



***Transform FTAs into tangible benefits:
Experiences sharing***

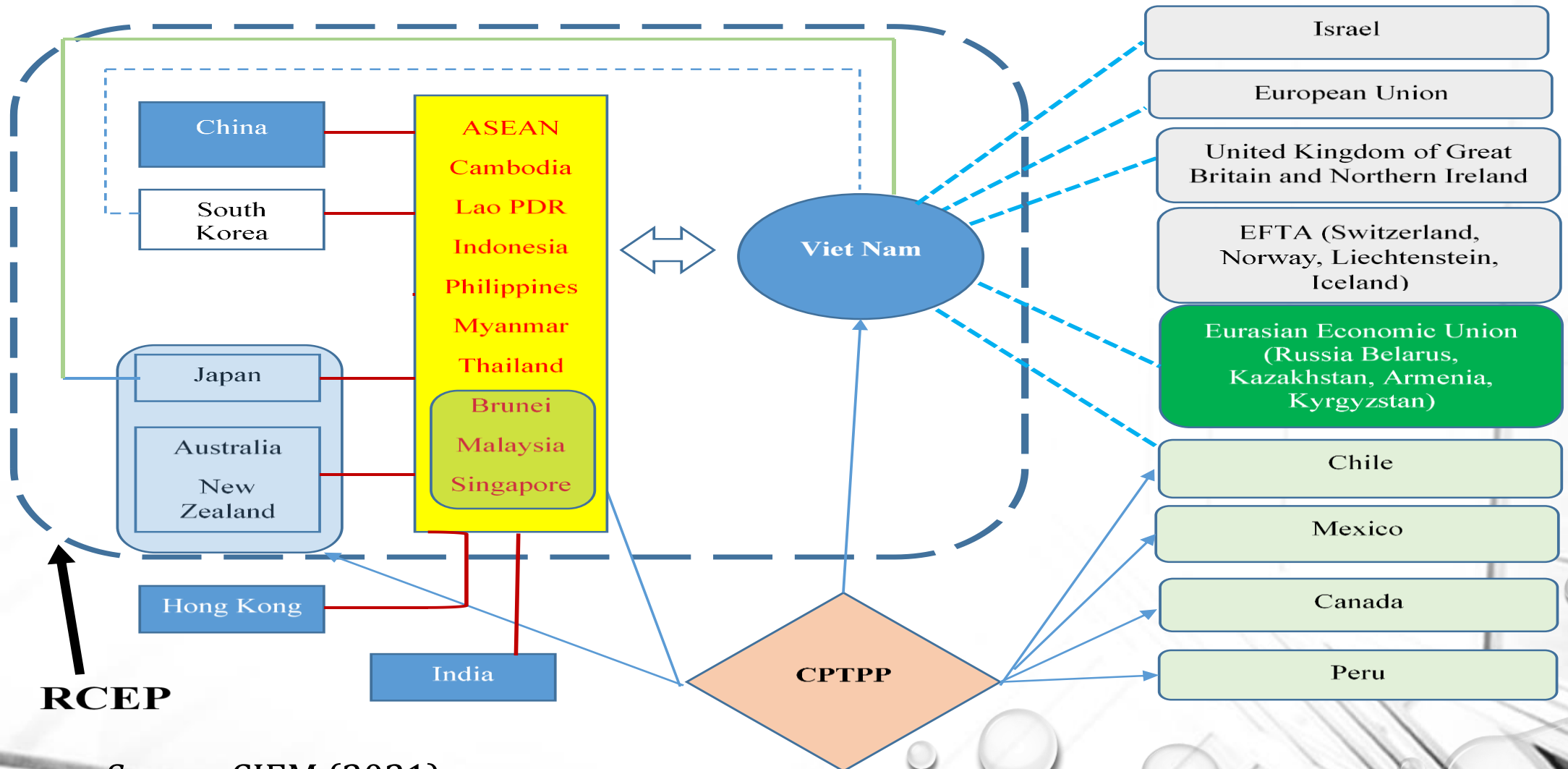
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1. Introduction

- Since Doi Moi (Renovation) in 1986, Viet Nam made drastic efforts to promote international economic integration (together with market-oriented institutional reforms and macroeconomic stabilization).
 - *The periods with most drastic integration efforts were also those with radical domestic reforms and relatively high GDP growth (1989-1996, 2000-2007, 2015-2019).*
- Viet Nam aims to promote both economic growth and sustainable development, especially during COVID-19 pandemic;
 - *The FTAs can contribute to this objective.*
 - *Green recovery?*

2. Viet Nam's economic integration



Source: CIEM (2021).

3. Coverage of FTAs

	RCEP	EVFTA	CPTPP	AFTA	ACFTA	AKFTA	AJCEP	AIFTA	AANZFTA	AHKFTA
Tariff reduction	X	X	X	X	X	X	X	X	X	X
RoO	X	X	X	X	X	X	X	X	X	X
Textile and garment	X	X	X						X	
Customs procedures and trade facilitation	X	X	X	X	X	X	X	X	X	X
Trade remedies	X	X	X		X	X	X	X	X	
SPS	X	X	X	X			X		X	X
TBT	X	X	X	X					X	X
Services	X	X	X	X	X	X	X	X	X	X
Financial services	X	X	X	X		X			X	
Investment	X	X	X	X	X	X	X	X	X	
ISDS			X	X	X	X		X	X	
Temporary entry for business persons	X	X	X	X					X	
Telecommunication	X	X	X						X	
Electronic commerce	X	X	X						X	
Government procurement	X	X	X							
Competition policy	X	X	X						X	
SOEs		X	X							
Intellectual property	X	X	X						X	
Labour		X	X							
Environment		X	X							
SME	X									
Cooperation and capacity building	X	X	X	X	X		X		X	X
Dispute settlement	X	X	X	X	X	X	X	X	X	X

Source: VCCI & CIEM.

4. Some opportunities for firms in VN

- *Penetration of export markets (esp. CPTPP, EVFTA - sizeable market with high income)*
 - MUTRAP (2015), CIEM (2021): Complementarity of EU market demand to Viet Nam's export supply (final goods).
- *Imports: tariff reduction, trade facilitation → improved access to high quality inputs*
 - Machine, spare parts for investment/production.
- *Business cooperation, GVC participation*
 - Viet Nam has opportunity to attract more FDI in the new context (US-China trade war, COVID-19), etc.

Some impact assessments

➤ World Bank (5/2020):

- *Tariff reduction could help increase Viet Nam's GDP by 2.4%, exports by 12% in 2030 (compared to the scenario without EVFTA)*
- Added by productivity-enhancing reforms: GDP may be boosted by 6.8% compared to the baseline.

Table B1

All scenarios: Export effects, 2030

(billions of US dollars) (continued)

	2030 Exports	Incremental effects: With business as before			Incremental effects: With US-China trade war			
		<i>CPTPP</i>	<i>RCEP15</i>	<i>RCEP16</i>	<i>Trade war</i>	<i>CPTPP</i>	<i>RCEP15</i>	<i>RCEP16</i>
WORLD	36,149	287	504	113	-996	265	500	120
<i>Memorandum</i>								
RCEP15 members	10,545							
Δ RCEP15 members		203	519	-15	-471	186	514	-13
Δ Others		84	-15	128	-525	78	-13	133

ASEAN = Association of Southeast Asian Nations

CPTPP = Comprehensive and Progressive Agreement for Trans-Pacific Partnership

EMENA = Europe, Middle East and North Africa

nie = not included elsewhere

RCEP = Regional Comprehensive Economic Partnership

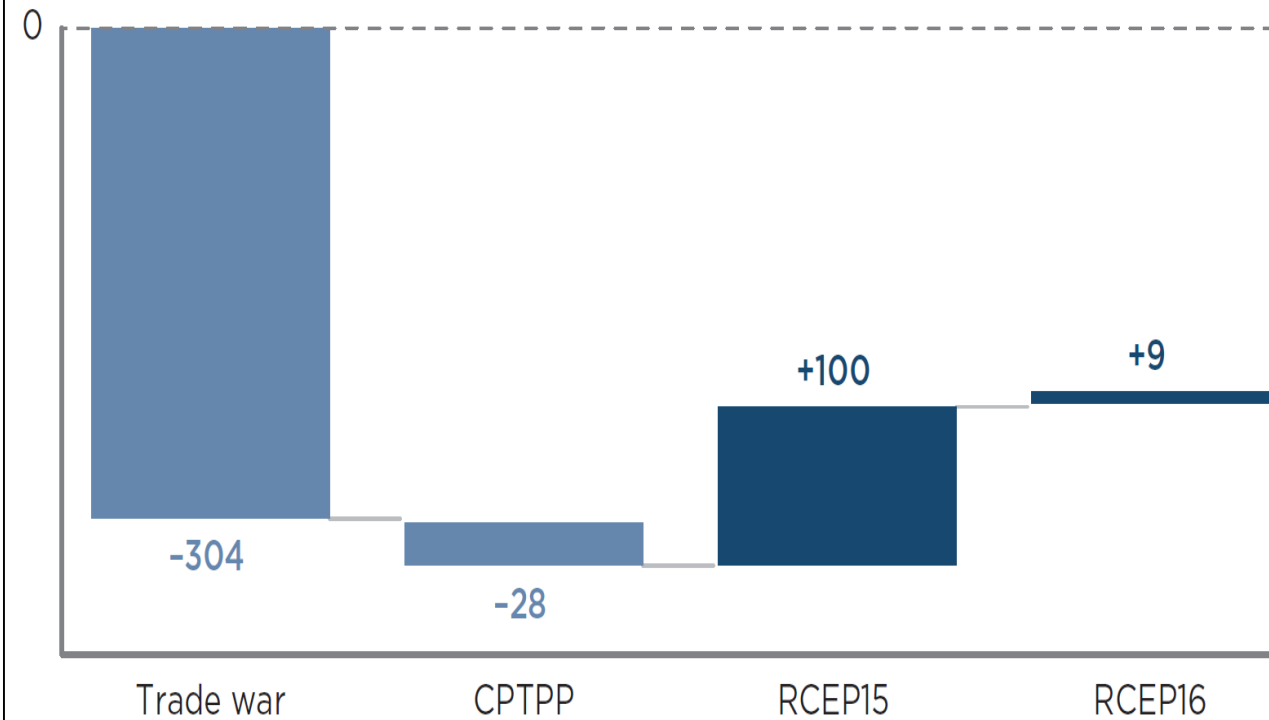
*Source: Authors' simulations.***Source: Petri and Plummer (6/2020)**

	2030 Exports	Incremental effects: With business as before			Incremental effects: With US-China trade war			
		CPTPP	RCEP15	RCEP16	Trade war	CPTPP	RCEP15	RCEP16
Asia	12,905	172	500	118	-483	157	495	121
Brunei	16	1	0	0	0	1	0	0
China	4,976	-9	244	12	-463	-27	248	13
Hong Kong	357	1	-2	0	-10	1	-1	0
India	1,360	-3	-6	137	-1	-3	-6	138
Indonesia	446	-3	13	5	-2	-3	12	5
Japan	1,190	97	135	-30	-1	98	128	-29
Korea	1,089	-6	64	-4	-1	-5	63	-4
Malaysia	491	42	11	-1	3	42	11	-2
Philippines	184	0	7	-2	1	0	7	-2
Singapore	470	29	-3	2	-2	29	-3	2
Taiwan	506	0	-8	1	-4	0	-8	1
Thailand	561	-7	26	0	2	-7	26	0
Vietnam	357	31	14	-2	1	31	14	-2
ASEAN nie	93	0	4	0	0	0	4	0
Asia nie	810	1	1	0	-7	1	0	0
Oceania	673	28	4	6	-9	28	4	6
Australia	589	23	3	5	-8	24	3	5
New Zealand	84	5	1	0	-1	5	1	0

Figure 3

China: Income effects of trade policies

(income gains/losses in billions of US dollars)



CPTPP = Comprehensive and Progressive Agreement for Trans-Pacific Partnership
RCEP = Regional Comprehensive Economic Partnership

Source: Authors' simulations, trade war environment.

5. Some challenges

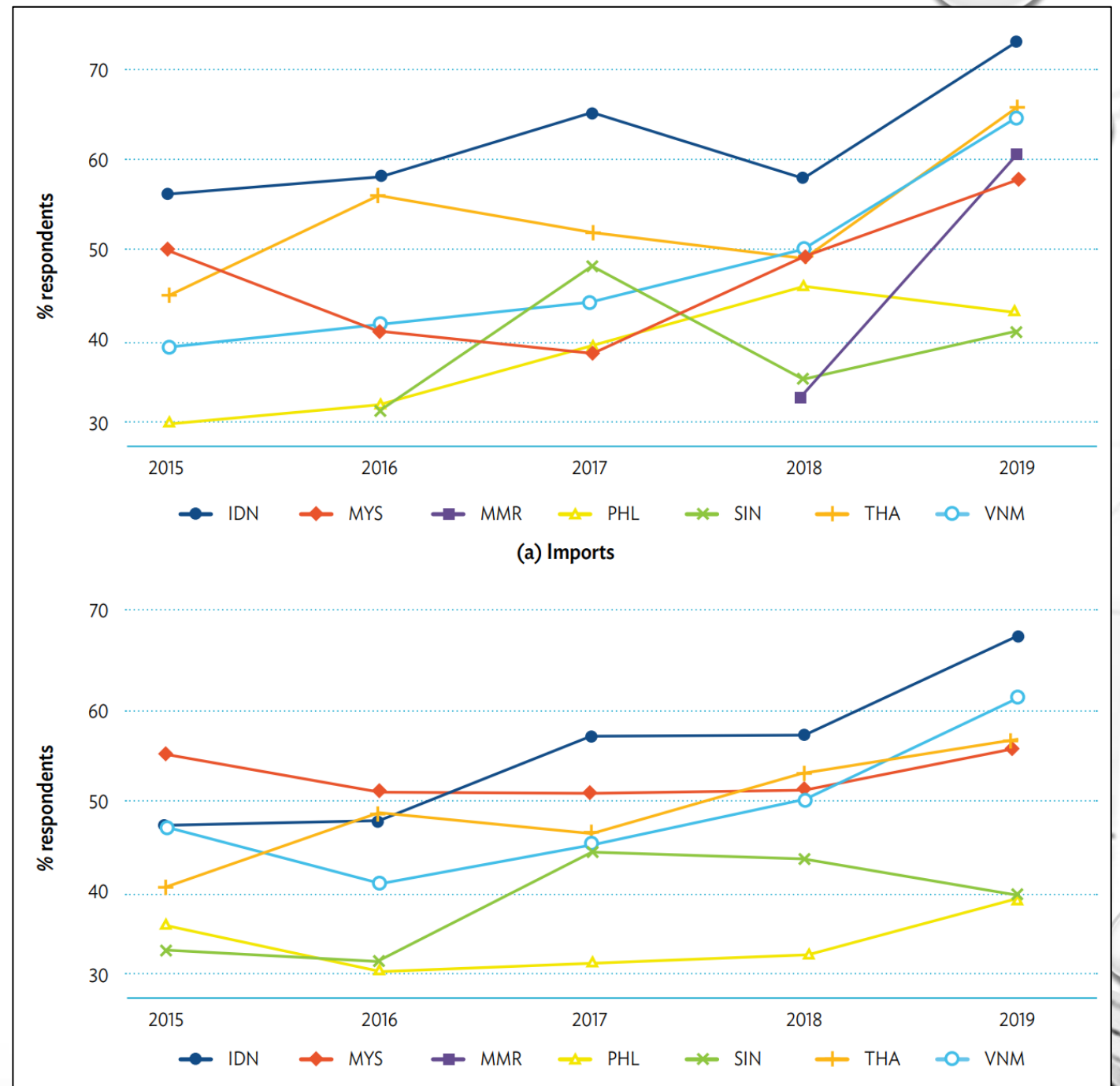
- Utilization rate less than expected:
 - *Statistics so far show relatively low utilization rates, especially for new FTAs (e.g. CPTPP). Implications?*
- Disruption of supply chain during COVID-19 pandemic
 - *Disruptions already evident in exports to/imports from FTA partners.*
 - *Possibly for sectors that were projected to benefit from FTAs (food and beverage, wood, garment, leather shoes, etc.).*

6. Implications for foreign investors

- Strengthening partnership with Vietnamese partners during the COVID-19 context
 - *“A friend in need is a friend indeed”.*
- Going beyond FTAs
 - *Viet Nam needs reforms to complement FTAs, and past experiences show that such reforms should best be under “positive pressures” (including from foreign investors).*
 - *FTA partners may apply new requirements/regulations on imports.*
- Linkages between FDI-local firms are key
 - *Compliance with ROO + Managing risk of supply chain disruption.*
 - *Fostering via industrial estates would be viable.*

Percentage of Japanese-affiliated firms based in AMS that utilise FTA/RTA for trade from within ASEAN

Source: ERIA (2021)



THANK YOU!

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