



Working Paper 2023.1.4.3  
- Vol 1, No 4

## **RÀO CẢN PHI THUẾ VỚI XUẤT KHẨU THỦY SẢN SANG EU CỦA VIỆT NAM TRONG BỐI CẢNH THỰC THI HIỆP ĐỊNH THƯƠNG MẠI TỰ DO EU-VIỆT NAM (EVFTA)**

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### **Tóm tắt**

Việt Nam là một trong những nước xuất khẩu thủy sản lớn nhất tới Liên minh châu Âu. Đặc biệt, kể từ khi Hiệp định Thương mại tự do EU-Việt Nam (EVFTA) chính thức có hiệu lực vào 01/08/2020, ngành xuất khẩu thủy sản của Việt Nam sang EU đã được hưởng những lợi ích rất to lớn từ nhiều ưu đãi đặc biệt về thuế nhập khẩu với việc xóa bỏ thuế nhập khẩu lên đến gần 100% biểu thuế. Tuy nhiên, cùng với mức thuế cam kết gần như bằng không thì việc EU sử dụng hoặc thậm chí lạm dụng các rào cản phi thuế trong một số trường hợp là không thể tránh khỏi. Bài nghiên cứu này được thực hiện nhằm các mục tiêu: Thứ nhất, tìm hiểu các rào cản phi thuế đối với hàng thủy sản nhập khẩu vào EU. Thứ hai, phân tích ảnh hưởng của Hiệp định Thương mại tự do EU-Việt Nam tới việc áp dụng và thực thi các rào cản phi thuế này. Cuối cùng, đề xuất phương hướng nhằm giúp các doanh nghiệp thủy sản đối phó với các rào cản phi thuế trong bối cảnh mới.

**Từ khóa:** Rào cản phi thuế, xuất khẩu thủy sản, Hiệp định Thương mại tự do EU-Việt Nam (EVFTA).

### **NON-TARIFF BARRIERS ON VIETNAM'S FISHERY PRODUCTS EXPORTED TO THE EU IN THE CONTEXT OF THE IMPLEMENTATION OF THE EU-VIETNAM FREE TRADE AGREEMENT (EVFTA)**

### **Abstract**

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It is admitted that Vietnam has been one of the nations exporting the highest fishery products to the European Union. Especially since the Vietnam-EU Free Trade Agreement (EVFTA) officially took effect on August 1<sup>st</sup>, 2020, Vietnam's fishery export industry to the EU has been enormously beneficial from many special preferential import tariffs with the abolishment of the import tax up to nearly 100% of the tariff. However, with the committed tax rates being almost zero, the EU's use, or even exploitation, of non-tariff barriers in some cases is unavoidable. This research is conducted for three main reasons. Firstly, to elaborate on non-tariff barriers on fishery products imported into the EU. Secondly, to analyze the effect of the EVFTA on the application and implementation of those non-tariff barriers. Lastly, to propose some recommendations to help the government and fishery enterprises to deal with non-tariff barriers in the new context.

**Key words:** Non-tariff barriers, fishery exports, the EU-Vietnam Free Trade Agreement (EVFTA).

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## **1. Introduction**

With 27 member states and the total population of nearly 447 million people in 2021 (according to the statistics provided by the World Bank at <https://www.worldbank.org/en/home>), the European Union is one of the largest fishery consumption markets in the world and has the highest demand for fishery imports in recent years. According to an article of Vietnam Association of Seafood Exporters and Producers (ASEP) published on 15/11/2022, the average fishery consumption per capita of the EU was 23,97 kg in 2021, which was about 3 kg higher than that of the other countries. The development potential of this market is really a favorable factor for the development of Vietnam's fishery exporting.

The EU-Vietnam Free Trade Agreement (EVFTA), which began to be applied in 2020, is a comprehensive and high-quality agreement between Vietnam and 27 European Union member states with the purpose to develop a sustainable and effective commercial cooperation relationship. Since the implementation of this agreement, more and more fishery enterprises have been benefiting from the Priority from the EVFTA, especially the zero-or-nearly-zero preferential import tariffs. However, with the advent of the EVFTA, barriers such as anti-dumping duties, anti-subsidy duties, regulations on chemical and antibiotic testing, measures to combat IUU fishing, or separate inspection programs have been increasingly used. This can cause the fishery exporting industry, in which Vietnam has a comparative advantage, many difficulties. Whether Vietnam can successfully overcome these non-tariff barriers in the EU market largely depends on the manufacturing and exporting enterprises of Vietnam. Therefore, this research had been conducted to study the non-tariff barriers on Vietnam's fishery exports to the EU and recommend some solutions for Vietnam's fishery enterprises in the context of the implementation of the EU-Vietnam Free Trade Agreement (EVFTA) to optimize opportunities and surmount the challenges.

## **2. Overview of non-tariff barriers**

### ***2.1. Definition of non-tariff barriers***

According to UNCTAD, non-tariff barriers (NTBs) are policies, regulations and measures that restrict the import or export of goods through means other than ordinary customs tariffs with the aim to protect national products as well as limiting the imports of low-quality goods and services.

## 2.2. Classification of non-tariff barriers

The term “non-tariff barriers” is a broad description of a wide array of policies, works have been done to classify the different categories of non-tariffs measures (NTMs) for better transparency and understanding of NTMs.

Nevertheless, there are several different classifications of non-tariff barriers. Some scholars divide them under the intended purposes of the policies.

**Table 1.** Characterizing NTBs: Purposes, Examples, and Consequences

Policy	Purpose	Examples	Potential Consequences
Protectionist policies	To help domestic firms and enterprises at the expense of other countries.	Import quotas; local content requirements; public procurement practices; <u>anti-dumping</u> laws;	Challenges levied at <u>World Trade Organization</u> , <u>Free-trade area</u> dispute resolution, and other trade forums
Assistance policies	To help domestic firms and enterprises, but not at the expense of other countries.	Domestic <u>subsidies</u> ; industry <u>bailouts</u> .	Adversely affected countries may respond to protect themselves (i.e., imposing countervailing duties and subsidies).
Non-protectionist policies	To protect the health and safety of people, animals, and plants; to protect or improve the environment.	Licensing, packaging, and labeling requirements; food <u>sanitation</u> rules; food, plant and animal inspections; import bans based on objectionable harvesting or <u>fishing methods</u> .	Limited formal consequences lead to efforts to establish common standards or mutual recognition of different standards.

**Source:** Alan Deandorff, “Easing the burden of non-tariff barriers” (International Trade Center, October 1, 2012)

Others, like the Multi-agency Support Team (MAST) have a different system of classification.

**Table 2.** MAST classification of non-tariffs measure

Imports	Technical measures	<ul style="list-style-type: none"> <li>• Sanitary and phytosanitary measures</li> <li>• Technical barriers to trade</li> <li>• Pre-shipment inspection and other formalities</li> </ul>
	Non-technical measures	<ul style="list-style-type: none"> <li>• Contingent trade-protective measures</li> <li>• Non-automatic import licensing, quotas, prohibitions, quantity-control measures and other restrictions not including sanitary and phytosanitary measures or measures relating to technical barriers to trade</li> <li>• Price-control measures, including additional taxes and charges</li> <li>• Finance measures</li> <li>• Measures affecting competition</li> <li>• Trade-related investment measures</li> <li>• Distribution restrictions</li> <li>• Restrictions on post-sales services</li> <li>• Subsidies and other forms of support</li> <li>• Government procurement restrictions</li> <li>• Intellectual property</li> <li>• Rules of origin</li> </ul>
Exports		<ul style="list-style-type: none"> <li>• Export-related measures</li> </ul>

**Source:** Classification of non-tariff measures - February 2012 Version

While the impacts of tariffs, taxes on a chosen goods is calculable and readily apparent, those imposed by NTBs are difficult to make out and quantify. A number of studies have attempted to gauge the effect of non-tariffs barriers on international trade and concluded that they have a much more profound effect on trade restrictiveness than tariffs. The implementation of Sanitary and Phytosanitary Measures (SPSs) and Technical Barriers to Trade (TBTs) redirect trade and restrict exports primarily from developing countries where production and licensing often are not developed enough to meet the requirements. Adding to that the cost of meeting such requirements are astronomical in developing countries where the infrastructure is not sufficient resulting in the use of foreign equipment driving up the cost even more. As a result, non-tariff barriers' contribution to protection scales with the level of GDP of the importing countries. Several studies, consequently, indicate that NTBs and SPSs measures mainly have profound effects on the exports of developing countries whereas those from developed economies stay largely unaffected. Therefore, in actuality, NTBs nullify or weaken the primary advantages of developing countries in their cheap labor forces and market attractiveness.

### **3. Non-tariff barriers on fishery products imported into the EU**

The EVFTA was officially signed in 2019 and launched in the August of 2020. As we can see, the EVFTA brings many advantages to Vietnam. However, to understand deeply about the effect of non-tariff barriers on fishery products imported into the EU, we would like to dig deeper into the barriers before the implementation of EVFTA.

#### ***3.1. Non-tariff barriers on fishery products imported into the EU before the implementation of EVFTA***

The European Union (EU) is by far one of the largest markets consuming fishery products all over the world. They have a high standard of importing fishery products and this can make it harder for Vietnamese's export these products. However, Vietnam has to face many non-tariff barriers on products in general and fishery products in particular. Therefore, understanding non-tariff barriers is very important for the business of fishery products in Vietnam to have the advantage of preferential tax rate. Vietnamese enterprises need to apply flexibly and honestly the rules of origin, focusing on regulations and standards on labor and environment, etc. to promote the export of seafood products to the EU. Here are some of the non-tariff barriers on fishery products imported into the EU.

European Union people have a high expectation for their food. They want their food to be safe and quality. That is the reason why the EU applies the quality management principle and process-oriented controls for the food chain. Fishery products will have to be regulated from the fishing vessel or aquaculture farm to the household to make sure the procedure is clean and safe for people to use. This cannot be done if we only check the finished product in the harbor.

#### **General Rules for Fishery Products**

The audits are conducted by the Commission's Health, Food Audit and Analysis Directorate to make sure people follow the requirements in the contraction. Thanks to the audits, the Commission and the nation export fishery products will have trust in each other. It is a prerequisite for the country which wants to export fishery products to the EU that have the formal recognition of the reliability and qualifications from the competent authorities. This helps the country eligible for Health and Food Safety and able to export to the EU.

Due to the importance of legal authority and resources, the public authorities must guarantee that the production chain is controlled correctly and throughout. It must include all related aspects of hygiene, public health of fishery products. The national competent authority must conduct all bilateral negotiations and other relevant dialogue regarding imports of fishery products. If the other parties or private business want to export to the EU, they should contact their competent authorities which will have a conversation with the European Commission on their behalf.

#### **Specific Key Elements**

Here are the prerequisites required for the countries which want to export their products to the EU (European Commission, 2018):

First of all, the countries that want to export their products to the EU must have a competent authority to have official checks of the overall production chain. It is critical that the authority has the jurisdiction, structure, and resources to undertake effective inspections and ensure credible public and animal health attestations in the health certificates accompanying fishing products headed for the EU.

Second, fishery product use for breeding like eggs, live fish, gametes,.. as well as live bivalve molluscs must follow the EU regulation for animal health. So, veterinary services that are of the EU must make effective flow of all the compulsory health controls and have suitable health control programs.

Third, to ensure that the fishery products are produced safely and avoid contamination throughout the production process, the competent authorities must follow the hygiene and public health that are required in the contractions. In the EU hygiene law, it is clear the requirements for the structure of vessels, landing sites, the process of producing, operating, storage and freezing.

Fourth, some products only can be exported to the EU if they are produced in specific areas which are under control of competent authorities and are listed in the website of the Commission. Those 6 products are “live or processed bivalve molluscs (e.g., mussels and clams), echinoderms (e.g., sea urchins), or marine gastropods are subject to additional restrictions (e.g. sea-snails and conchs)” (European Commission). The role of the authorities is to ensure that categories the products and monitors the process of areas which process these kinds of fishery products. The countries must ensure that the shell fishes will not be contaminated by the toxic chemicals in the sea.

Fifth, it is compulsory to test for the veterinary drug, pesticide, heavy metal and contaminants residues to ensure that the countries that want to export fishery products to the EU follow the EU requirements. The plan to monitor and test the products must be submitted to the European Commission for approval every year. The countries which have the approved plans will be able to export fishery products to the EU, if not, they have to check again the process of testing the residue to follow the rules of the EU.

Sixth, it is important to note that only vessels and establishments that are approved by the EU Commission can be permitted to export products. The establishments include factories, vessels, cold stores and the processing plants. The business who has the health certificate from the authority will ensure that the business ensures the regulations of animal health, check the vessels and establishments regularly and take the action to solve the problem when necessary. The list of vessels and establishments being approved is on the website of the European Commission. The business should check it to make sure that its vessels have the permission to export to the EU.

Seventh, to ensure all the requirements above, the Commission’s Health, Food Audit and Analysis Directorate must conduct the audits. This is because the audits build trust between the Commission and the competent authorities of the exporting countries. Trust is very important in business. And also, the audits make everything transparent and effective.

**Table 3.** The requirements for fishery products exported to the EU

Criteria		Application	Maximum allowable limit	Reference to EU regulations	Note
Chemicals, antibiotics	Enrofloxacin and Ciprofloxacin	Farmed shrimp, pangasius, basa and products processed from farmed shrimp	100ug/kg	Commission regulation (EC) No 37/2010 dated 22/12/2009	For pangasius, the remainder is calculated in the muscle and skin

**Source:** Department of Agriculture, Forestry and Fisheries Quality Management Vietnam (2018)

It is clear that the EU applies many barriers to control the flow of export and import. It is easy to understand because the EU want to provide healthy and clean food to its citizens. Also the requirements are to protect the environment and animal health. The system of barriers is very complex and has disappointed many countries which want to become prominent exporters of the EU. That is why the countries which want to export to the EU must read the regulations carefully and follow all the requirements. The non-tariff measurement is much more complex and sophisticated than before. It moves from reducing the quantity of the products to countervailing duties, safeguards, technical standards,...

### ***3.2. Non-tariff barriers on Vietnam fishery products after the implementations of EVFTA***

While the Implementation of the free trade agreement has reduced the tariff lines on many of Vietnam aquatic products, there still remains many non-tariff measures utilized by the EU to regulate the imports of said products.

For starters, a quota is imposed on Vietnam's canned tuna and fish balls to the EU, limiting their import to 11,500 and 500 tons respectively.

Other than that, most of the TBT and Phytosanitary regulations of the EU before the agreement are still in effects, notably requiring Vietnam to adhere to and provide the relevant certificate in accordance to the following requirements:

- **Geographical restrictions on eligibility, inspection requirement:** Vietnam fishery products must be accompanied with proper health certificates and pass through the border control post of relevant European Union member states.

- **Tolerance limits for residues of or contamination by certain (non-microbiological) substances:** The level of toxic substances within fishery products intended for human consumption must not harm the consumers.

- **Restricted use of certain substances in foods and feeds and their contact materials**

- **Labeling, packaging requirements:** The following information must be included in the labels, packaging or official document accompanying the goods:

- Commercial and scientific designation of the species
- Production method
- Country of origin in Roman letters at least 20 mm high
- Presentation Freshness and size categories
- Net weight in kilograms
- Date of grading and date of dispatch
- Name and address of consignor

It is also important to note that

- The freshness category, size category and presentation must be clearly and indelible marked, in characters of at least 5 cm high, on labels affixed to the lot

- The information provided by labels must be easy to understand, easily visible, clearly legible and indelible and must appear in the official language(s) of the Member State where the product is marketed

- **Hygienic requirements related to SPS conditions:** Products must undergo health requirement checks in compliance with the EU' general foodstuff hygiene rules and specifications for food of animal origins

- **Microbiological criteria of the final product:** the safety of fishery products must further comply with the Good Hygiene and Manufacturing Practices (GHP, GMP) and the Hazard Analysis Critical Control Point (HACCP) principles.

- **Storage and transport conditions**

- **Testing requirement:** Samples of fishery products may be tested for residues by EU' member states.

- **Certification requirement:** Fishery products must be accompanied by a health certificate signed by the representative of the Vietnamese authority. When fishery products are imported directly from a fishing or freezer vessel, a document signed by the captain may replace the health certificate.

- **Traceability requirements:** Traceability the EU Law defines traceability as the ability to trace and follow any food, feed, food-producing animal or substance that will be used for consumption, through all stages of production, processing and distribution.



- **Origin of materials and parts:** Importers of food and feed products would be required to identify and register from whom the product was exported in the country of origin, in view of fulfilling the requirements for traceability.

- **Import monitoring, surveillance and automatic licensing measures:** The importation of swordfish and bigeye tuna into the European Union (EU) from any third country is only allowed if the cargo concerned is accompanied by the relevant statistical importation document, properly validated and completed.

- **Non-automatic import-licensing procedures other than authorizations covered under SPS and TBT chapters:** In order to ascertain that goods have been obtained according to production rules equivalent to those laid down in the Community, the European Commission makes a thorough investigation into the arrangements in the country concerned, examining not only the requirements imposed on production but also the measures applied to ensure effective control.

- **Licensing for the protection of public health:** Products containing, consisting of or derived from Genetically Modified Organisms (GMOs) must follow and apply for authorization to be placed on the market.

- **Prohibition for non-economic reasons:**

- Bluefin tuna exports must accompany validated and completed catch documents in accordance with the model shown under the EU's law.

- Products obtained from IUU fishing activities are prohibited, all must follow a catch verification scheme with the aim to follow international conservation rules, ensuring traceability of the products.

**Source:** ITC Trade map

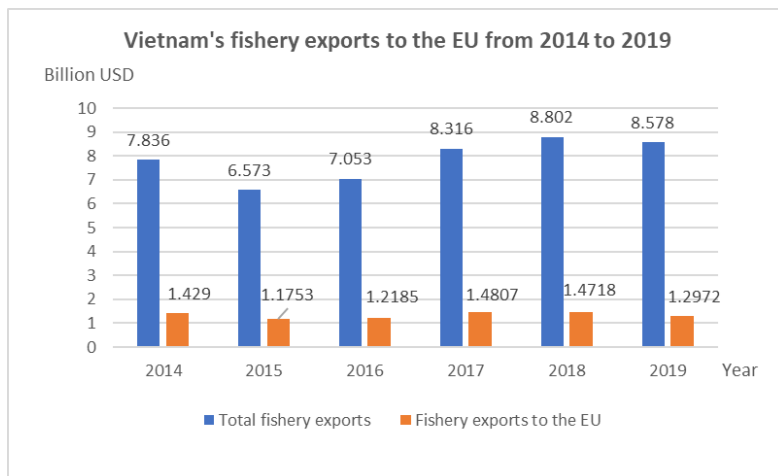
In particular, both parties also agreed that the entities when it comes to management within the EU are the competent authorities of each of its member states, not the joint body of the Union, the latter's only purpose is to ensure uniformed technical standards and regulations within the Union. Finally, Vietnam must follow the WTO' international standard when issuing the TBT regulations as per the agreement with the EU

#### **4. Non-tariff barriers in the context of the implementation of EVFTA**

##### ***4.1. Overview of fishery exporting industry from Vietnam to the EU before the implementation of EVFTA***

###### ***4.1.1. Situation of fishery exporting from Vietnam to the EU before the implementation of EVFTA***

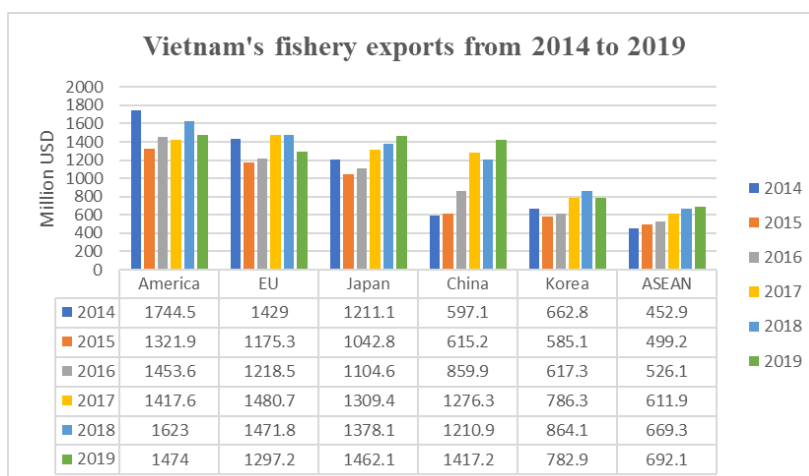
During the 6-year period from 2014 to 2019, Vietnam has exported fishery products to over 160 countries in the world, of which the Top 6 markets including America, the European, Japan, China, Korea and Association of Southeast Asian Nations, or the so-called ASEAN, account for the highest number of Vietnam's total fishery exports (VASEP, 2020).



**Figure 1.** Vietnam's fishery exports to the EU from 2014 to 2019

**Source:** Author's collection from VASEP, Report about Vietnam's fishery exports from 2015 to 2020

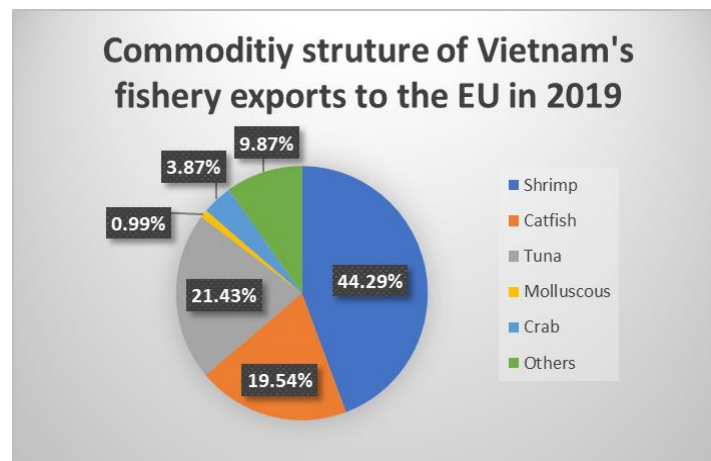
After decreasing for about 15% from 1.4 billion USD in 2014 to 1.2 billion USD in 2016, the total Vietnamese fishery products exported to the EU witnessed a quite noticeable increase of approximately 262 million USD to reach the point of nearly 1.5 billion USD in 2017. This made the EU, for the first time, surpass the US to become the largest exporter of Vietnam's seafood in 2017 with the export turnover to the EU accounting for roughly 18% of the total fishery exports. However, from 2017 onwards, Vietnam's fishery exports to the EU steadily declined to reach only about 1.3 billion USD in 2019 and even 958.7<sup>[1]</sup> million USD in 2020 falling for about 26%<sup>[2]</sup> compared to the previous year. This significant drop in these two years was because of the lingering impact of "IUU yellow card" imposed on Vietnam in October, 2017<sup>[3]</sup>; the effect of the Covid-19 pandemic on the EU market and the withdrawal of the UK from the EU which entered into force in February 2020, with the UK being one of the member states importing the largest fishery products from Vietnam.



**Figure 2.** Vietnam's fishery exports from 2014 to 2019

**Source:** Author's collection from VASEP, Report about Vietnam's fishery exports from 2015 to 2020

The major seafood exports from Vietnam to the EU market are shrimp, catfish and tuna. The figures for these types of products were 44.29%, 19.54% and 21.43% respectively in 2019. According to Vietnam Association of Seafood Exporters and Producer (VASEP) 2020, the EU is the largest shrimp importer of Vietnam, accounting for 20.5% of Vietnam's total shrimp exports. Although there was a 17.7% decline in the proportion of Vietnamese shrimp exports to the EU in 2019 compared to 2018, shrimp was still the leading fishery exports to the EU market with the figure reaching nearly 45%.



**Figure 3.** Commodity structure of Vietnam's fishery exports to the EU in 2019

**Source:** Author's collection

#### *4.1.2. Difficulties related to non-tariff barriers that Vietnam encountered when exporting fishery products to the EU*

According to the National Agro-Forestry-Fisheries Quality Assurance Department (NAFIQAD - Ministry of Agriculture and Rural Development), Vietnam's seafood processing facilities will be banned by the European Union in case a seafood shipment exported to this market is warned of banned antibiotic chemicals. NAFIQAD has reported that on May 13, 2016, the Directorate-General for Health and Food Safety (DG-SANTE), the European Commission (EC) sent a letter to NAFIQAD notifying that seafood products of Vietnam has not yet overcome the problem of overusing antibiotics in production and business of export seafood. Moreover, on May 24, 2016, the EU Competent Authority warned EU member countries about the unusual death of fish in Vietnam and suggested strictly controlling seafood shipments from Vietnam.

Exporting fishery products to the EU has become more and more challenging when this market tend to require stricter food safety standards in the near future. This will be one of the biggest obstacles for Vietnam because a number of EU member countries have recently warned Vietnam about exported agricultural and aquatic products with chemical residues exceeding the prescribed levels. Specifically, a number of shipments of frozen pangasius fillets with added water from

Vietnam were found to have higher chlorate levels and were placed on RASFF rapid alert, which can harm the reputation of pangasius products, manufacturers and sellers. Unlike in many other countries outside the EU, treating pangasius with carbon dioxide (CO<sub>2</sub>) is not allowed in the EU. Carbon dioxide treatment is used to improve the appearance of pangasius products and keep the blood of the pangasius red and the flesh white. Therefore, if Vietnam uses this kind of treatment, there will definitely be an alert from the EU and exporting fishery products to this market will be more difficult. Also, exporters must clearly mention the net weight of the pangasius product on the packaging as “determining purchase” food information under EU Regulation 1169/2011. This is the weight of the uncoated pangasius product. By only referring to the net weight of the product and not the total weight, the end consumer can clearly understand what they are buying. Consequently, providing false, misleading or misleading information about key product features is prohibited. In addition, Official Letter No. 6353/BCT-AM dated 12/10/2021 stated that the Italian health authorities detected undeclared sulphites for export shipments of crustaceans and seafood of Minh Chau Import and Export Seafood Processing Co., Ltd.

Another challenge that seafood products from Vietnam have to deal with is the "Yellow Card" of seafood IUU (Illegal, Unreported and Unregulated Fishing). In 2017, Vietnam was warned by the European Commission (EC) with a yellow card for not complying with IUU regulations. This means that seafood exported to the EU will be 100% controlled instead of probabilistically tested, which means that businesses will incur more costs. According to VASEP, the IUU yellow card itself has its effects but it is more obvious when the Russia-Ukraine conflict causes gasoline prices to skyrocket. Therefore, fishermen in coastal provinces cannot go to sea. Raw materials for exploitation are scarcer but tightening, especially for the EU market due to inadequate and difficult procedures for certification. Mr. Nguyen Quang Hung, Deputy Director General of the Directorate of Fisheries said that after implementing the EC's recommendations, the results are still unsatisfactory. The work of certifying the origin of exploited seafood still has many shortcomings. The control of fishing vessels in and out of the port is limited as well as the enforcement of the law against IUU fishing is not strict and the fishing vessel monitoring system has not met the requirements. If this situation continues, there is a high risk that Vietnamese seafood will be subject to the "Red Card" measure.

## ***4.2. Overview of fishery exporting industry from Vietnam to the EU after the implementation of EVFTA***

### ***4.2.1. Situation of fishery exporting from Vietnam to the EU after the implementation of EVFTA***

EVFTA obligations provide that the EU will remove duties on Vietnamese goods that fall under 85.6% of the tariff lines, or 70.3% of Vietnam's export revenue to the EU, as soon as the Agreement goes into effect. Since the implementation of the EVFTA, the EU has committed to removing 99.2% of tariff lines from the tariff, which is equivalent to 99.7% of Vietnam's export revenue to the EU.

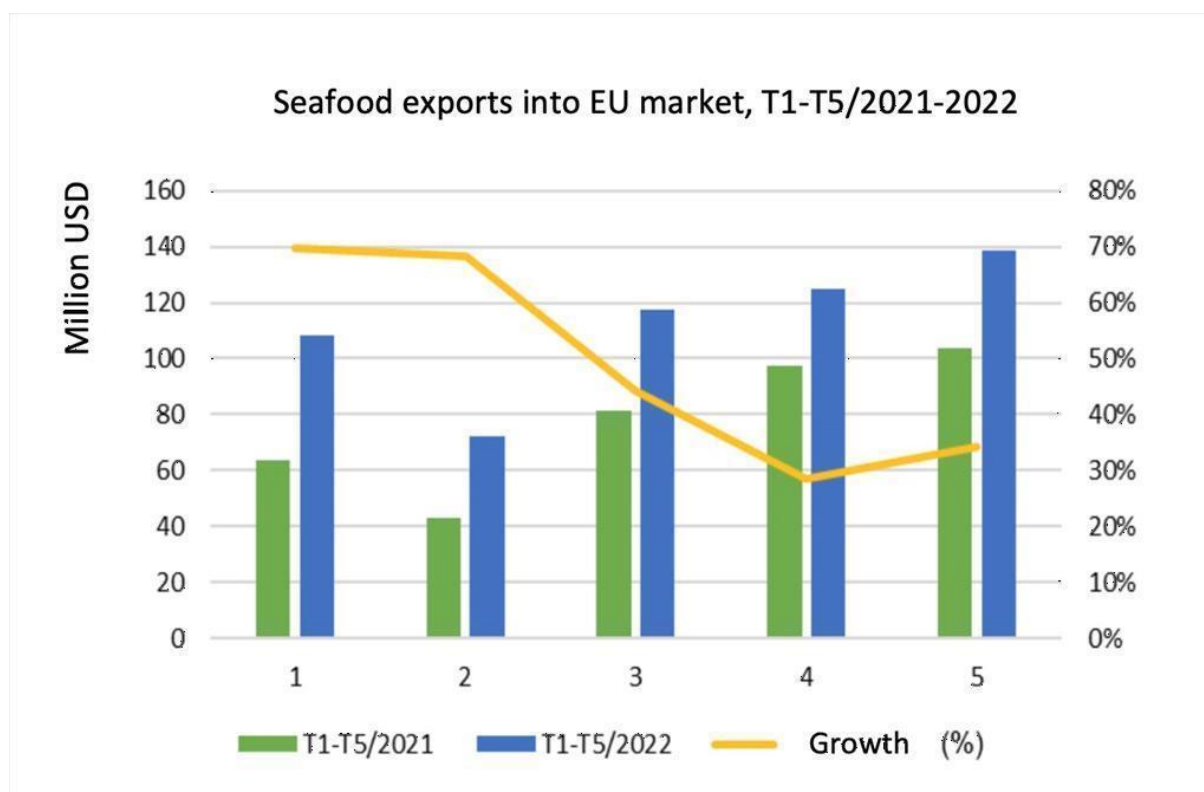
Nearly 50% of the tariff lines will have a base tax rate of 0-22% with the implementation of the EVFTA Agreement, the majority of which are between 6 and 22%, and will be decreased to

0%. (about 840 tariff lines). After three to seven years, the base tax rate on roughly 50% of the remaining tax lines with a range of 5.5-26% will be reduced to 0%. The EU grants Vietnam tariff limits of 11,500 tons for canned tuna and 500 tons for fish balls.

Additionally, the basic tax rate on the majority of frozen squid and octopus goods will be decreased from 6-8% to 0%. Other items, such surimi, will see reductions from 14.2% to 0% and from 7.5% to 0% for Swordfish.

As soon as the agreement goes into effect, tax on frozen shrimp and black tiger shrimp (HS 03061792) will be cut from the standard rate of 20% to 0%. Only processed shrimp is subject to the 7-year tax reduction timetable; all other shrimp products follow the 3-5-year roadmap. The tax reduction plan for catfish goods is three years; for smoked fish, it is seven years. With the exception of frozen tuna loin, which requires a 7-year roadmap, canned tuna goods are eligible for an immediate 0% tax reduction on a quota of 11,500 tons.

After two years being affected by COVID-19 pandemic and experiencing a downtrend, in 2022, the export of seafood from Vietnam to EU has been brighter. Vietnam's seafood exports increased by 40% year over year to \$2.4 billion in the first quarter of this year. Vietnamese “tra” fish and shrimp exports to the EU increased by approximately 76 percent and 66 percent in the first two months of the year, respectively. These exports totaled US\$28 million and US\$159 million.



**Figure 4.** Seafood exports into EU market, T1-T5/2021-2022

**Source:** Author's collection

Shrimps continue to make up the majority of the product category that is shipped to the EU, with a 54% share (303 million USD), an increase of 51% from the same time in 2021. which saw a 46% rise in vannamei imports, totaling 236 million USD, or 78% of the total. Vietnamese black tiger shrimp imports into the EU surged by 75% to over USD 50 million, making up 16.5% of all shrimp exports to this region. The top 3 markets in the block, which are the Netherlands, Germany, and Belgium, saw imports of Vietnamese shrimp surge at rates ranging from 58 to 91% in the first five months of 2022.

Exports of tuna made up 12% of all seafood sent to the EU and totaled US\$68 million, up 9%. The Netherlands and Belgium had a dramatic 59%, 70%, and 100% rise in tuna exports, respectively. Frozen tuna loin/fillet accounts for 63% of the total volume, and canned tuna makes for 25%. These two items' exports to the EU went risen by 77% and 14%, respectively. The exports of fresh/frozen tuna and other processed tuna, which together make up 10% of all tuna exports to the EU, decreased by 63% and 69%, respectively.

Clam, oyster, octopus, and squid exports also saw increases. According to the EVFTA, certain goods are subject to preferential import taxes, which may be decreased right away or over the course of three years. With tax reductions, several product lines of processed squid, octopus, clams, and snails experienced rapid export growth.

#### *4.2.2. Opportunities and challenges related to non-tariff barriers on exporting fishery products from Vietnam to the EU*

##### **Opportunities**

First, Vietnam can access a sizable market for seafood consumption. The EU consists of 27 member states with a population of over 700 million people. The total GDP of the EU is about 16.6 trillion USD which makes up nearly 16.7% of the global economy. It can be easily seen that Europeans have high living standards; therefore, they will have strict requirements for their food and high consciousness for their health. Meanwhile, seafood products are said to be especially nutritious and delicious and this is the reason why Europeans tend to prefer this kind of food. According to the Eurobarometer survey on EU consumer habits conducted in 2021, expenditure on seafood products witnessed a decline due to the negative impact of COVID-19. However, that decrease was insignificant and fishery products are still a preference.

In recent years, there is a considerable increase in the EU's seafood consumption demand. However, it is essential for the EU countries to take action to cut down on fishing because their fishery resources have been below the biosafety limit. The domestic supply of the EU experienced a considerable downturn but the consumers' demand is relatively high. Consequently, the demand exceeds the supply and imported seafood is of utmost importance to satisfy European consumers' needs. There is no doubt that if Vietnam can meet all the requirements for exporting seafood products to the EU, Vietnam will definitely gain huge benefits.

Second, as soon as the FTA between Vietnam and the EU comes into force, about 50% of tariff lines will be immediately removed. Most of the high-tax products such as oysters, scallops,



squid, octopus, clams, scallops, processed abalone, frozen black tiger shrimp.... with the current tax ranging from 6% to 22% will be eliminated to 0%. Tax rates of other fishery products with different tax reduction schedules will become 0% according to their roadmap. It can be stated that lower tax rates will be a stepping stone for Vietnam to compete with other seafood exporters to the EU market.

Third, the aim of the EVFTA is to loosen the barriers and promote the exchange of goods between two sides. Since the EVFTA was signed, Vietnam and the EU have already built a good relationship and the connection between Vietnamese enterprises and EU enterprises has been improved remarkably as well. Therefore, the EU will place more attention on Vietnam's fishery products and Vietnam will be prioritized when exporting to this market.

### **Challenges**

As mentioned above, it is obvious that various opportunities will be opened for Vietnam in terms of exporting seafood products when the EVFTA is implemented. However, to gain those benefits, fishery products from Vietnam have to deal with numerous obstacles.

First, enterprises exporting seafood in Vietnam are struggling with the EU's technical barriers to trade (TBT), sanitary and phytosanitary regulations, and inspection of plant and animal hygiene (SPS) standards. They have difficulty meeting all those requirements, which may obstruct them from entering the EU market. Meanwhile, new TBT and SPS regulations may be adapted to raw materials or export limitations in the near future. Therefore, the EU market is getting stricter than ever before and enterprises must fulfill those new standards in order to export to the EU.

Second, Vietnam's seafood exports will have to fight more strongly with domestically produced fisheries goods from recently admitted EU nations and seafood goods from other experienced seafood export businesses outside the EU. Vietnam will therefore struggle to find a foothold and keep its market share in the EU.

Third, stringent rules of origin, anti-dumping, subsidies, and the employment of trade remedies are all significant barriers to accessing the EU market for Vietnamese fishing firms. In order to ensure that Vietnam can legitimately profit from the EVFTA, a straightforward, adaptable system of origin standards will be greatly important. Given that the EU's lower tariffs on Vietnamese exports are the main benefit of joining the EVFTA, this request is entirely acceptable in terms of benefits. Therefore, this industry will face a hurdle in demonstrating the seafood's lawful origin.

Fourth, ensuring the rules of origin is one of the key points in the EVFTA. Even if Vasep and the Ministry of Industry and Trade have numerous cooperation programs to raise businesses' awareness and educate them on how to guarantee the certification of origin, firms will surely not follow the instructions seriously. Additionally, because each market has its own restrictions, there are ambiguities regarding the issuing of Certificates of Origin (C/O) and challenges in complying with origin-related regulations.

Fifth, while the two sides are boosting trade and investment relations, the EU has issued a "Yellow Card" for fisheries products, warning against illegal, unmanaged, and undeclared fishing for Vietnam's seafood exports to the EU. Since 2017, the EU recently tightened its supervision over agricultural exports to the EU market, including seafood (100% of seafood shipments) and seafood from Vietnam has always been more strictly controlled. If the Vietnamese government does not take any action to improve the situation and remove the "Yellow Card", it will be extremely hard to take advantage of the EVFTA potential.

## **5. Recommendations to promote the exports of fishery products from Vietnam to the EU under the context of non-tariff barriers**

EVFTA is not only an opportunity but also a challenge that Vietnam must face with on the process of bringing domestic aquatic products to the EU and its participants' market. Understanding those pros and cons of non-tariff barriers faced by Vietnam's fishing industry in the context of EVFTA implementation, it is important that appropriate measures be adopted to adapt to the EVFTA's regulations and requirements. Otherwise, the domestic products may face certain challenges when coming to the worldwide market. This is why our group attempts to recommend some solutions for the government, including policy makers and authorities as well as export processing enterprises in order to boost Vietnam's fishery products imported into the EU market.

### ***5.1. Recommendations for the government***

It is undeniable that the government plays an essential part in executing the laws and ensuring all commercial trading transactions between the country and its partners including the EU go smoothly and effectively. It can be considered as a bridge to connect the domestic enterprises and the worldwide market, which directly affects the efficiency and profits that domestic aquatic products can gain. Therefore, we believe that the government should have immediate courses of actions in order to support the enterprises in meeting EVFTA requirements on non-tariff barriers to export more and more fishery products to the EU. According to those regulations, here are some recommendations that proposed by our group:

- Innovate and enhance the national standards, laws, brand images and trademarks. Raise and strengthen the existence of production area codes to adapt to the competence in the tendency of international integration.
- Simplify and modernize the process of issuing C/O - certificate of origin
- Strict the management process to ensure the sanitary and epidemiological quality of exported aquatic products.
- Keep on organizing webinars, seminars, guidance, knowledge sharing events and spread academic information about fishing and aquaculture on multimedia to broaden and deepen the seafood exporters knowledge of non-tariff barriers in trading with the EU and its member countries.



- Invest in training and educating skilled workers, professors and supervisors of exporting aquatic products. They are the core supporters of Vietnamese enterprises in exporting aquatic products to the EU market.

- Provide the enterprise with subsidiary, capital, technology and guidance of exporting aquatic products to the EU market.

- Protect the rights and the benefits of Vietnamese firms. Always be ready to take action in case those benefits are ignored

- Help connecting the Vietnamese firms and foreign firms to distribute the aquatic products.

## ***5.2. Recommendations for export processing enterprises in the fishery products industry***

In the context of the implementation of EVFTA, it is also vital that each and every firm specializing in processing and exporting seafood products strictly conforms to the EVFTA's requirements on non-tariff barriers so as to make good use of the opportunities the Agreement provides and further promote the fishery exporting industry of Vietnam. Below are the recommendations and suggestions for the firms in order to maximize the advantages of their business model under the conditions of EVFTA:

- Make efforts to proactively research the market share, market awareness, market taste and the laws, especially modifications in EU regulations, to adjust and adapt to those elements. Failure in updating information may result in the failure in businesses as well as high risks.

- Consider some important elements such as market capacity, market share, consumer tastes, market taste; factors relating to human health; control system of food quality, safety prior to technical standards, make full use of the traditional retail system as well as the information and communication system; brand images building and protection; proactively connect to EU businesses and find out the demand of them.

- Be aware of the latest trend in consumption as well as the factors that affect the buying decisions. For example, after the COVID-19 pandemic, buyers prefer the seafood products which are easy to store, to cook, which are also convenient and at low or average prices. These criteria lead to the preference of fish products such as fish balls, frozen slices of fish, and frozen shrimp in different sizes. Vietnamese enterprises should focus on these new trends and manufacturing these products.

- Fully knowledgeable and thoroughly understand the rules of product origin, which is emphasized by the EU and its members; make sure that their business models are appropriate and obey the regulations of EVFTA.

- Get to know thoroughly the benefits and responsibilities of the firms. Always have a scenario to take action when the benefits or contracts are breached as well as making sure that all responsibilities are well adapted.

- Cooperate well with the seafood growers, fishermen and government to adapt the rules of origin, which is recently emphasized.
- Find solutions to strengthen and ensure the anti-subsidy, anti-dumping, and trade safeguard measures. Going along with SPS and TBT conditions, the EU market remains the trade remedies like anti-dumping and anti-subsidy.
- Meet the requirements related to food hygiene and safety rights with well-equipped production equipment (includes ensuring facilities qualities and production processes adapting HACCP standards). In addition, seafood growers and exporters must be fully knowledgeable about some of the EU's general obligations on the safety of foods which have animal origin. especially aquatic products.
- Maintain the production in a closed process with strict quality management; decrease the intermediaries.
- Innovate the technology, eliminate the negative impacts of weather conditions such as climate change, flood, tsunami, saltwater intrusion in order to have stable supply. Firms can explore the methods, models of developed countries and apply to the process of raising, manufacturing aquatic products of their own.

## **6. Conclusion**

Vietnam's fishery market has enormous potential. In the context of the cooperation with a large commercial zone like the EU and the implementation of EVFTA, Vietnam's fishery exporting industry has harnessed many opportunities, especially preferences related to import tariffs, making its potential become even larger. However, alongside the opportunities of import tariff limitation or reduction, EVFTA also brings lots of challenges of non-tariff barriers to the market, which requires Vietnamese fishery exporting enterprises to have immediate solutions to not only meet the strict non-tariff requirements but also maintain and ensure a sustainable development for Vietnam's fishery industry. With that perspective in mind, we have proposed several recommendations with the aim to support both the government and the businesses in tackling the obstacles and enhancing their advantages. Owing to the limited personal qualifications and difficulty finding relevant information, this research inevitably contains shortcomings and limitations on which we hope to have feedback and corrective recommendations.

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