



Working Paper 2022.1.1.02
- Vol 1, No 1

CHÍNH SÁCH THUẾ TỪ EVFTA DÀNH CHO Ô TÔ, LINH KIỆN PHỤ TÙNG Ô TÔ VÀ MỘT SỐ ĐỀ XUẤT CHO CÁC DOANH NGHIỆP SẢN XUẤT, KINH DOANH MẶT HÀNG NÀY CỦA VIỆT NAM

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Tóm tắt

Thị trường phương tiện vận tải, phụ tùng nói chung và ô tô, linh kiện phụ tùng nói riêng tại Việt Nam được đánh giá là thị trường có tiềm năng phát triển mạnh. Thị trường xe hơi tại đây tương đối nhỏ, nhưng phát triển nhanh nhất Đông Nam Á, đặc biệt là trong những năm gần đây, và bên cạnh đó, Việt Nam có thể đáp ứng được nguồn nhân lực dồi dào làm việc trong các nhà máy với mức chi phí thấp. Những lí do trên giải thích cho việc ngoài các doanh nghiệp nội địa đang tích cực phát triển thị trường này, Việt Nam cũng thu hút được các doanh nghiệp nước ngoài tham gia đầu tư và sản xuất tại đây, bao gồm cả các doanh nghiệp đến từ Liên minh Châu Âu (EU). Kể từ khi hiệp định EVFTA bắt đầu đàm phán kí kết và chính thức có hiệu lực từ ngày 1/8/2020, nhìn chung việc xuất nhập khẩu các mặt hàng này giữa EU và Việt Nam còn mạnh mẽ hơn. Việc thực hiện nghiên cứu này xuất phát từ những lí do chính. Thứ nhất, nghiên cứu những nội dung chính về cam kết thuế xuất nhập khẩu giữa 2 bên Việt Nam và EU. Thứ hai, phân tích những tác động bước đầu của hiệp định đối với thương mại ô tô, linh kiện phụ tùng Việt Nam-EU. Thứ ba, nêu ra cơ hội, thách thức, nêu ý kiến đề xuất để những doanh nghiệp sản xuất ô tô, linh kiện phụ tùng ô tô trong nước phát triển.

Từ khóa: EVFTA, ô tô và linh kiện phụ tùng, cam kết thuế xuất nhập khẩu, tác động bước đầu, đề xuất.

EVFTA TAX POLICIES ON CARS AND COMPONENTS AS WELL AS SOME PROPOSALS FOR VIETNAMESE AUTOMOBILE MANUFACTURING AND TRADING ENTERPRISES

Abstract

Inherently, the vehicle and accessories market in general, the cars and components market in particular in Vietnam are considered markets with high economic development opportunities. The

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car market is relatively small; however, it is the fastest growing in Southeast Asia, especially in recent years, moreover, Vietnam can meet the needs for labour with an abundant amount of human resources working in factories, not to mention, with low cost. The above-mentioned reasons accounts for the outside domestic enterprises that is actively developing this market, and why Vietnam also attracts foreign enterprises to invest and produce, including investors originating from the EU. Ever since the EVFTA agreement took place and effect (August 1, 2020), the exchange of commodities between the EU and Vietnam has become stronger than ever. As a result, the initiation of this research stems from some motives. Firstly, to study the main contents of the import and export tax agreements between Vietnam and the EU. Secondly, to analyze the initial impacts of the agreement on trade in automobiles and spare parts between Vietnam and the EU. Lastly, to create opportunities, recognize possible challenges as well as give proposals for domestic enterprises producing automobiles, auto parts and accessories to further improve their profits.

Keywords: EVFTA, cars and components, import and export tax agreements, initial impacts, proposals.

1. Research overview

Although the number is scarce, there have been thorough data analysis reports on the import and export tax of automobiles and components in general, namely "Automobile Industry Report - VietinBank (2019)"; "Automobile industry analysis report - ASEAN securities". These reports have succeeded in highlighting the main data and factors that affect the market, enabling us to understand the overall picture of import and export of automobiles and components. However, this report failed to point out the strengths and weaknesses of the auto and components import and export market in Vietnam as well as make recommendations for domestic auto enterprises. More importantly, how the industry can be positively affected when the EVFTA is implemented is not mentioned, either. Consequently, our research paper aims to provide extra data and analysis in order to determine the right course of action to take towards the auto and components industry.

2. Theoretical basis

2.1. Theoretical basis

Over the past few years, Vietnam has been active in signing free trade agreements (FTAs) with countries throughout the world. The idea of an FTA is to eliminate trade and tariff barriers and to ensure free trade among treaty party members. Vietnamese enterprises have been effectively making use of tariff preferences in FTAs. "Total export turnover taking advantage of tariff preferences under FTAs in 2020 reached \$52.76 billion, accounting for 33.1% of total export turnover to FTA-signed markets." (WTO Center, 2021). Notably, growth was recorded not only from traditional markets such as China, ASEAN but also from the US, Mexico, Canada... Besides export, import turnover from Canada, Mexico... also has many notable points such as the fact that Vietnam has begun to import more raw materials from these markets. Consequently, we have a concrete basis to believe that enterprises will undoubtedly make good and effective use of tax incentives under EVFTA, especially for key commodities such as agricultural products, apparel, and the subject of this study, cars and auto parts.

2.2. Research method

The qualitative method was used to process information - the process of collecting primary information from previous domestic and foreign case studies, and using the managers from those studies, to synthesize and analyze the matter more selectively, thereby having a as comprehensive view of the research issue as possible: “Policy tax from EVFTA for cars, auto parts and some proposals for enterprises and trading in Vietnam”.

In the article, numerical assumptions (assumed data) from the SMART method (Table 3) are used from an already available quantitative report of another researcher to provide a broader view of the effects of applying EVFTA tax policy to the commodity group in the future.

3. Overview of the EVFTA

3.1. Introduction on the EVFTA

“The EU-Vietnam trade Agreement (EVFTA) is a new generation FTA (Free Trade Agreement) between Vietnam and 27 other members (after Brexit).” (Hong, 2019) It is an effective and efficient agreement that is sure to provide equality for both Vietnam and the EU, taking into considerations the differences within the diverse development levels of the 2 parties.

Upon taking effect, the EVFTA was anticipated to drastically improve Vietnam's exports, which is a contributing factor to the diversification of markets and exports, “emphasizing particularly on agricultural and aquatic products as well as Vietnamese products competitive advantages.” (Hong, 2019).

3.2. The EVFTA's coverage

The EVFTA is a win-win trade deal with equal benefits for both Vietnam and the EU which complies with the provisions of the World Trade Organization (WTO). The agreement has 17 chapters, two protocols and several attached memos, concerning:

- Trade in goods;
- Services, investment liberalization and ecommerce;
- Government procurement;
- Intellectual property rights.

“The EVFTA also covers other aspects including rules of origin, customs and trade facilitation, sanitary and phytosanitary measures, technical barriers to trade, sustainable development, cooperation and capacity building, and legal-institutional issues.” (Hong, 2019)

3.3. The EVFTA's tariff reduction

It can be inferred from the EVFTA that the elimination of tariff barriers was at the highest level, which brought about great benefits for exports of both sides. Following the initiation of the agreement, the EU eliminated about 85.6% of import tariffs on Vietnamese commodities, which was equivalent to 70.3% of Vietnam's revenue from exports to the EU. Within seven years of the deal taking effect, EU will remove 99.2% of tariffs, 99.7% of Vietnam's revenue from exports to the EU, effectively.

As for the remaining 0.3% of Vietnam's export revenue, the EU pledged to provide Vietnam with tariff-rate quota, setting the import tax rate at 0% within the quota. For EU exports, Vietnam agreed to truncate 48.5% of tariff lines immediately after the agreement comes into force

(accounting for 64.5% of import revenue). After seven years, 91.8% of the tariff lines, equivalent to 97.1% of EU export revenue, will be removed by Vietnam.

After 10 years, about 98.3% of the tariff lines (accounting for 99.8% of import turnover) will have been cut. For the remaining 1.7% of the tariff lines, Vietnam will apply tariff-rate quota under WTO commitments or a special roadmap to remove tariffs (Hong, 2019).

3.4. Regarding tax policies from the EVFTA for automobile products as well as auto parts and components

Regarding automobiles and auto accessories, both Vietnam and the EU have agreed to bring the import tax to 0%. All these items are classified as commodities that receive immediate import tax abolition or import tax elimination for having a short schedule, with no items belonging to the sensitive tariff line. Regarding export tax, both sides agreed not to impose tax on the above-mentioned items.

3.4.1. Agreements on import tax from Vietnam

Before August 1, 2020, automobiles imported from Europe to Vietnam must be faced with a tax rate of 70% based on the customs declared value, applying at the most favored nation (MFN) tax rate of WTO members. According to the tax reduction roadmap of the EVFTA Agreement, from August 1, 2020, Vietnam will cut taxes for 10 years, reducing an average of 7% each year and after 10 years, it will eventually be reduced to 0%. Auto parts and accessories: “The maximum commitment level in the Agreement is 45%. Vietnam will eliminate import tax after up to 7 years.” (Nguyen, 2020).

Details of commitments on import tax are listed in the Table 1 below:

Table 1. Agreements on import tax from Vietnam’s side

Chapter	Commodity	MFN tax rate in 2012	Agreed tax rate
87	Motor cars (8703)	78% - Cars that have the capacity lower than 3.000cc	0% 10 years after the EVFTA took effect.
		74% - cars that have the capacity higher than 3.000cc	0% 9 years after the EVFTA took effect.
40	Auto parts and accessories (8708)	15% - specialized cars	0% after 9-10 years since the EVFTA took effect.
		5-25%	0% 10 years after the EVFTA took effect.
		Tires (4011-13)	15-30%
	Insulating rubber (4016)	3-10%	0% after 3-10 years since the EVFTA took effect.

Chapter	Commodity	MFN tax rate in 2012	Agreed tax rate
70	Mirrors	15%	0% after 7 years since EVFTA took effect
73	Screws and springs	10%	0% 10 years after the EVFTA took effect.
83	Car locks	20-25%	0% after 5 years since EVFTA took effect
	Engine details	10-50%	0% after 7 years since the EVFTA took effect
	Fuel pumping equipment	3%	0% right after the EVFTA took effect.
84	PTLK Transmissions (8483)	5-20%	0% after 5-7 years since the EVFTA took effect.
	Gaskets, cushions (8484)	3%	0% right after the EVFTA took effect.
	Battery (8507)	2.5%	0% after 5 years since the EVFTA took effect.
85	Ignition device (8511)	10-20%	0% after 5-7 years since the EVFTA took effect.
	Lights, horns, wipers (8512)	15-25%	0% after 5-7 years since the EVFTA took effect.
90	Speedometers (902920)	20%	0% after 3 years since the EVFTA took effect.
94	Car seats (940120)	25%	0% after 3 years since the EVFTA took effect.

Source: WTO Center (2017)

3.4.2. *Agreements on import tax from the EU's side*

It can be seen that most of the EU tax reduction roadmap for the above items are shorter than the Vietnamese's. For cars, all items have a reduction schedule of 7 years. Especially for auto parts and components within HS87 and outside this group, the import tax rate of 0% will be applied immediately after the EVFTA takes effect.

Details of commitments on import tax are listed in the Table 2 below:

Table 2. Agreements on import tax from the EU's side

Chapter	Commodity	MFN tax rate in 2012	Agreed tax rate
87	Motor cars (8703)	10%	0% after 7 years since the EVFTA took effect.

Chapter	Commodity	MFN tax rate in 2012	Agreed tax rate
	Auto parts and accessories (8708)	3-4%	0% right after the EVFTA took effect.
40	Tires (401113)	2,5-4%	
	Insulating rubber (4016)	2,50%	
70	Mirrors	3-4%	
73	Screws and springs	3,70%	
83	Car locks	2,70%	
	Engine details	2,7-4,7%	
84	Fuel pumping equipment	1,70%	
	Transmissions (8483)	2,7-6%	0% right after the EVFTA took effect.
	Gaskets, cushions (8484)	1,70%	
	Battery (8507)	3,70%	
85	Ignition device (8511)	3,20%	
	Lights, horns, wipers (8512)	2,70%	
90	Speedometers (902920)	2,60%	
94	Car seats (940120)	3,70%	

Source: WTO Center (2017)

3.5. Regarding import and export turnover of automobiles and auto parts and accessories between Vietnam and the EU

Table 3. Assumptive data on import turnover from the EU to Vietnam

Nations	Imports before the agreement (Thousand USD)	Imports after the agreements (Thousand USD)	Growth (%)
Germany	68405.94	105362.1	54.02
Sweden	8745.509	12485.16	42.7
Italy	7613.693	11718.19	53.9

Nations	Imports before the agreement (Thousand USD)	Imports after the agreements (Thousand USD)	Growth (%)
Slovakia	850.491	1248.922	46.8
Portugal	730.091	2311.173	216.5
Netherlands	616.631	884.984	43.5
Czech Republic	234.273	502.452	114.4
Belgium	174.772	490.151	180.4
France	136.175	843.076	519.1
Switzerland	59.531	58.929	-1.01

Source: Le et al. (2020)

The SMART method was used to collect the data from an already existing research paper and it can be inferred that in the EU, there are only 10 countries with auto exports to Vietnam where Germany has an output that is superior to the rest. Based on the hypothetical data collected from the available researches, we can see that EU countries have the tendency to increase auto exports to our country after taking part in the EVFTA agreement.

Moreover, the previous author mentioned that the deviating effect occurred when a large number of vehicles with the 2 HS codes of 870323 (vehicles with a displacement of more than 1,500 cc but do not exceed 3000 cc) and 870324 (vehicles with a capacity of over 3,000 cc) are still imported in large quantities from Germany, Sweden and Italy. (Le et al., 2020).

With a breakthrough in manufacturing technology, popular European car manufacturers are gradually gaining the trust of international consumers in general and Vietnam in particular. Typically, Peugeot from France is creating very modern cars, applying many technologies on its products. Or Volvo from Sweden is gradually finding a new direction for itself when hitting the high-end car market. In the future, it is possible that the number of cars imported from Europe from other countries will be more.

3.5.1. EU exports to Vietnam

Table 4. Components import from EU to Vietnam.

(Unit: Thousand USD)								
Year	January	February	March	April	May	June	July	All
2020	14351	14731	8221	11511	8186	8563	6904	72467

Year	January	February	March	April	May	June	July	All
2021	10367	11231	14762	19070	18916	17847	14948	107141

Source: General Statistics Office (2021)

Data from Table 4 shows that the import value of components in the first 7 months of 2021 increased by 34.7 million USD, equivalent to 48% compared to that time in 2020 when the EVFTA has not yet taken effect.

Table 5. CBU cars import from EU to Vietnam.

(Unit: Cars)

Year	January	February	March	April	May	June	July	All
2020	82	53	154	108	121	34	57	609
2021	111	63	102	55	92	174	34	631

Source: General Statistics Office (2021)

Inferred from Table 5, for CBU cars, there is no noticeable change. Although the number of cars imported to Vietnam increased very slightly, the value increased by 34% from 35.7 million USD to 48 million USD. It can be said that the change has not been clearly seen, because this is the group of goods that Vietnam applies tax reduction after the roadmap from 9 to 10 years.

3.5.2. Vietnam exports to EU

Table 6. Vehicles and components export from Vietnam to EU. (Unit: Thousand USD)

Year	January	February	March	April	May	June	July	All
2020	21026	19912	14754	24487	31813	31655	36062	179709
2021	84020	83532	88481	82742	71430	61570	79675	551451

Source: General Statistics Office (2021)

EVFTA takes effect from August 1, 2020. The data from Table 6 shows that the export value of Vietnam's means of transport and spare parts in the first 7 months of 2021 increased markedly compared to the same period in 2020, when the EVFTA had not yet taken effect. With an export value of more than USD 551 million, an increase of more than 200% over the same period in 2020, it can be seen that the EU's commitment to cut import tax on vehicles and spare parts for Vietnam has had positive effects to this group of goods in general and to cars and components in particular.

Exported Vietnamese auto parts and accessories also have relatively high technology such as ignition wires, gearbox parts, safety air bags, etc. But most of these spare parts are made by foreign enterprises direct investment in production and export, with no domestic enterprises participating.

Currently, Vietnam has not been able to export CBU cars to this market of nearly 450 million people (as of 2020 according to Wikipedia). However, the development over time and the participation of many businesses, including Vingroup with the leading car brand Vinfast, can give us hope for Vietnamese cars to be exported to Europe.

4. The effect of EVFTA on the Vietnam automobile industry

4.1. On EU automobile enterprises

Having a European-branded car is a luxury for a lot of Vietnamese civilians including the upper-middle-class because when scaled on Vietnam's average income level, most imported European automobiles on the market are relatively expensive. Car models imported from Europe such as BMW, Audi, Maserati, Volkswagen... cost around 2 billion VND per unit on the Vietnamese market. The main reason is that they must pay the highest import tax (70%). Which is exactly why the EVFTA is expected to lower the cost of European cars, making them more accessible to Vietnamese consumers.

According to the EVFTA's tax reduction roadmap, Vietnam would lower taxes for 10 years, at a rate of 7% per year on average, starting on August 1st, 2020 and then reducing taxes to 0% after 10 years. Thus, the import duty on European cars into Vietnam currently stands at 63%. However, the EVFTA explicitly stipulates that Vietnam's tax pledge cannot be applied to secondhand automobiles, vehicles with more than 10 seats, or cargo vehicles.

Many car dealers believe that the EVFTA's plan for car tax reductions is too protracted, which makes it increasingly difficult to influence the market. The overall price customers have to pay for a car includes a variety of additional fees such as special consumption tax, value added tax, registration fees... so as to minimize the real money reduction. As a result, the 15% reduction in import tax does not appear to influence car pricing much in the first 2 years. "The European automobile market in Vietnam needs at least 5 more years until the import tax rate is reduced to 35% so that the effects of the EVFTA can be viscerally understood." (Lâm, 2020)

Although the EVFTA's consequences are ambiguous, the cut in import duties has given EU enterprises greater opportunities to export cars to Vietnam.

4.2. On local automobile manufacturing and assembling enterprises

According to the Ministry of Industry and Trade (2020), to manufacture a car in Vietnam, 80% of components must be imported, resulting in 10-20% higher local car production and assembly costs as well as 20% more expensive automobile sale prices compared to other nations in the region. In order to bring down the cost of domestic automobiles, it is vital to consider reducing reliance on foreign components and accessories.

When the EVFTA takes effect, the import duty on cars, auto parts, and accessories imported from the EU will gradually be reduced to 0%. Undoubtedly, the EVFTA assists local businesses in importing production components, particularly high-tech equipment and machinery tremendously, by stating far cheaper importing costs than previously. This reduction will help cut costs, with a view to make automobiles that are built and assembled in Vietnam more competitive on both domestic and foreign markets. Furthermore, these products will also be exempt from paying an export tax if they meet the required localization rate.

On the other hand, importing production components at cheaper costs may lead to more dependence on foreign components and accessories. This may help enterprises save lots of capital as foreign components might be cheaper than self-produced ones but also prevent them from self-producing automobile components. Therefore, it is harder for domestic cars to increase the localization rate.

4.3. On customers

With the reduction of the import tax on European automobiles, the value-added tax and registration fee will also be reduced, resulting in the overall price is expected to decrease. This means that Vietnamese customers will be able to acquire European-brand cars at a more affordable price.

Besides, as previously stated, when domestic automobile manufacturing and assembly businesses gain from EVFTA thanks to lowered import taxes on components, the cost of assembled automobiles will fall, and consumers will have easier access to these vehicles.

In short, the EVFTA has given Vietnamese consumers more options when it comes to purchasing a car, but it has also sparked competition between European-imported cars, locally assembled cars, and cars imported from other markets such as China, Thailand, Japan... which are relatively budget-friendly.

4.4. On government

Lowering the import tax on European cars will result in lower value-added tax and registration fee, which can lead to a significant loss of tax revenue for the state. However, in return, once production activities stabilize and a market exists, businesses will add corporate income tax, which is significantly greater and longer-term, domestic fees such as insurance fee or vehicle registration fee to aid the state with generating more income.

5. Recommendations for Vietnamese automobile manufacturing and trading enterprises

5.1. Opportunities for Vietnamese automobile manufacturing and trading enterprises

5.1.1. Competitive opportunity in the domestic market

The opportunity to import high-quality and high-tech automotive products, spare parts and components from the EU at lower prices contributes to decreased production costs and an increase in competitiveness of products. When the EVFTA comes into effect, import tax on auto parts will decelerate sharply which will assist firms in lowering manufacturing costs as well as selling prices (depending on business strategies) and more sales.

Additionally, local manufacturing and assembly businesses also have the chance to grow while the agreement is still in effect before having to compete directly and fairly with EU rivals.

5.1.2. Opportunity to export to EU market

Export opportunities for Vietnam's strengths: auto parts and components. "The EU is a big market for cars, with CBU cars, Vietnam has little to no chance to penetrate, with the exception of Vinfast automobile which has the most prospect of being exported. Moreover, it is also possible to export components to the EU so as to enjoy the benefits of 0% tax which is huge for domestic enterprises. With simple components, Vietnam still has an advantage over EU countries in terms

of labor costs and production costs... "It would be a waste if this opportunity was wasted," said marketing expert Vu Quoc Chinh. (Ho Chi Minh City University of Economics).

Lastly, Vietnam can become a joint venture investment partner, or a supplier for EU investors who are looking for opportunities to exploit the domestic and regional markets.

5.2. Challenges for Vietnamese automobile manufacturing and trading enterprises

5.2.1. Challenges in domestic competition

The protection period of 7-10 years is relatively long, but if the auto industry and Vietnam continue to stagnate, refuse to take the initiative to improve competitiveness, the risk of failing in the domestic market is still very high. The supporting industry - component production - must develop in order for the car industry to grow. However, Vietnam's supporting industry still has a number of flaws: small size, obsolete technology, a lack of manufacturing expertise, a scarcity of raw materials, and so on. The auto parts that can be manufactured locally are simple components and spare parts (car bodies, exhaust pipes...) with low value and low competitiveness with other nations. Manufacturing businesses (both manufacturing and assembling automobiles and generating replacement parts) are finding it difficult to invest and expand mass production due to a lack of both types and output of manufactured goods. Furthermore, supporting industry businesses have been unable to get access to international car production chains. The fact also demonstrates that the industry's localization rate is still low and has not achieved the set target. The car industry admits that the only way to cut costs and improve product competitiveness is to increase the rate of localization. Localization, on the other hand, is a tough challenge for car companies since it requires large financial resources and large output, and the Vietnamese market capacity is still limited.

With the fact that in these coming years, when the import tax on cars from the EU to Vietnam is reduced to 0%, Vietnam only has a limited time to prepare and enhance the domestic auto industry's competitiveness. "If this opportunity isn't taken advantage of, Vietnam will be faced with a situation much similar to the Philippines a few years prior, when the market was under development, the policy was too abstract, causing assemblers to exit from the market before switching to import, resulting in a drastic trade balance deficit. The auto industry and supporting industry will not reach the set target. Social security will be affected as workers become unemployed" (Thanh, 2016) Mr. Tran Ba Duong - Chairman of the Board of Members of Truong Hai Automobile Company considered.

5.2.2. Challenges for exporting to EU market

The EU market is a high standard market, and the geographical distance is quite far from Vietnam. Therefore, export opportunities will be difficult to come true if enterprises do not have the capacity or high competitiveness to join the supply network in the automotive sector. To be able to export goods to the European market, Vietnamese enterprises need to overcome the mandatory requirements on technical barriers such as: labeling, environment... of the EU. These regulations are very strict with high requirements; therefore, Vietnamese goods have to improve a lot in terms of quality to be able to overcome these barriers.

5.3. Recommendations for Vietnamese automobile manufacturing and trading enterprises

The EVFTA is expected to bring several opportunities and benefits to the Vietnamese economy. This is also an opportunity for Vietnamese businesses to get ahead in increasing exports

and contributing to the country's economic progress. To take advantage of these prospects, the Vietnamese government has to provide more active support for companies through policy solutions and particular actions, as well as the efforts of businesses themselves.

5.3.1. Seizing opportunities

Seizing competitive opportunity in the domestic market

The government should continue to provide up-to-date legislative and industry forecasts when EVFTA is still in force. By doing so, the government can assist businesses in accurately assessing information, seizing opportunities, improving production processes, and improving product quality in order to gain access to the EU market more easily.

Seizing opportunity to export to EU market

The government must have investment policies and offer stronger incentives to attract domestic and foreign investment in order to support industry development, to meet the EVFTA's product origin requirements.

Through the deployment of many activities in the upstream and downstream trade, the government needs to further facilitate and support enterprises, particularly in terms of capital, and connect Vietnamese enterprises to participate in the production chain of multinational corporations and global business partners. According to businesses, incentives such as preferential loans, investment procedures, land, and especially tax policies related to the import of raw materials and spare parts for domestic production will encourage more businesses to participate, not only providing products for the domestic market but also exporting to other markets.

The government must provide timely information and forecasts on technology markets, export markets, and particularly large, potential, and high demand markets for imported goods, such as the EU. Additionally, there is a need to improve the close and effective coordination of trade promotion activities between government management agencies and other agencies and organizations that serve as a link between businesses and the EU market like the European Business Association in Vietnam (EuroCham), the EU–ASEAN Business Council...

Besides numerous chances, the EVFTA also poses many difficulties and challenges that require the Vietnamese government and enterprises to face up with and strive to turn challenges into opportunities.

5.3.2. Tackling challenges

Tackling challenge in domestic competition

The business community also needs to change its business ways in the new context of taking competitive pressure as a driving force for innovation and development as competition is always two-sided. On the one hand, competition takes a toll on weak businesses, especially those that still rely on State subsidies, and those with outdated production and business technologies. On the other hand, competition gives the impetus for businesses to continuously innovate and create, and at the same time creates more choices for consumers. This is the path that we must go through sooner or later in order to make innovations to the growth model and successfully transform the economic structure, towards improving the value, quality and efficiency of economic growth. The EVFTA

will certainly bring opportunities for businesses to proactively respond to changes in the business environment brought about by international economic integration.

Tackling challenge for exporting to EU market

The government must continue to improve the legal system and policy processes connected with the full execution of international obligations in general, and commitments under EVFTA in particular. The government should ensure consistency, transparency, equality, and increasingly favorable conditions for Vietnamese businesses in the process of reviewing, amending, and supplementing the system of legal documents and policies in order to improve the competitiveness of exported goods on the EU market.

Vietnam's enterprises must aggressively analyze the content of EVFTA, particularly the commitments relating to tariff reduction and origin restrictions, in order to properly take advantage of EVFTA's incentives. Complying with the Agreement's origin regulations, enterprises must actively source raw materials and auxiliary materials (they can redirect imported raw materials and auxiliary materials to local raw materials or auxiliary sources from Korea or EU member nations).

Vietnam's enterprises need to engage actively in advanced technology in manufacturing and adapt production processes and management processes to satisfy EU regulatory standards and procedures in order for their goods to overcome technical barriers and access the EU market.

Vietnam's enterprises need to focus on meeting safety requirements, emphasizing on social responsibility, and providing openness of information on labor and the production environment, as defined in the EVFTA, during the production and export process.

To conclude, it can be seen that apart from the challenges that it brings, the implementation of the EVFTA will provide numerous possibilities for Vietnamese businesses to increase their competitiveness in both the domestic market and the EU market in the near future. The issue is that the government and Vietnamese businesses must recognize and identify both possibilities and obstacles in order to execute the solutions provided above in a timely and efficient manner.

Conclusion

The market for automobiles and spare parts in Vietnam is believed to have great potential. When the EVFTA came into effect in August 2020, the growth potential of this industry became even more apparent. After studying and doing research about the trade policies of the EVFTA in general and with tax commitments from both sides for this industry in particular, we have been able to discover and highlight a number of opportunities for Vietnamese businesses such as competitive opportunities in the domestic market or opportunities to export to the EU market. However, although the main selling points of this sector are auto parts and accessories, we can expect Vietnam to be able to export its first number of CBU (completely built unit) cars to the EU market. Undoubtedly, it is possible, given the efforts that domestic enterprises are making and the attention from foreign invested enterprises to Vietnam. Along with the prospects that the EVFTA brings, it also raises challenges that businesses must cope with. Therefore, the research team has also proposed some solutions for not only to satisfy domestic enterprises but also state governments. To conclude, due to our limited span of knowledge and this research paper aiming only to apply theoretical statements to practical solutions, mistakes are inevitable and there is unequivocally much room for improvements, please allow for our shortcomings.

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