU Vietnam Free trade Agreement impact assessment". The report has focused on analyzing the impact of EVFTA on the import and export goods of the two sides through tariff reduction, thereby assessing the opportunities as well as the challenges posed to Vietnam's small and medium enterprises.

Toh Mun Heng & Vasudevan Gayathri (2004) "Impact of Regional Trade Liberalization on Emerging Economies: The Case of Vietnam", *ASEAN Economic Bulletin*, Vol. 21, No. 2 (2004), pp.167-182: This article studies regional integration strategies in Vietnam's trade liberalization. Trade liberalization through joining a free trade area agreement (FTA), such as the ASEAN Free Trade Area (AFTA), and in the future, the ASEAN-China Free Trade Agreement (ACFTA), has also provided Vietnam with useful lessons and experiences to succeed in domestic economic reform. Using a computable general equilibrium model to analyze the quantitative effects of different structures of regional free trade on Vietnam. The results suggest that continued participation in the expansion of FTAs, in addition to AFTA, can bring greater economic advantages and lower adjustment costs to

Vietnam's efforts in industrialization and promotion of economic transformation. economic restructuring.

However, joining the agreement also poses many challenges for exporters, especially enterprises exporting agricultural products in Vietnam. Therefore, the paper focuses on the impacts of new-generation FTAs and analyses opportunities and challenges for Vietnam's agricultural exports in the context of the effective EVFTA to propose solutions to boost the export of this product to the EU market shortly.

## 2. Research Methods

According to international law, a free trade agreement (FTA) or treaty is a bilateral or multilateral agreement that creates a free-trade zone between collaborating states (Lu et al., 2020). Studies on the effects of FTAs on trade flows frequently utilize three basic models to evaluate the post-production effects of the FTAs between five and ten years after the impact, namely the gravity model, the computable general equilibrium (CGE) model, and the partial equilibrium model. Countries that participate in an FTA have a lot of bilateral trade. The characteristics of the country participating in the FTA will also affect the accuracy of the model results.

Following a study by Tinbergen (1962), these analyses demonstrate that the impact of FTAs on global trade flows is not statistically significant (Urata & Okabe, 2010). Aitken (1973), Abrams (1980), and Brada and Mendez's (1985) findings revealed that FTAs aid in promoting trade among their members. Except for fixed independent factors like GDP and geographic distance, quantitative studies using gravity models frequently employ a variety of control variables and data processing techniques, such as the ordinary least squares (OLS), Tobit model, and Poisson Pseudo Maximum Likelihood (PPML).

However, other studies have explored the impact of FTAs on global trade flows. Given the prevalence of newer-generation FTAs, these studies investigated the costs and advantages of FTAs. These studies frequently examine the consequences using simulation tools like SMART or GTAP and are based on general or partial equilibrium theories. When a nation takes part in a free trade agreement, it may impact a particular industry or economy. Studies that evaluate how FTAs affect economies using CGE are relatively popular (Kepaptsoglou et al., 2010).

To examine the impact of South Asia's freedom trade agreement (SAFTA) on particular sensitive product lines, Kumar and Ahmed (2014) adopted SMART. However, the quantity and diversity of markets used for the study are more constrained when using the partial equilibrium model (Nufile et al., n.d.).

In addition to the above-mentioned studies, there are not many SMART simulation studies related to the context of Vietnam. Vu (2016) used SMART to calculate the possible effects of the EVFTA on Vietnam's imports of medicines from the EU and the future impacts of the RCEP Agreement on Vietnam's imports of automobiles.

In this study, the authors use secondary statistics and table-top analysis methods to assess the impacts of the new generation FTA on agricultural export enterprises of Vietnam.

## 3. Research Results

### 3.1 *Export turnover of agricultural products increased sharply*

As soon as the Prime Minister approved the implementation plan of the EVFTA Agreement, the Ministry of Agriculture and Rural Development immediately developed an action plan for the agricultural sector. Previously, businesses have prepared from seed input materials to the cultivation process... to catch the wave of opportunities. In particular, companies are increasingly active in finding markets, linking with farmers to strictly comply with EU recommendations to improve the value of Vietnam's agricultural products.



Only two months after the EVFTA officially took effect (August 1, 2020), Vietnam's agricultural export turnover to the EU reached 766.3 million USD. According to the General Department of Customs, the total export turnover of Vietnam's main agricultural products (including coffee, cashew nuts, rubber, vegetables, pepper, rice, and tea) to the EU market in the first 11 months of 2021 will reach about 2.2 billion USD and increase by 10.1% over the same period in 2020. With this result, the EU is one of the largest export markets for Vietnam's agricultural products, accounting for 13.7 % of the total export turnover of primary agricultural products. Regarding the structure of export products, the proportion of Vietnam's main exports to the EU is as follows: coffee (accounting for 42.2% of the total export turnover of primary agricultural products to the EU), cashew (accounting for 33%), rubber (accounting for 7.9%), vegetables (accounting for 7.8%), pepper (accounting for 7.4%), rice (accounting for 1.7%) and tea (accounting for 0.1% structure of Vietnam's agricultural products to the EU in the first 11 months of 2021 (% by value).

Regarding the export market to EU member countries, despite being affected by the Covid-19 epidemic, the export turnover of agricultural products to Vietnam's key markets in the EU region has grown positively or decreased slightly: Germany (accounting for 28.8% of the total export turnover of Vietnam's main agricultural products to the EU, reaching US\$641 million, up 24.4% over the same period in 2020), the Netherlands (accounting for 22.5 %, reaching 500 million USD, up 1.9%), Italy (12.8%, reaching 285 million USD, up 3.2%), Spain (accounting for 9%, reaching 202 million USD, a slight decrease by 0.6%), France (accounting for 6.4%, reaching US 142 million, up 25.2%). In addition, some markets had small export turnover but strong growth for see export potential: Finland (up 198%), Hungary (up 86.9%), Czech Republic (up 49.2%).

### 3.2 *Some key product lines also saw significant changes*

#### *Coffee:*

With the commitment to eliminate tariffs under EVFTA, coffee exported to the EU will have 93% of tax lines to 0% as soon as the Agreement comes into effect. This is an excellent opportunity for Vietnamese coffee when the EU is the largest coffee-consuming market in the world, with an import turnover from foreign countries of about 10 billion USD/year, accounting for 66% of the total import volume and about 30% of global consumption. The EU is also Vietnam's most prominent coffee export market, accounting for nearly 34.8% of the total export turnover of this item, with an export value of 939 million USD in the first 11 months of 2021.

#### *Cashews:*

Before the EVFTA came into effect, items such as cashew still enjoyed a preferential rate of 0% when exported to the EU, but deeply processed cashews were still subject to a 7 to 12% tax. According to the EVFTA Agreement commitment, the deeply processed products from cashew nuts are reduced to 0% tax. Despite the epidemic's impacts, the output and value of cashew exports to the EU also increased. Cashew nut exports to the EU in 11 months of 2021 reached 122 thousand tons, equivalent to 734 million USD, up 15.2% in volume and 6.2% in value over the same period in 2020. Cashew is the second largest export value among agricultural products exported to the EU.

#### *Rubber:*

With EVFTA, synthetic rubber and derivatives will not have new advantages because the tax rate is already 0%. However, rubber hoses and tires are immediately exempt from the previous 3%-4.5% tax. Rubber belts, conveyors, or conveyor belts will be discounted over a 5-year term from 6.5%. Rubbers are the driving force behind the export of rubber and rubber products. In the first 11 months of 2021, rubber exports to the EU reached about 100 thousand tons, equivalent to 175 million USD, up 33.7% in volume and 72.6% in value over the same period in 2020.

#### *Vegetables and fruits:*

The EU commits to open doors for Vietnamese vegetables and fruits in the EVFTA. In total, 94% of the 547 tax lines on vegetables and fruits (including many products that are Vietnam's strengths, such as lychee, longan, rambutan, dragon fruit, pineapple, melon, etc.) shall be removed as soon as

the Agreement comes into force. Most of the tariff lines the EU commits to abolishing have an average MFN tax rate of over 10%, especially for fruit and vegetable products subject to a tax of over 20%. The EU's commission is considered to create a significant advantage in the price of Vietnamese vegetables and fruits (especially in the competition for importing into the EU with countries with strengths in vegetables and fruits that have not yet had an FTA with the EU).

Vietnam's fruit and vegetable exports to the EU market after the EVFTA came into effect have achieved positive results. In the first 11 months of 2021, the export turnover of vegetables and fruits to the EU reached 173 million USD, up 7.6% over the same period in 2020. In the first 11 months of 2021, the EU is Vietnam's fourth largest fruit and vegetable export market, accounting for 5.3% of the total export turnover of this item. Among EU member markets, Vietnam's vegetables and fruits are mainly exported to the following countries: The Netherlands (reaching US 71 million), France (US 35 million), and Germany (US 20 million). Consumption of vegetables and fruits tends to increase in the EU due to eating habits to protect and promote health. However, the EU market demands traceability and product quality standards, especially food safety and hygiene. Businesses need to learn and grasp information about the market, from consumer tastes to regulations and standards on rules of origin, food safety and hygiene, etc.

#### *Pepper:*

For the EVFTA Agreement, EU countries commit to eliminating tariffs on pepper products (HS code 0904) as soon as the Agreement comes into effect. The effective EVFTA will be a good lever for Vietnamese businesses to increase exports to EU countries (especially for processed products with a tax rate of 5 - 9%). Incentives from the Agreement are being used effectively when the export turnover of pepper to the EU in 11 months of 2021 reaches about 40,000 tons, equivalent to USD 165 million, increase by 7.4% in volume and strongly 63.9% and export value over the same period in 2020.

#### *Rice:*

Before the EVFTA took effect, Vietnam's rice exports to the EU market were subject to a 45% tax. Even some countries in the EU impose an import tax on Vietnamese rice up to 100% or higher. When the EVFTA comes into effect, the EU gives Vietnam a 0% tax incentive with a quota of 80,000 tons of rice per year (including 30,000 tons of milled rice, 20,000 tons of unmilled rice, and 30,000 tons of fragrant rice). In particular, the EU will completely liberalize broken rice after five years. The commitment helps Vietnam export about 100,000 tons of broken rice to the EU annually. Incentives from the agreement are being effectively utilized when rice exports to the EU in 11 months of 2021 reached about 54 thousand tons, equivalent to \$ 38 million, up only 0.8% in volume but up to 21.6% in value. Compared to the same period in 2020, export prices show that enterprises are catching up with the trend of producing high-quality varieties (fragrant rice, long-grain rice, specialty rice) for the high-end market. Although EU rice imports from Vietnam tend to increase, Vietnam's rice market share in the EU is still meager, accounting for only 1.3% of the total export turnover of this item in the 11 months of 2021.

Businesses that are slow to innovate will be left behind

When joining FTAs, Vietnam will have more competition, and many enterprises with outdated production technology will get into a difficult situation. Vietnam's missing and weak fields, such as transportation, human resource training, and skilled technical workers, will be difficult to meet requirements when investment flows from abroad, with strong capital inflows into the country, high competition will put pressure on enterprises.

In recent years, there have also been many policies to support export enterprises in agricultural products, such as:

- Decree 210/2013/ND-CP on encouraging enterprises to invest in agriculture and rural areas,
- Decree 209/ 2013/ND-CP stipulating and guiding the implementation of the VAT law,
- Decree 133/2013/ND-CP amending Decree 54/2013/ND-CP on investment and export credit,
- Decision 57/2010/QD-TTg exempting land rental tax,
- Decision 3848/2010/QD-BCT provides market information for agricultural product



consumption.

Various support policies to build transport infrastructure, electricity, water, factories, waste treatment, purchase equipment, and extend the loan period for coffee exports. The EU imports 35 billion euros/year of vegetables and fruits globally. Vietnam ranks 27th among fruit and vegetable exporting countries to the EU, with a modest market share of 1%. Particularly for passion fruit products, the EU accounts for nearly 50% of Vietnam's export value of this product. To penetrate the EU market, it is necessary to have good products, good preservation and transportation technology, and reasonable control over planting area codes. The EU is interested in GlobalGAP production, and it is challenging for farmers to operate GlobalGAP displays. Not only in production, but the process of harvesting, preliminary processing, packaging, preservation, and quarantine treatment until export must also be strictly controlled by an initial workshop to ensure EU standards.

Vietnam's agricultural industry is still mainly small and scattered production and suffers from risks such as climate change, environment, and epidemics. Vietnam must compete fiercely in exporting agricultural products to other countries; increasing protection of domestic production through technical barriers (standards of quality, food safety, traceability, ...). The Covid-19 epidemic also affects Vietnam's agricultural exports; FTAs, CPTPP, EVFTA, and Industrial Revolution 4.0 affect the production, processing, and consumption of agricultural products; the trend of using safe and green products and reducing greenhouse emissions gas emissions.

### 3.3 *Enterprises exporting agricultural products face increasingly fierce competition*

The EU is a big market, with seafood consumption per capita up to 24.35kg/person (Jonell et al., 2013). With such consumption and market size, many countries promote seafood exports to the EU, so Vietnam will have to compete fiercely with many other competitors.

The low level of technology causes uncertain environmental control, besides the requirements from the market and importers (quality, environment, labor, sustainable production, social responsibility, etc.) are becoming more and more strict.

### 3.4 *Vietnam committed to opening the market for goods equivalent to the EVFTA*

The agreement, in addition to additional quotas for products with high competitive advantages, such as agricultural products, will help Vietnamese businesses gain more opportunities to promote the export of goods.

Vietnam is a leading country in two-way trade with the EU, which can be considered a gateway of the EU to Southeast Asia and possibly China. But this advantage is not forever. Currently, the EU is also negotiating FTAs with other countries in the region, such as Thailand, Malaysia, the Philippines, and Indonesia (after the collapse of the FTA negotiation with ASEAN) (Nilsson, 1999). These countries compete directly with Vietnam in exporting goods to the EU. Therefore, Vietnam needs to make the most of the advantages and opportunities of its predecessors to maintain and promote its existing advantages in trade relations with the EU to achieve long-term and sustainable benefits from the EVFTA, instead of the immediate benefits from growth in exports, and imports or services. In other words, if it stops at simple reforms and avoids or delays drastic - and more complex - reforms, Vietnam's existing advantages will gradually disappear.

### 3.5 *Exporting enterprises face more technical barriers*

The EU is a big market for Vietnamese agricultural products. Recently, the EU's regulations on pesticide residue levels have changed and are updated regularly. For plant protection drug active ingredients outside the list, which have never appeared in the EU or have not yet assessed risks, the EU regulates the maximum allowable level of residues on imported goods. "In 2020, the SPS Vietnam Office received more than 100 notices about the draft changes to EU residue levels (Huy et al., 2021).

Regarding maximum residue levels (MRL), the EU fully follows “Good Agricultural Practices” (GAP). GAP is an accepted agricultural practice for pest control. It is defined as follows (for a particular crop): the form of the drug, method of application, dose, frequency of application, and isolation period. (FLY). Enterprises should note that when changing MRL residue levels, they need to consider what GAP standards apply to that product to change the number of times of use, dose, and duration.

The EU has not yet recognized that Vietnam has a real market economy. It is worth mentioning that domestic enterprises still lack an understanding of the EU market, especially regulations on food safety and disease safety and plants (SPS). From the strict requirements of the EU's rules of origin as mentioned above, while more than 70% of Vietnam's raw materials must be imported, finding a solution to the problem of meeting the rules of origin to enjoy tariff incentives under the EVFTA Agreement are a big challenge for the agricultural industry. Moreover, the EU's mandatory food safety and quality requirements are stringent and difficult to meet. Vietnam's agricultural products exported to the EU have not yet achieved uniformity in quality and technical standards in each shipment. Therefore, many agricultural products of Vietnam do not meet the requirements of the EU market.

## 4. Discussions and Conclusions

### 4.1 Opportunities and challenges for Vietnamese enterprises

As soon as the Agreement comes into effect for Vietnam's exports, the EU will eliminate import taxes on about 85.6% of tariff lines, equivalent to 70.3% of Vietnam's export turnover to the EU. After seven years after the date of entry into force of the Agreement, the EU will eliminate import tax on 99.2% of tariff lines, equivalent to 99.7% of Vietnam's export turnover. For the remaining 0.3% export turnover, the EU committed to giving Vietnam a tariff quota with an import tax within the percentage of 0%. EVFTA is expected to contribute to an average GDP increase of 2.18 to 3.25% (for the first five years of implementation) and 4.57 to 5.30% (for the next five years) and 7.07-7.72% (for the next five years). The EVFTA is expected to increase Vietnam's export turnover to the EU by 42.7% in 2025 and 44.37% in 2030, compared to no agreement (XuÃ & CISMAS, 2019). Overall, the EVFTA will contribute to diversifying markets so as not to be too dependent on one market, thereby helping to ensure Vietnam's economic security.

Vietnam's agricultural sector is considered one of the biggest beneficiaries of the EVFTA. The agreement was signed during the period when Vietnam's agriculture was diversifying export markets for agricultural products. The EVFTA has opened up great opportunities for Vietnam's agriculture to diversify markets and penetrate a potential market with more than half a billion people and excellent purchasing power. Vietnam's essential agricultural products entering the EU are seafood, rice, crop products, and vegetables, all of which enjoy preferential tax rates right after the EVFTA. Rice is not an essential commodity exported to the EU, but its export turnover has increased steadily in recent years, showing that the EVFTA has actively supported Vietnam's exports.

### 4.2 Implications and suggestions

#### 4.2.1 For the businesses

In 2022, to effectively exploit the EVFTA, a vital task of agricultural enterprises is to invest in improving the value and quality of products and goods, focusing on food hygiene, meeting management standards and processes, attaching importance to social responsibility, and transparent information about labor, and production environment.

In the context that Vietnam has signed and implemented some new-generation free trade agreements (i.e., CPTPP, EVFTA, UKVFTA, VN-EAEU FTA), the Regional Comprehensive Economic

Partnership (RCEP) offers many tariff preferences. However, enterprises must establish a traceability system in the entire production process, from raw materials to finished products, before being sold to the market. Strictly comply with the rules of origin and tax obligations according to the market's regulations to avoid the investigation of tax evasion and origin fraud.

Enterprises must develop a strategy to promote their brands and agricultural products in foreign markets. Many Vietnamese agricultural products are only exported in raw form, which makes the export value of agricultural products not high, causing damage to the economy. Therefore, Vietnam's agricultural development and take advantage of incentives from the trade agreements signed by the government. Vietnam's agricultural producers and exporters need to continue to step up the promotion and promotion of Vietnamese agricultural brands, especially deeply processed products.

Enterprises must actively build a modern management system and keep records and documents. First, creating a database of papers helps businesses meet the regulations on the certification of origin and self-certification of the origin of goods of the Trade Agreements. Next, suppose there is an anti-dumping investigation case. In that case, the investigating agencies of other countries often require a lot of records and documents related to the production and business process, so enterprises need to store them.

Enterprises need to exchange information with the Association and state management agencies regularly. The regular exchange of this information so businesses can contribute ideas to develop technical standards of the industry technical standards, amend draft standards of other countries, and receive technical support when enterprises are regulated—Trade defense investigation. Investigation initiation cases can start with the defendant being one or a few businesses. Still, the risk of damage to the whole industry is excellent, so companies must regularly monitor information and actively coordinate with the agreement associations and state management agencies to solve it effectively. The Trade Remedies Department, Ministry of Industry and Trade (<http://www.trav.gov.vn/>) regularly updates early warning news and knowledge about trade remedies. This is a helpful address; businesses should actively monitor information.

#### 4.2.2 For the government bodies

To help businesses make good use of tariff incentives, the Ministry of Industry and Trade has issued Circular No. 11/2020/TT-BCT stipulating the rules of origin of goods in the Free Trade Agreement between Vietnam and the Union. The European Union (EVFTA) serves as an essential legal basis for goods exported to EU markets to be granted preferential Certificates of Origin (C/O) as soon as the Agreement comes into effect and enjoys preferential tariffs under the Agreement's commitments.

However, the State needs to create conditions for businesses to be allowed to import raw materials to make up for the shortage in the country to boost the production of high-value-added agricultural products. However, besides creating more openness, it is also necessary to pay attention to the management of origin, quality, hygiene and epidemiology, etc., to ensure that the requirements for product quality and rules of origin are met in the traceability of the EU market.

The State should set aside a reasonable budget and, at the same time, stand out to mobilize capital from individuals and organizations to synchronously invest in raw material production areas with large areas and modern technology, focusing on essential products of the agricultural sector and more.

Strengthen coordination between state management agencies to monitor and handle appropriately when there are trade remedy investigations. The Ministry of Industry and Trade regularly provides and updates the trade protection regulations of countries with exported agricultural products and the list of dangerous products being investigated for applying trade remedies and origin fraud. So that Vietnam's state management agencies and associations strengthen supervision and monitoring and take appropriate handling measures.

The State needs to develop a mechanism for coordination and information sharing between

competent authorities of Vietnam and countries importing agricultural products to regularly receive information on changes in import regulations on related trade remedy cases. From there, Vietnam's state management agencies can update and forecast trade remedy investigation cases that partners will conduct about Vietnamese agricultural products to coordinate and handle the case from the beginning.

Strengthen propaganda and information dissemination on trade protection legislation in general and regulations of importing countries for Vietnamese agricultural products in particular. It is necessary to develop and disseminate information manuals on export markets in the context of trade protection to provide wide and systematic information to enterprises.

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