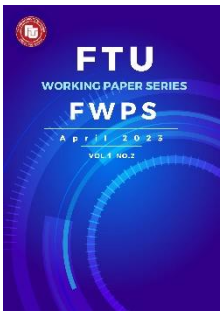

Working Paper 2023.1.3.15

- Vol 1, No 3

TÁC ĐỘNG CỦA HIỆP ĐỊNH EVFTA ĐẾN XUẤT KHẨU MẶT HÀNG THỦY SẢN CỦA VIỆT NAM SANG THỊ TRƯỜNG EU

Nguyễn Thùy Linh[1], Ngô Lê Mai, Đỗ Mai Khanh, Phạm Thị Thu Hà

Sinh viên K60 CLC Kinh tế đối ngoại – Viện Kinh tế & Kinh doanh quốc tế

Trường Đại học Ngoại thương, Hà Nội, Việt Nam

Nguyễn Thu Hằng

Giảng viên Viện Kinh tế & Kinh doanh quốc tế

Trường Đại học Ngoại thương, Hà Nội, Việt Nam

Tóm tắt

Hiệp định Thương mại Tự do Liên minh Châu Âu-Việt Nam (EVFTA) đi vào hiệu lực đã thúc đẩy giao thương giữa EU và Việt Nam ngày càng phát triển và đánh dấu bước ngoặt to lớn đối với nền kinh tế Việt Nam. Ngành thủy sản là một ngành quan trọng của nền kinh tế nước nhà và cũng là một trong những ngành đi đầu trong hội nhập toàn cầu. Với việc EVFTA được thông qua, ngành thủy sản Việt Nam đã phát triển thành một ngành xuất khẩu có triển vọng và đem lại lợi nhuận cao. Bài nghiên cứu này được thực hiện nhằm mục tiêu đánh giá những tác động tiềm năng của hiệp định đối với xuất khẩu các mặt hàng thủy sản của Việt Nam ở mức 2 và 6 số trong mã HS code. Nghiên cứu sử dụng mô hình WITS-SMART để phân tích định lượng với dữ liệu về kim ngạch xuất khẩu và áp dụng trường hợp xóa bỏ thuế quan khi EVFTA có hiệu lực. Kết quả khảo sát cho thấy xuất khẩu thủy sản của Việt Nam sang EU sẽ tăng trưởng khi EVFTA được thực thi và qua đó, nhóm nghiên cứu đề xuất một số chính sách cần thực hiện để thúc đẩy ngành xuất khẩu thủy sản trong thời gian tới.

Từ khóa: Hiệp định Thương mại tự do Liên minh châu Âu-Việt Nam (EVFTA), xuất khẩu, thủy sản, tác động, mô hình WITS-SMART

THE EFFECT OF EVFTA ON THE EXPORT OF VIETNAM FISHERY PRODUCT TO EU

Abstract

The implementation of the European Union-Vietnam Free Trade Agreement (EVFTA) has made it possible for trading between the EU and Vietnam to grow and marks a substantial shift in the Vietnamese economy. Fishery industry is an important sector of Vietnam's economy and also one of the leading sectors in terms of global integration. With the adoption of EVFTA, the

[1] Tác giả liên hệ, Email: k60.2113150040@ftu.edu.vn

fishery industry in Vietnam has developed into a more promising and profitable exporting sector. This paper attempts to assess the potential impacts of the agreement on the export of Vietnam's fishery products at 2-digit and 6-digit levels. The study uses the WITS-SMART model for quantitative analysis with export turnover data and a scenario in which tariffs are eliminated when the EVFTA goes into force. Through examining, it is found that Vietnam's fishery export to the EU would grow when EVFTA becomes enforceable. The study will then suggest certain policies to be executed to promote the fishery export industry in the coming time.

Keywords: EU-Vietnam Free Trade Agreement (EVFTA), export, fishery, impact, WITS-SMART model

1. Introduction

According to the analyst's analysis, the fisheries sector is a significant part of Vietnam's economy. As for the geographical location, natural conditions and being a tropical country, Vietnam is advantageous and conducive to fisheries production. Currently, although the local demand for fisheries goods is growing as disposable income rises, the majority of them are now exported.

Many important exports from Vietnam include shrimp, Sutchi catfish, Yellowtail catfish, tuna, molluscs, crabs, and crustaceans. In almost 20 years, Vietnam's exports of fisheries have greatly evolved. Since 1995, when the fishery export turnover was just 550 million US dollars, it has grown significantly, on average by 15.6% a year. In 2015, the fishery sector in Viet Nam had an export turnover of 6.5 billion US dollars, a growth of 16 times over the previous 20 years.

The Trade Agreement signed by The European Union and Vietnam on 30 June, 2019, signified a significant turning point for the Vietnamese economy and gave Vietnam a considerable competitive edge in the EU market. After the EVFTA went into effect on August 1st, 2020, the number of Vietnamese fishery exports to the EU market increased significantly since the agreement will alter the pricing of imports from partners due to the reduction of tariffs starting from 2020. Vietnamese products, on the other hand, must abide by the rules of origin in order to benefit from tariff and non-tariff preferences in trade between Vietnam and the EU.

In general, previous researches have proven the influence of FTA on the overall export of Vietnam's products but little has been carried out to analyze the effect of EVFTA on the country's fishery products export under quantitative approach. Therefore, this study focuses on assessing how the EVFTA has affected the export of Vietnamese fishery products to the EU in order to gain an overview of the Agreement's impacts and provide a better strategy for promoting the export sector.

2. Literature review

2.1. The main contents of EVFTA

The European-Vietnam Free Trade Agreement (EVFTA) is a monumental economic agreement between the Socialist Republic of Vietnam and all 27 EU member states. It has been hailed as one of the most significant trade agreements in recent history, alongside the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP). The EVFTA represents an unprecedented level of cooperation between nations with vastly different

economic systems, paving the way for increased market access, enhanced regulatory transparency, and improved investor protection. This transformative deal marks a turning point in Vietnam's global trading strategy by demonstrating its commitment to progressive international relations based on mutual benefits rather than traditional power dynamics. In short, this trade agreement heralds a new era of prosperity not only for Vietnam but also for Europe's economies that are eagerly awaiting to reap its potential rewards.

On December 1, 2015, Vietnam and 27 countries in the European Union officially ended the EVFTA negotiation. However, in 2018, the two parties decided to divide the original EVFTA into 2 parts: Free Trade Agreement (EVFTA) and Investment Protection Agreement (EVIPA). These two agreements were authorized by the European Parliament on February 12, 2020 and by the National Assembly of Vietnam on June 8, 2020. Eventually, EVFTA has officially become effective on August 1, 2020.

In both Vietnam and the EU, any additional tariffs or fees which are not applied for domestics goods would not be requested for exported ones. Furthermore, the tariffs on fees imposed on national products would be equal to that applied to exported goods.

EVFTA, in line with the rules of the World Trade Organization, is a comprehensive, high-quality agreement with a broad commitment on the following criteria:

Trade in goods and services

As soon as the EVFTA is implemented, the EU pledges to remove tariffs on Vietnamese items that are covered by 85.6% of tariff lines, or 70.3% of Vietnamese exports to the EU. The EU commits to eliminate 99.2% of tariff lines within 7 years of the EVFTA's implementation, which is equivalent to 99.7% of Vietnamese exports to the EU while Vietnam eliminates tariffs for 99.8% products imported from EU.

EVFTA commitments made by the EU and Vietnam to create an environment that is open and beneficial for the functioning of the two Parties. EU’s commitment to Vietnam is more than its WTO obligation and equivalent to the greatest level in recent EU FTAs. Likewise, Vietnam's commitment to the EU is greater than our commitments to the WTO and at least on par with the highest level of openness we're currently offering to other partners in current FTA negotiations, for example, business services, environmental services, bank insurance, sea freight…

Government Procedure

The EVFTA Agreement has government procurement principles, which is in accordance with the provisions of the WTO Government Procurement Agreement. Vietnam will adhere to the schedule with regard to a number of responsibilities, including online bidding and the establishment of a portal to publish bidding information. Moreover, the EU pledges to help Vietnam achieve these duties by offering technical support.

Intellectual property

With a higher degree of protection than WTO, the EVFTA contains obligations on copyrights, innovations, patents, commitments linked to medicines, and geographical indications. These levels, however, essentially adhere to Vietnam's present legal standards.

Dispute settlement mechanism

The EVFTA offers a unique dispute resolution process. A group of measures to protect fair trade, such as anti-dumping and anti-dumping measures, devaluation, subsidies and safeguards, etc., or extremely specific dispute settlement processes tailored to each specific field covered by the Agreement, such as SPS, TBT, have emerged. The details of the dispute resolution process between the Investor and the State (ISDS) are crucial.

Investment

The development of a framework to resolve conflicts between the Investor and the State is the focal point of the chapters on investment. Because investment is not subject to WTO regulation, this is a new provision that has never been made in the WTO's or earlier FTAs' dispute resolution procedures. Currently, the most ambitious instrument is the Vietnam-EU Investment Protection Agreement (EVIPA), which includes provisions on the Investment Court's dispute resolution process.

Trade and Sustainable Development

The EVFTA's Chapter 13 on Trade and Sustainable Development regulates all non-commercial problems (such as labor and the environment). To help with the implementation of the relevant commitment, each Party shall nominate a focal point within the government, and the two Parties shall create a Task Force on Trade and Sustainable Development.

2.2. The commitments about seafood export from Vietnam and EU in EVFTA

2.2.1. Tariff commiments

As soon as the Agreement is put into force, EVFTA agrees to give Vietnam's seafood products preferential import tax by immediately deleting around 50% of tariff lines, of which the majority of high-tax products are imported and have a tax rate of 6-22% eliminated to 0% such as oysters, scallops, squid, octopus, clams, processed abalone, frozen black tiger shrimp, etc. With 50% of the remaining tax lines, the base tax rate is from 5.5-26%, will be reduced to 0% according to the 3-7-year roadmap, such as shrimp, tra fish, tuna, etc. Particularly for canned tuna (such as canned tuna, canned tuna fish products, etc.) and Surimi (fish balls), the tariff quotas will be applied, respectively. 11,500 tons/year and 500 tons/year.

2.2.2. Non - tariff commiments

In order to benefit from EVFTA, Vietnam’s seafood products exported to EU have to follow the non tariff commitments:

About rule of origin, the origin of Vietnamese seafoods exported to the EU must prove the origin of both raw materials and processing methods to the customers. This means the origin of Vietnamese seafood products will comply with the EVFTA requirements if the raw materials used in the manufacturing process are only Vietnamese in origin and cannot be imported from any other nations.

Besides, Vienam’s fishery products have to meet criteria about Technical Barriers to Trade (TBT) and Food Safety Measures and Sanitary and Phytosanitary (SPS) in EVFTA agreement. Taking catfish is an example. EVFTA set an explicit limit on the quantity of chlorate in the catfish, the volume of water applied, and whether or not fish should be treated with carbon dioxide. IUU (Illegal, Unreported, Unregulated) - the declaration of fishing that is illegal, undeclared, and uncontrolled; sustainable management of seafood resources; exchange of

control, monitoring, and implementation information; and environmental commitments are also included in the EVFTA.

2.3. Overview of fishery industry and Vietnam's fishery export to the EU

Overview of Vietnamese fishery industry

Vietnam is a Southeast Asian country, with a geographical location close to the sea, with a coastline of 3,260 km, creating favorable conditions for the development of the fishery industry, which is an important sector of Vietnam's economy. Currently, although the domestic demand for fishery products is increasing due to increasing disposable income, most of the fishery products are used for export. According to statistical data, Vietnam exports fishery products, especially shrimp, pangasius, balsa fish and hard clams, to 164 markets with the main export markets are the United States, the European Union, Russia, Japan, China and South Korea, which supports more than 4.5 million jobs.

Fishery is identified as a key economic sector of the country, consisting of the workforce of more than 4 million people, accounting for 4-5% of GDP and 9-10% of the total national export turnover, which ranked 5th in terms of export value (VASEP, 2022). According to the General Headquarter of fisheries, Vietnam's total fishery production in 2020 will reach 8.4 million tons, up 1.8% compared to 2019, export turnover is estimated at 8.4 billion USD. In 2021, the total fishery production will reach 8,726.6 thousand tons, up 1% compared to 2020. In 2022, the total fishery production is estimated at 9,026 thousand tons, up 2.7% compared to 2021. Fishery exports in 2022 are estimated to reach a record with about 11 billion USD, up 23.8% over the same period in 2021 (8.89 billion USD).

Overview of Vietnam's fishery export to EU

The Ministry of Industry and Trade General Report noted that the number of Vietnamese fishery exports to the EU market increased sharply after the EVFTA took effect. This agreement has created opportunities for Vietnamese fishery enterprises to increase and expand export markets, especially some new potential markets such as the Netherlands, Spain, Italy, etc. Accordingly, before August 1, 2020, that is, the effective date of EVFTA, the number of enterprises participating in exporting fishery to the EU is 370 enterprises while after that, this number increased by 39 enterprises in 2020. Moreover, the reduction of tariff lines due to EVFTA also helped Vietnam's fishery products lower prices significantly, improving the competitiveness and export turnover.

Frozen shrimp and fish filets, especially tuna, are two key products of Vietnam exported to the European market. While frozen tra fish (catfish) now has zero percent tariffs for three years, shrimp is a significant export that will profit from the new tariff scheme's zero-percent tax rate for three to five years, which is an opportunity for Vietnamese shrimp products to compete for the top export position with India for market share in this market. Oysters, scallops, and octopus are just a few examples of other fishery products that are tax-free. Additionally, Vietnam has had opportunities to increase its market share for white fish in the EU thanks to the Russia-Ukraine conflict and the sanctions placed on Russia.

3. Research methodology

3.1. Empirical model

WITS-SMART model

To help governments and businesses in assessing the implications of tariff adjustment for a specific commodity, the World Bank and UNCTAD have created a partial equilibrium model, the WITS-SMART model, which can evaluate the trade creation, trade diversion, and welfare implications of the tariff adjustment (Amjadi et al., 2011).

We adopted the PE simulation model to identify the change of Vietnam's fishery exports when EVFTA came into force in 2020. This model is suitable for the purposes of this study.

Firstly, PE allows for disaggregated (or detailed) analysis, even at the 6-digit HS level. PE models may be more appropriate and accurate than general equilibrium models because free trade agreements are negotiated at a disaggregated level. Secondly, PE models are simple and require minimal data like elasticity parameters and tariffs for new trade policies, which is timely and able to capture short- and medium-term effects. Furthermore, the results are relatively easy to interpret since only a limited number of equations are used in the calculations to determine changes in demand and supply (Amjadi et al., 2011).

Model assumptions

A three parameter input into the SMART model is (1) the elasticity of import demand; (2) the elasticity of import substitution; and (3) the elasticity of export supply. These elasticities are based on three essential assumptions: (1) the assumption of import demand proposed by Armington (1969), (2) the assumption of the two-stage optimization process of consumers, and (3) the assumption of an infinite export supply elasticity.

First, it is important to note that assuming that similar products from different countries are imperfect substitutes (Armington, 1969) is the basis of the smart model. This means that the beneficiary country (Vietnam) cannot meet the entire import demand for fishery products from the tariff-eliminating country (EU members). In other words, EU countries would still depend on no beneficiary countries to meet the rest of their import requirements.

Second, the SMART model assumes that the buying decisions of consumers are optimized in two stages. At the first stage, the customer's demand for the commodity is changed by the import demand elasticity of the commodity. The value of import demand elasticity is mainly determined by the World Bank research team. It is at the second phase of the commodity market that the level of spending for this commodity is directly related to the relative price of the national variety. An import substitution elasticity determines the extent to which between-variety allocations change when relative prices change (Amjadi et al., 2011). A default substitution elasticity of 1.5 is imposed by SMART for all goods.

Finally, this study discusses the EVFTA with Vietnam as an exporter. Since Vietnam is small and has a relatively little impact on the world price of each commodity, the elasticity of export supply is assumed to be infinitely elastic. To model supply, WITS/SMART set the elasticity to 99.

Model specification

Depending on different objectives, scientists approach the partial equilibrium model from the supplier's or consumer's perspective. As a result, the trade creation and diversion effect are evaluated for both exporters and importers, whereas other indicators such as revenue, welfare, import, and export effects are only calculated for importers. This study uses this model to

analyze Vietnam's exports of fishery products to the EU and estimates the impact of trade creation, diversion and total exports.

Trade creation

Based on Laird and Yeats (1986), trade creation is estimated as the direct increase in imports following a tariff reduction. The study adopted the following equation for trade creation:

$$TC_{ijk} = M_{ijk}.E_x.\frac{dt_{ijk}}{(1+t_{ijk})(1+\frac{Em}{E_x})} \quad (1)$$

Trade diversion

According to Laird and Yates (1986), the trade diversion can also be calculated by using the elasticity of substitution, a concept that involves an increase in imports from the FTA partners' sources to replace imports from countries with efficient production sources.

$$TD_{ijk} = \frac{M_{ijk}}{\Sigma M_{ijk}}.\frac{\Sigma M_{ijk}.\Sigma M_{ijK}.\Sigma M_{ijk}.E_S.\frac{d(\frac{P_{ijk}}{P_{ijk}})}{\frac{P_{ijk}}{P_{ijk}}}}{\Sigma M_{ijk}+\Sigma M_{ijK}+\Sigma M_{ijk}.E_S.\frac{d(\frac{P_{ijk}}{P_{ijk}})}{\frac{P_{ijk}}{P_{ijk}}}} \quad (2)$$

where,

TC: Trade creation

i: Subscript denoting commodity; in this case, it is fishery products

j: Subscript denoting importing country; in this case, it is EU

k: Subscript denoting importing country; in this case, it is Vietnam

M: Imports

Ex: Elasticity of export supply

Em: Elasticity of import demand

t: Tariff rate distortion

d: Prefix denoting change

Es: Elasticity of substitution

P: Price

K: Subscript denoting alternative foreign country

3.2. Input data

The export and import value data used in this study were obtained from WITS-SMART of the World Bank databases, as well as some data on trade flow and current tariff levels that were previously present in the interface.

A simulation was conducted for the fishery products of Chapter 3 at HS 2, 6-digit level to assess the effects of tariff adjustments relative to the base year tariff for 2018. In the simulation,

taxes are removed from the HS classifications for fishery products, including 2 HS codes at the 2-digit level, which consists of 219 HS codes at 6-digit level.

4. Results and Discussion

4.1. SMART simulation results

Using the SMART model to assume the scenario, the results have been achieved as follows.

Table 1. Change in trade indicators of fishery exports of Vietnam to the EU

Indicators	
Initial export value (in 1000 USD)	1,413,043.47
Final export value (in 1000 USD)	1,708,450.65
Total export change in revenue (in 1000 USD)	295,407.20
Increase in export (%)	20.91
Trade creation effect (in 1000 USD)	203,223.69
Trade diversion effect (in 1000 USD)	92,183.52
Trade total effect (in 1000 USD)	295,407.20

Source: The authors' calculation from the SMART model

Under the EVFTA agreement, Vietnam fishery exports to the EU will increase by nearly 21%, from about 1.5 billion USD to about 1.7 billion USD. Overall, the effect of the tariff reduction due to the EVFTA agreement is expressed through the trade effect. It can obviously be seen that the trade total effect, which is about 295 million USD, is equal to the sum of the trade creation effect and the trade diversion effect, which are approximately 203 million USD and 92 million USD, respectively. Overall, the fishery products create a quite low trade diversion effect (only about 92 million USD), which means that it is not possible to create great competitive pressure on competitors that produce the same products to the EU market and can only create a small emphasis on the market reallocation, mainly because Vietnam receives preferential export tariffs from the EU. However, the welfare of Vietnam will be increased due to the EVFTA agreement because it makes the trade creation bigger than the trade diversion.

In general, due to the EVFTA agreement, the trade diversion effect only accounts for approximately 45% of the trade creation effect. This result illustrates that the EVFTA agreement has quite low impact on the trade diversion, but mainly has a significant effect on the trade creation, which means boosting the fishery export to the EU of Vietnam.

Table 2. Changes in export value and the trade effect for the specified in HS 2-digit

HS code	Initial export value (in 1000 USD)	Final export value (in 1000 USD)	Increase in export (%)	Trade creation effect (in 1000 USD)	Trade diversion effect (in 1000 USD)	Trade total effect (in 1000 USD)	Old Simple Duty Rate (%)	New Simple Duty Rate (%)
03	887,540.12	1,089,395.68	22.74	154,218.44	47,637.13	201,855.57	6.04	0
16	525,503.35	619,054.97	17.80	49,005.24	44,546.39	93,551.63	9.34	0
Total	1,413,043.47	1,708,450.65	20.91	203,223.69	92,183.52	295,407.20		

Source: The authors' calculation from the SMART model

Among the two 2-digit product codes, product groups HS 03 and HS 16 both have high increases in export values of about 200 million USD and 100 million USD. This is explained by the fact that they were already Vietnam's main exports, with initial values of nearly 900 million USD and over 500 million USD, respectively.

Particularly, HS 03's growth in export value is higher than HS 16's, demonstrating the significance of the product group HS 03 to the industry. Also, the 200 million USD rise in HS 03's export value represents 68% of the total trade effect. These numbers indicate that the export market for Vietnam's HS 03 product has enormous potential.

The trade creation effect clearly outweighs the trade diversion effect when Vietnam's fisheries goods are shipped to the EU under EVFTA Agreement, as the figure indicates that it is significantly larger for both products than it is for trade diversion. This demonstrates that when EVFTA goes into force, Vietnam's fishery exports to the EU will rise primarily as a result of Vietnamese goods enjoying preferential tariffs and becoming more competitive than goods from the EU. Additionally, the trade diversion effect accounts for around 31% of the trade total effect, suggesting that under the impact of EVFTA, Vietnamese fisheries products also become more competitive than other competitors who have similar goods exporting into the EU market. This advantage must be carefully weighed since these competitors are pushing for the negotiation of FTAs in order to relieve tariff pressure on their exports to the EU.

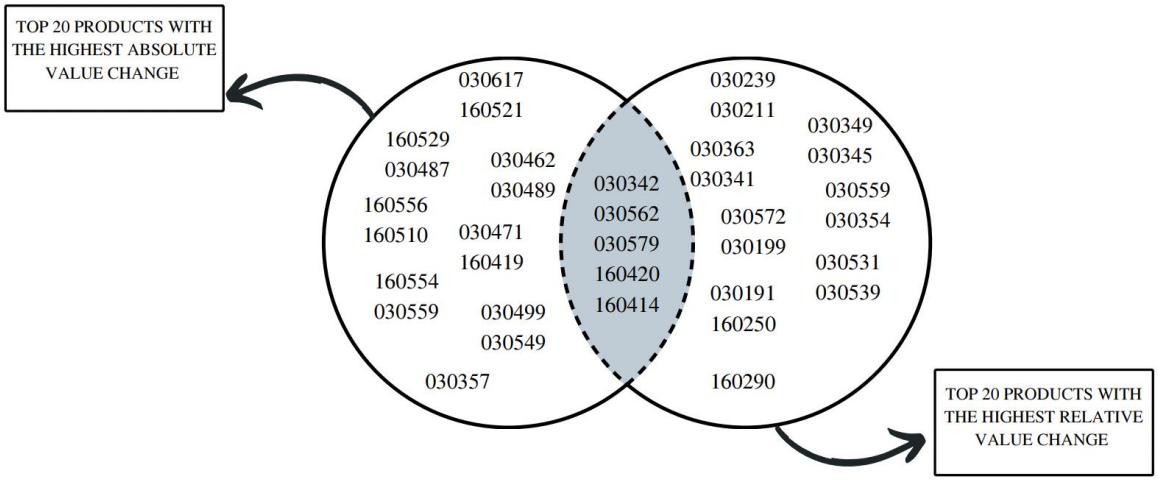

Figure 1. Top 20 products with the highest absolute value change vs. Top 20 products with the highest relative change

Source: The authors' calculation from the SMART model

It is evident from the first scenario that, when we examine the absolute value change for each export product group at the HS 6-digit level, the highest value change occurred at product group HS 030342, with a rise of 99,870.57 USD in value and a 583.23% increase. In terms of relative change, the HS 030239 product code shows the greatest increase of 718.98%, as shown in Table 4 in the Appendix to this article. A large part of this has to do with the high tax rate of 9.25% which is currently applied to the group of products.

A comparison of the top 20 highest value increases and the top 20 most significant relative changes shows that four product groups are present in both categories, namely HS 030342, HS 030562, HS 030579, HS 160420, and HS 160414. These products are listed as groups HS 03 and HS 16, but more products appear in group HS 03 so the importance of group HS 03 to the economy should be examined critically.

It should also be noted that product code HS 030342 gains the great benefit in both scenarios both in terms of absolute and relative change, as indicated in Appendix Table 4. The reason is that, in the European Union, the HS 030342 product accounts for a considerable proportion of total imports, due to its substantial consumption by the European citizens. The Vietnam government has successfully exported HS 030342 to the EU and there has been a lot of great potential for exports.

Table 3. Changes in export value of the top 10 highest product

Product code/ HS code	Change in Export value
030342	99,870.57
030617	55,155.05
160521	36,887.59
160414	21,397.95
160529	18,602.11

Product code/ HS code	Change in Export value
030487	16,710.06
030462	11,876.67
160420	6,599.36
030489	5,048.92
160556	4,871.32

Source: The authors' calculation from the SMART model

Table 3 shows the 10 product lines that gain the most benefit when EVFTA takes effect. As can be seen from the table, product HS 030342 has the highest change in export value, with more than 99 million USD while product HS 160556 changes approximately 4,9 million USD in export value. In 2019, Vietnam took the second position in exporting product HS 160556, just standing behind China. Therefore, the reduction of tariff to 0% would benefit this type of product in Vietnam.

4.2. Discussion

4.2.1. Opportunities

According to the Vietnam Association of Seafood Exporters and Producers, the ratification of the EVFTA agreement by the National Assembly has opened up several prospects for Vietnam's export sectors, especially the fishery industry.

Firstly, many fisheries goods with high basic tax rates will be reduced to 0% as soon as the EVFTA goes into force. The basic tax rate for over 50% of the tariff lines will be decreased to 0% from its current range of 0 to 22%. The remaining tariff lines will experience a reduction from the base tax rate of 5.5-26% to 0% in three to seven years. According to our study, the basic rates for the two main fishery product codes, HS 03 and HS 16, are immediately cut to 0% from 6.04% and 9.34%, respectively.

In particular, shrimp, catfish, and tuna are three of Vietnam's most important exports to the EU market. The two countries that compete with Vietnam the most for tuna exports are Thailand and China, but neither has an FTA with the EU, meaning Vietnam's tuna exports have obvious tax advantages over the two aforementioned nations in the key EU business sectors. Similarly, Vietnam and India both hold large market shares for exporting shrimp products. While the FTA discussions between India and the EU remain on hold, Vietnam will have lower export taxes for shrimp to the EU under the EVFTA, giving Vietnamese shrimp products a chance at competing with Indian shrimp products for the top export spot and a larger market share.

Secondly, through the EVFTA, the Vietnamese fishery sector is anticipated to increase its export markets, especially to new markets like the Netherlands, Spain, Italy, and others, and to become more competitive against many competitors who have yet to sign FTAs as well as other regional competitors like Thailand and India.

Thirdly, the industry has a big chance to gain access to public investment procurement packages from EU nations, such as the importation of machinery and other supplies for manufacturing and processing from EU countries at more affordable prices. With greater

availability of financial, insurance, logistical, and channels of distribution, we will be able to import and transfer technologies in a more convenient way. Also, the agreement provides Vietnam with a potential to enhance product quality and create a stable, transparent business environment for dealing with origin certification procedures, customs procedures, complaints procedures, and issues with TBT (technical barriers to trade) and SPS (sanitary and epidemiological measures).

4.2.2. Challenges

Vietnam faces challenges in implementing EVFTA's commitment

Firstly, Vietnam's government has difficulty in adjusting the existing regulations in accordance with new requirements about procedures and documents as in EVFTA's commitment on exporting fishery products. Therefore, Vietnam's fishery enterprise may confront an obstacle in complying with the new terms during the implementation of EVFTA commitment.

Secondly, the majority of EVFTA commitments, such as those relating to market access and regulations for the export of aquatic goods, call for the member states' domestic laws to be altered, amended, or supplemented. Therefore, it requires the synchronization between Vietnam's laws and EVFTA's commitment.

Thirdly, Vietnam has to face the restriction in meeting EVFTA's requirement about documents or certifications. For example, the regulation on anti-IUU fishing or certificate of origin is still a problem with Vietnam's businesses. Furthermore, businesses are confused and do not know which code declaration or code declaration under the Agreement is not approved by the importing country.

Challenge from "yellow card" and the warning of "red card"

The European Commission (EC) sent Vietnam a "yellow card" notice regarding products from the fishery industry on October 23, 2017. If Vietnam does not resolve the fault in accordance with the IUU regulation's recommendations, Vietnam can stand on the edge of receiving a "red card" from the EC, which would forbid the delivery of Vietnamese fishery to the European Union market. Because the EU has tightened its grip on all fishery exports to the EU market, Vietnam will not be able to fully benefit from the resources provided under the EVFTA.

4.2.3. Recommendations

The EU is Vietnam's largest fishery import market, especially after the EVFTA agreement came into effect in 2020. Therefore, we need to take advantage of these opportunities to develop the fishery export industry further by implementing certain policies.

Policy to support traders to take advantage of incentives from the EVFTA Agreement to promote exports to the EU market

The Vietnamese government needs to improve institutions and reform administrative procedures, which reduce barriers to business conditions, therefore attracting more businesses operating in the fishery sector. Moreover, the state needs to finance export activities, by providing capital for export transactions, supporting freight and transportation costs for businesses to remove barriers in transportation, warehousing, logistics,... to create favorable

conditions for businesses. Besides, policies on tax reduction and loan support for businesses are very necessary.

Market development policy in the EU to promote fishery exports

According to the Ministry of Industry and Trade, Vietnam needs to diversify its export market right in the EU market and expand its export market through providing market information and promoting trade activities towards the markets with room for development such as Eastern Europe, Northern Europe,... while promoting coordination activities with major e-commerce platforms in the world such as Amazon, Alibaba, etc. to support enterprises to promote exports through e-commerce.

Policy for fishery products to meet EU market regulations

The Ministry of Agriculture and Rural Development should pay special attention to the quality control and safety of aquatic products because the European market is known to be a difficult market. Accordingly, it is necessary to require fishery processing enterprises to actively research and fully update the regulations of the import market on food quality and safety to organize implementation during the production process and export processing while complying with the rules of origin to solve the EU IUU yellow card issue. That poses a problem for state agencies to organize well inspection of the permissible levels for export to the EU, minimizing the possibility of returning goods or worse, being fined, making Vietnamese fishery products lose the competitive advantage. In addition, advanced standards such as HACCP, ISO 9000, ISO 14000, etc. should also be applied to the entire production process to continuously improve the quality of exported fishery products.

5. Conclusion and Limitations

Conclusion

Vietnam is considered as one of the main exporters of fishery products, accounting for over 7% market share in the world fishery market; ranked 3rd after China and Norway. These products are exported to many potential markets, especially the EU, thanks to the EVFTA agreement.

According to the results gained from the SMART model, which considered the scenario when the tariff is reduced to 0% of fishery products exported from Vietnam to the EU, the export of these products would increase during the period, by about 21% compared to the base year. HS 03 would witness a larger increase than HS 16, about more than two times. Specifically, HS 030342, HS 030617, HS 160521, HS 160414, HS 160529 and HS 030487 account for nearly 84.1% of the increase. This means that the main fishery products exported by Vietnam to the EU are tuna and shrimp (fresh or processed).

Among the products that have been considered under the agreement, HS 030342, which is frozen yellowfin tunas, is the product that gained the most benefit, compared to the others when evaluating the change in export value. This product is exported widely, with the majority of imports being the EU. Moreover, due to the increasing trend of tuna consumption in the EU, it can be forecasted that the EU self-sufficiency rate for this product will decrease in the future. Thus, in the long-run, the exporters of tuna, namely yellowfin tuna, especially Vietnam, should know how to take advantage to increase benefits.

Limitations

The Single Market Partial Equilibrium Modeling Tool (SMART), developed by the World Bank, is an approach to partial equilibrium analysis. It is important to note that one of the biggest drawbacks of the online version of the SMART model is that it does not allow for different tariff changes per tariff line. This is because the distribution of tariff lines among import categories is assumed to be fixed. Therefore, we need to set all tariffs to a new base level.

Reference

Amjadi, A., Schuler, P., Kuwahara, H. and Quadros, S. (2011), "WITS User's Manual", UNCTAD, UNSD, WTO, WB

An Ha (2021), "Ra mắt chuyên san EVFTA với thương mại Việt Nam", Tạp chí Công thương.

Armington, P. S. (1969), "A Theory of Demand for Products Distinguished by Place of Production", Staff Papers, Vol.16(1), pp.159–178.

EVFTA agreement (2020), "Concerning the definition of the concept of "originating products" and methods of administrative cooperation", Official Journal of the European Union, Protocol 1, pp.1321-1336.

Kylie Nguyen (2020), "Opportunities for Vietnam's fisheries sector from EVFTA". Available at: https://www.agribank.com.vn/en/ve-agribank/tin-tuc/dtl?current=true&urile=wcm:path:/agbanken/ve-agribank/news/agricultural-markets/opportunities-for-vietnam-fisheries-sector-from-evfta

Laird, S. and Yeats, A. (1986), "The UNCTAD trade policy simulation model", A note on the methodology, data and uses, UNCTAD discussion paper, Vol.19. Available at: https://wits.worldbank.org/data/public/SMARTMethodology.pdf

Le Mai (2020), "It Is an Opportunity for Vietnam to Export Seafood When The EVFTA Agreement Is Approved", Ministry of Agriculture and rural development, Directorate of Fisheries. Available at: https://tongcucthuysan.gov.vn/en-us/fisheries-trading/doc-tin/015480/2020-12-22/it-is-an-opportunity-for-vietnam-to-export-seafood-when-the-evfta-agreement-is-approved

Maxfield Brown (2020), "The EVFTA: Understanding Rules of Origin", Vietnam Briefing. Available at: https://www.vietnam-briefing.com/news/evfta-understanding-rules-origin.html/

Mikic, M. (2005), "Introduction to trade research II: Trade data and statistics", ARTNeT Capacity Building Workshop on Trade Research.

Nguyen, T.U. (2017), "Fisheries country profile: Viet Nam", Available at: http://www.seafdec.org/fisheries-country-profile-viet-nam/

Nguyễn, T.H.T. (2021), "Utilizing the EVFTA in Vietnam's fishery exports to the EU market", *Tạp chí Công thương*, No. 10.

VASEP (2019), "Báo cáo xuất khẩu thủy sản Việt Nam 2019", Available at: https://vasep.com.vn/ban-tin-bao-cao/bao-cao-xkts-viet-nam/bao-cao-xuat-khau-thuy-san-viet-nam-nam-2019-9019.html

VASEP (2020), "Báo cáo xuất khẩu thủy sản Việt Nam 2020", Available at: https://vasep.com.vn/ban-tin-bao-cao/bao-cao-xkts-viet-nam/bao-cao-xuat-khau-thuy-san-viet-nam-nam-2020-21356.html

VASEP (2021), "Báo cáo xuất khẩu thủy sản Việt Nam 2021", Available at: https://vasep.com.vn/ban-tin-bao-cao/bao-cao-xkts-viet-nam/bao-cao-xuat-khau-thuy-san-viet-nam-nam-2021-22214.html

VASEP, "Tổng quan ngành thủy sản Việt Nam", Available at: https://vasep.com.vn/gioi-thieu/tong-quan-nganh

VNP (2020), "EVFTA: Opportunities for seafood sector", Available at: https://vietnam.vnanet.vn/english/tin-tuc/evfta-opportunities-for-seafood-sector-235387.html

Vu, T.D., Le, T.H. and Masciarelli, F. (2020), "The economic impact of CPTPP on Vietnam's fisheries exports to CPTPP region", *Journal of International Economics and Management*, Vol. 20 No. 2, pp. 1-15.

WTO and International Trade Center VCCI., "Summary of Vietnam - EU Free Trade Agreement (EVFTA)", Available at: https://wtocenter.vn/file/18176/ttwto-tom-luoc-evfta-final--eng.pdf