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EVFTA VÀ TÌNH HÌNH NHẬP KHẨU Ô TÔ TỪ LIÊN MINH CHÂU ÂU VÀO VIỆT NAM: THỰC TRẠNG VÀ KHUYẾN NGHỊ

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Tóm tắt

Hiệp định Thương mại tự do Việt Nam – EU đem lại những cam kết hứa hẹn về hàng rào thuế quan, phi thuế quan, các tiêu chuẩn lao động và môi trường, mang đến lợi ích đáng kể cho cả Việt Nam và EU trong việc nhập khẩu ô tô. Bài nghiên cứu này sẽ nghiên cứu thực trạng và đề xuất các khuyến nghị cho việc nhập khẩu ô tô của Việt Nam từ EU. Để thực hiện được mục tiêu này, trước hết nhóm nghiên cứu những nội dung chính của EVFTA cũng như những cam kết của hai bên. Sau đó, hoạt động nhập khẩu ô tô của Việt Nam trước và sau hiệp định EVFTA được phân tích bằng các dữ liệu và bài viết liên quan từ các nguồn đáng tin cậy, nhằm xác định các cơ hội và thách thức khi thực thi EVFTA. Cuối cùng, bài viết sẽ trình bày một số cách tiếp cận khả thi dành cho chính phủ và các đơn vị nhập khẩu ô tô của Việt Nam nhằm tối ưu hóa các cơ hội và vượt qua các thách thức trong tình hình hiện tại.

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EVFTA ON VIETNAM'S AUTOMOBILES IMPORT FROM THE EUROPEAN UNION: CURRENT SITUATION AND RECOMMENDATIONS

Abstract

The European Union Vietnam Free Trade Agreement - EVFTA (2020) has promising commitments regarding tariffs, non-tariff barriers, labor and environment standards, thus, offering significant benefits for both Vietnam and the EU in the import of automobiles. This research paper attempts to investigate the current situation and propose recommendations for Vietnam's automobile import from the EU. To accomplish this objective, firstly, we studied the main contents of the EVFTA as well as commitments from both parties. Following this, the automobile import of Vietnam before and after the EVFTA agreement was analyzed using related data and articles from reliable sources, to identify the opportunities and challenges under the EVFTA implementation. As a result, several possible approaches for the government and Vietnamese importers are presented, with a view to optimizing the opportunities and overcoming the challenges in the current situation.

Keywords: EU-Vietnam Free Trade Agreement (EVFTA), automobiles, imports, Vietnam

1. An overview of EVFTA

1.1. The formation of EVFTA

The European - Vietnam Free Trade Agreement (EVFTA) is a modern free trade agreement between Vietnam and the other 28 EU members. The EVFTA deal, which went into force on August 1, 2020 after rounds of discussions, has brought exciting potential for Vietnamese firms.

Because Vietnam's pledges go beyond those established in the WTO, the EVFTA generally promises to create a beneficial and promising environment for enterprises of both Vietnam and the EU. Similarly, the EU has committed to more than it did in the WTO, and more than it has in any of its recent free trade deals. Vietnam along with EVFTA makes efforts to protect free trade, promote its leading role in the region, and actively open and integrate into the world economy.

Following the Agreement's implementation, there will be fewer obstacles for EU products to enter the Vietnamese market, which will push Vietnamese companies to boost production efficiency and quality in order to compete more successfully on the global stage. Furthermore, Vietnam now has the chance to draw in additional investment capital from the EU thanks to the EVFTA agreement, particularly in fields like advanced technology and contemporary management expertise.

1.2. The contents of EVFTA

The EVFTA includes various chapters, protocols, and memorandums covering a wide range of aspects related to trade and economic cooperation. Some of the main contents and provisions of the agreement include:

Trade in Goods: The EVFTA facilitates the removal of tariffs and non-tariff barriers on goods traded between Vietnam and the EU, thus promoting greater market access for both parties. Other contents concerning the exchange of goods: Vietnam and the EU also agreed on the contents related to customs procedures, import and export licensing, Sanitary and

Phytosanitary (SPS), Technical Barriers to Trade (TBT), trade remedies, etc…, creating a legal framework for the two sides to cooperate.

Trade in Services: The agreement addresses barriers to trade in services and promotes liberalization in sectors such as telecommunications, finance, and professional services.

Investment: The EVFTA includes provisions to protect and promote investment between Vietnam and the EU, providing a more transparent and predictable framework for investors from both sides.

Intellectual Property Rights (IPR): The intellectual property commitments of both parties encompass copyrights, innovations, patents, as well as commitments related to medicines and geographical indications, among others

Government Procurement: The EVFTA Agreement aligns its Government procurement principles with those of the WTO Government Procurement Agreement (GPA), including obligations like online bidding and establishing a bidding information portal. Vietnam agrees to adhere to the schedule, with the EU offering technical assistance. Vietnam reserves the right to allocate a percentage of bidding package value to domestic entities.

In addition to the primary provisions, the EVFTA also encompasses several additional areas such as rules of origin, customs and trade facilitation, sanitary and phytosanitary measures, technological barriers to trade, sustainable development, collaboration and capacity building, as well as legal and institutional matters.

Sustainable Development: Environmental preservation, worker rights, and corporate social responsibility are among the causes to which the deal pledges to support.

Dispute Settlement Mechanism: The EVFTA incorporates a dispute resolution system that is applicable to the majority of chapters and is considered to be faster and more efficient compared to the approach followed by the WTO. It functions as the ultimate option when conflicts cannot be settled through alternative methods, which include discussion and the potential formation of a group of legal specialists. Furthermore, the agreement incorporates a versatile mediation process to tackle matters that affect bilateral trade and investment.

1.3. Vietnam's commitment on automobile tariff elimination under the EVFTA

1.3.1. Tariff barriers

According to the EVFTA, both Vietnam and the EU agree to apply a shared tariff schedule on imported goods originating in the other Party. Meanwhile, export taxes on these goods are, in principle, decided by both sides not to be imposed, in order to prevent indirect subsidies that cause unfair competition between countries' goods. Therefore, hereunder our group will analyze mainly the import tariff reduction under EVFTA.

The implementation of import tariff reductions under this trade deal is practically separated into 04 following categories: Elimination of import tariffs immediately, Elimination of import tariffs following a specific schedule, Applying tariff rate quota (TRQ), and Uncommitted goods.

With EVFTA being concluded, it is clear that the elimination of tariff barriers was at the highest level, bringing about great opportunities for imports and exports of both sides.

From the EU side

Specifically, the EU will eliminate import duties on 85.6% of tariff lines, amounting up to 70.3% of Vietnam's export revenue to the EU. Then, within seven years since the initiation of the trade deal, the EU will remove 99.2% of tariffs on Vietnamese commodities, equivalent to 99.7% of our exports. Meanwhile, the remaining 0.3% of Vietnam's exported goods will be granted a tariff rate quota (TRQ), setting a zero import tariff within the quota. This means that 100% of Vietnam's exports to the EU, under EVFTA, shall be removed within a short period. This high level of commitment is so far unprecedented and of great importance considering other Vietnam's signed FTAs (one of the highest levels of Vietnam's exports enjoying a 0% tax rate was 42%, under the Generalised Scheme of Preferences). (Hong, 2019)

From Vietnam side

Vietnam has committed to significantly abolish 48.5% of tariff lines immediately once the agreement comes into effect (making up 64.5% of import revenue). Subsequently, after 07 years, Vietnam will cut import taxes on 91.8% of tariff lines, corresponding to 97.1% of EU export revenue. Furthermore, after 10 years, the elimination rate will be 98.3%, accounting for 99.8% of import turnover. As for the remaining 1.7% of tariff lines, Vietnam will apply the tariff rate quota (TRQ) outlined in its World Trade Organization (WTO) commitments or follow a designated roadmap for tariff elimination. (Hong, 2019)

Automobiles, in particular, were agreed by both parties to bear zero import duty. These commodities are classified into groups that receive import tax abolition immediately or on a short specific schedule, with none of them belonging to the sensitive tariff lines.

Before August 1, 2020, imported automobiles from Europe to Vietnam were subjected to a tax rate of 70%, determined by the customs declared value, applying at the most-favored nation (MFN) tax rate for WTO members. After that day, with EVFTA officially coming into force, Vietnam will start cutting taxes for 10 years according to the tax reduction roadmap specified, reducing an average of 7% each year and after 10 years, the figure will eventually be reduced to 0%. The maximum commitment level of this product line in the Agreement is 78%. (Nguyen, T., 2021). Details of commitment on the import tax of Vietnam are in the Table 01 below:

Table 1. Agreement on Vietnam's Import Tariffs on Automobiles

Chapter		**Commodity**	**MFN tax rate in 2012**	**Newly agreed tax rate**
87	Motor cars	Cars using petrol engines over 3000cc Cars using diesel engines over 2500cc	74%	0% 9 years after the EVFTA
		Cars using petrol engines under 3000cc Cars using diesel engines under 2500cc	75% - 78%	0% 10 years after the EVFTA

	Special-purpose cars (ambulances,...)	15%	0% 9-10 years after the EVFTA

Source: WTO Center

Regarding *Tariff rate quotas (TRQ),* a small number of goods when imported into Vietnam are susceptible to it, as specified in Part B - Tariff Rate Quotas and Annex 2-A of the EVFTA. In summary, Vietnam continues to apply TRQ in accordance with our previously signed WTO commitments. Then, in the next 11 years since EVFTA took effect, Vietnam will gradually remove TRQ for goods imported from the EU.

1.3.2. Non-tariff barriers

The two parties have agreed to enhance the use of non-tariff barriers, in order to secure safety and fairness in trade among Contracted parties. For the automotive sector particularly, the Agreement also includes a separate Annex, in which Vietnam agrees to act in accordance with certain non-tariff barriers on automobiles, mostly concerned with Technical Barriers to Trade and Rules of Origin, as summarized and listed below.

Technical Barriers to Trade (TBT)

In EVFTA, TBT is mostly concerned with improving transparency, cooperation and consultation in modifying TBT regulations, without actually restricting either Party from issuing their own TBT. However, for a sector that requires complicated conformity assessment and double assessment like automobiles, EVFTA has established separate commitments, simplifying the process.

Regarding technical standards, Vietnam commits to improving the application of international standards in TBT regulations. Specifically, Vietnam agrees to “recognize technical requirements included in UNECE[2] Regulation”, and “shall not require additional technical requirements” in such regulated areas, unless information on a specific UNECE technical requirement being proved inappropriate is provided.

Regarding conformity assessment, 5 years after the Agreement is effective, Vietnam will accept a whole vehicle EC Certificate of Conformity as sufficient proof for accepting on its market EU vehicles, as well as the EU type-approval certificate without further testing, conformity assessment or marking for the next 7-year period.

The EVFTA has tightened the security in trade between the EU and Vietnam, while at the same time, greatly encouraging our country’s import and export, by simplifying the process of meeting each country’s TBT regulations. If Vietnam becomes a Contracting Party to the UNECE 1958 Agreement and applies UN Regulation, as recommended and promoted in the EVFTA, many more TBT in the automotive sector will also be loosened.

Rules of origin

Commitments on rules of origin are specified in the Agreement, in which products, in order to acquire origin status and preferential tariff, must be wholly obtained or undergo sufficient

[2] UNECE 1958 Agreement: the Agreement Concerning the Adoption of Uniform Technical Prescriptions for Wheeled Vehicles, Equipment and Parts which can be Fitted and/or be Used on Wheeled Vehicles and the Conditions for Reciprocal Recognition of Approvals Granted on the Basis of these Prescriptions.

working or processing in Vietnam or EU members. For automobiles, it is the requirement that the product comprises no more than 45% of materials not originating in either Party. Otherwise, it will not be considered "originating goods" and qualify for other trade incentives. Other than that, automobiles also adhere to provisions cited in the Agreement the same as other products.

ex Chapter 87	Vehicles other than railway or tramway rolling-stock, and parts and accessories thereof; except for:	Manufacture in which the value of all the materials used does not exceed 45 % of the ex-works price of the product.

Figure 1. Listed rule of origin on Automobiles in the EVFTA

Source: WTO Center

2. The import of automobiles of Vietnam before EVFTA

2.1. An overview of Vietnam's car demand and supply before EVFTA

For many years, Vietnam had been known for its frequent usage of motorbikes, however, since 2016, it appeared to be rapidly heading for the age of the automobile. According to a survey by GlobalWebIndex on behalf of Ford Motor in 2016 (Figure 2), about 54% of the participants said they used their personal cars regularly (once a week), higher than a 50% recorded by motorbike users. This is mostly due to the country's economic growth and citizens' rising need to prove their own financial capability, which, in most cases, is a personal car.

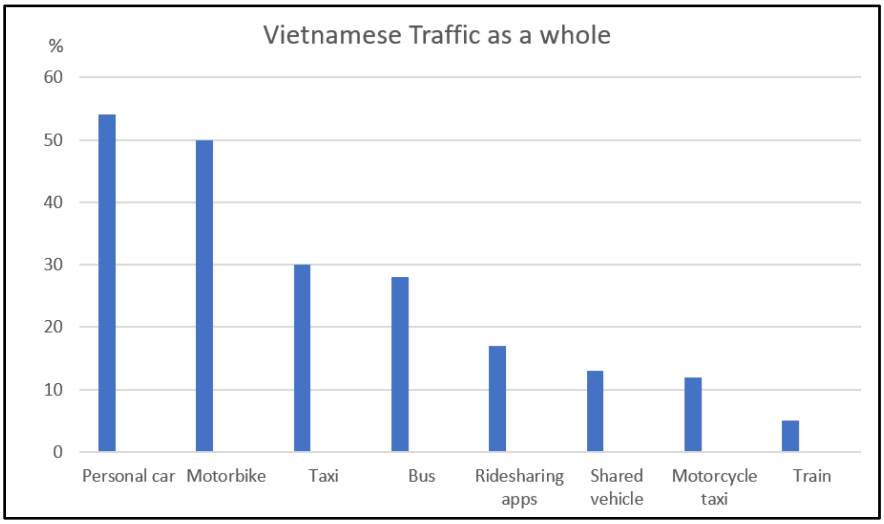

Figure 2. Vietnamese Traffic as a whole in 2016

Source: GlobalWebIndex

Then, in the 2018 - 2019 period, Vietnam, keeping its high economic growth rate, large market size, and increasing income per capita, remained a profitable car market in the region with surging demand for cars.

However, the domestic automobile production only met about a third of the total domestic demand, while Vietnam's consumption of intermediate and top-tier cars had strongly expanded, especially for luxury cars made by the EU such as Volkswagen, BMW, Mercedes, and Jaguar. Even though the Covid-19 pandemic caused a decline by nearly 7.1% to 283,983 units in the total automobile sales in 2020 (Vietnam Automobile Manufacturers' Association), the automobile industry was still an important driver contributing to Vietnam's GDP and employment creation.

Vietnam's dependence on foreign countries due to the shortage of domestic supply as well as the explosive trend of owning high-quality cars led to an increase in car prices. Thus, there was an urgent need for a free trade agreement like EVFTA to create conditions for promotion and partly solve the problems. Besides, the application of the EVFTA should reinforce this trend or, at least, maintain it considering the slowdown resulting from the COVID-19 pandemic.

2.2. Import before EVFTA

There was a notable decline by 37.5 million in 2018 due to the significant increase in Vietnam's imports from ASEAN countries such as Thailand and Indonesia, and other ASEAN partner countries such as Korea, China, India, and Japan to take advantage of ASEAN-related FTAs. However, generally, before EVFTA (2020), during the period 2017-2019, the car imports of Vietnam from the EU countries witnessed an upward trend with an increase of 20.5 million USD.

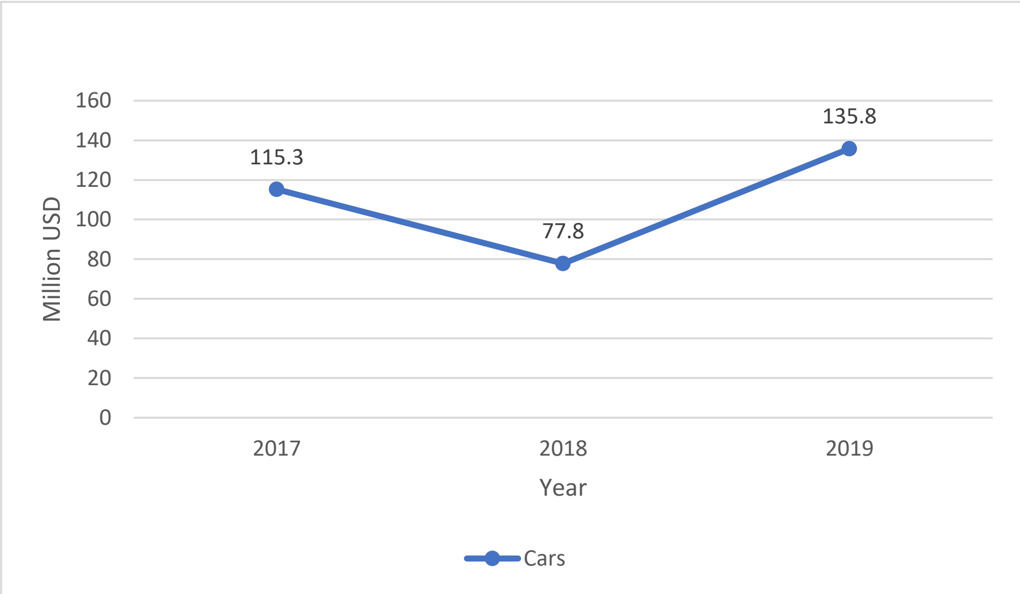

Figure 3. Vietnam's cars imports from EU from 2017 to 2019

Source: Redeveloped by authors based on Vietnam Customs Department

To be specific, the total import value of cars and other motor vehicles from the EU during 2016 - 2019 is invariably greater than 350 000, accounting for higher than about 7.87% of Vietnam's total car and other motor vehicles import. The approximate proportion of car and other motor vehicles imports from the EU over Vietnam's total car and other motor vehicles imports declined by 2.58% from 2016 to 2017, 0.93% from 2017 to 2018, but then quickly recovered, increasing by 0.24% from 2018 to 2019.

Table 2. Vietnam's cars and other motor vehicles imports value from EU in 2016-2019

Year	Cars and other motor vehicles import values of Vietnam from the EU	Total cars and other motor vehicles import values of Vietnam	Proportion of car & other motor vehicles imports from the EU over Vietnam's total car and other motor vehicles imports (approximately)
2016	563 139	4 984 395	11.38%
2017	408 166	4 635 641	8.80%
2018	354 709	4 505 004	7.87%
2019	513 140	6 326 831	8.11%

(**Unit:** Million USD)

Source: International Trade Center database

More closely, as can be seen in Table 3 below, Vietnam imported from the EU three main groups of automobiles including HS 8703 (Motor cars and other motor vehicles principally designed for transport of people), HS 8704 (Motor vehicles for the transport of goods) and HS 8705 (Special-purpose motor vehicles). HS 8703 is the most imported group in 2019 while this is HS 8705 for 2020. The growth rate of all groups decreased despite the signing of the EVFTA in August 2020, and HS 8703 is the least declining growth rate. This is mostly due to the heavy influence COVID-19 exerted on the economy of most countries, including Vietnam at that time.

Table 3. Vietnam's car import values from the EU by HS codes from 2019 to 2020

HS code	Goods	Import values in 2019	Import values in 2020	Growth rate (approximately)
8703	Motor cars and other motor vehicles, principally designed for the transport of persons, including station wagons and racing cars	146 064	110 485	-24.36%
8704	Motor vehicles for the transport of goods	52 544	27 382	-47.89%
8705	Special purpose motor vehicles, other than those principally designed for the transport of persons or goods (breakdown lorries, fire fighting vehicles, concrete-mixer lorries,…)	102 937	64 729	-37.12%

(**Unit:** Million USD)

Source: International Trade Center database

3. An overview of automobile import to Vietnam after EVFTA agreement

3.1. Current situation of Vietnam's automobile industry

As the economy improves, more Vietnamese can afford personal cars, motivating the domestic auto industry to grow into one of Southeast Asia's fastest-growing industries. Cars, formerly considered a luxury, are now a common means of transportation in Vietnamese metropolitan areas, alongside motorbikes.

However, the domestic car manufacturing industry seems unable to satisfy the huge demand for this commodity. Although Vietnam is considered one of the top four automakers in Southeast Asia, its average localization rate is far lower than that of Indonesia, Thailand, and Malaysia, standing at only 10% (Figure 7). This is because Vietnam's lack of investment in the modern automobile sector has limited its production to low-tech items like tires, mirrors, and seats. Consequently, Vietnamese automotive manufacturers are compelled to import a substantial quantity of parts and components, estimated to be worth $3.5 billion per year, in order to facilitate the production, assembly, and upkeep of their vehicles.

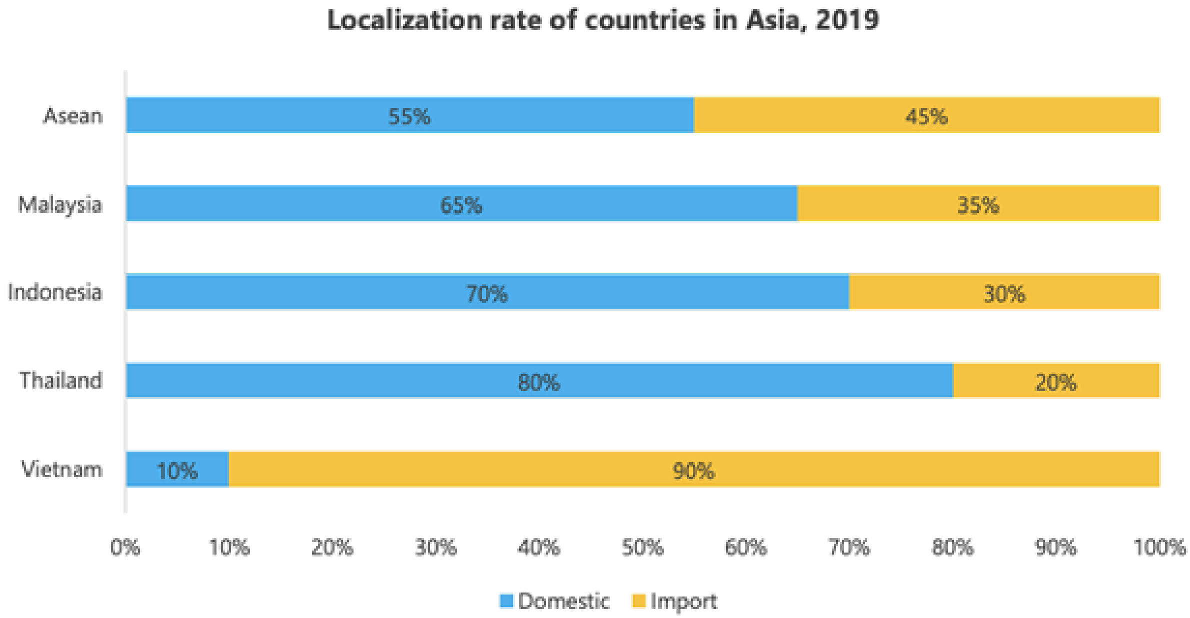

Figure 4. Localization rate of countries in Asia, 2019

Source: VIRAC, VAMA

Vietnamese consumers when purchasing imported automobiles from outside the ASEAN area are subject to three taxes: import tax (70% - 80%), special consumption tax (35% - 150%), and value-added tax (10%). Final cost of the automobile includes all these fees, therefore, though usually more cost-efficient in production than those manufactured domestically, imported cars, including those from the EU, still present an immensely high price to consumers. Moreover, the 50% reduction in registration fees for locally produced automobiles encourages buyers to choose domestic vehicles in order to cut costs. As well as this, various kinds and models of passenger automobiles like the Honda CR-V (imported from Thailand) and Mitsubishi Xpander (imported from Indonesia) are now being produced by car manufacturers in Vietnam.

Nevertheless, the EU-Vietnam Free Trade Agreement (EVFTA), which was implemented, has facilitated the decrease in the price of European automobiles imported into Vietnam. Automobiles completed in Vietnam are eligible for an export tax exemption of 0% under the EVFTA, provided they satisfy the specified localization rate. During this period, import tariffs on vehicles originating from the EU, particularly countries such as Germany, France, Italy, and Sweden, will witness annual reductions ranging from 6.8% - 7.4% based on the cylinder capacity of the vehicles. (Dan Tri, 2020). Among these, the categories that gain the most from EVFTA are supercars and premium automobiles. Take a Rolls-Royce Cullinan, a super luxury SUV officially being sold in Vietnam for 32 billion VND, as an example. When EVFTA is implemented, Rolls-Royce's first SUV model will be priced at around 18 - 20 billion VND, which is 12 billion VND less expensive - much more beneficial and reasonable for Vietnamese consumers.

All these factors have caused the market demand for imported cars to fall a bit in recent years, but still, with EVFTA on the way, there are still prospects awaiting, as illustrated by the Table below.

Table 4. Vietnam's automobiles import value from the EU during 2020 - 2023

Year	2020	2021	2022	2023
January	5 544	7 073	9796	16121
February	3 743	5 808	6942	8580
March	8 218	7 260	4301	11387
April	6 437	4 559	9608	3712
May	7 324	12 968	9244	9546
June	2 285	7 959	8047	15182
July	2 194	2 350	4798	3524
August	8 980	5 073	3166	2385
September	1 805	3 218	4379	1651
October	1 785	9 294	7030	11074
November	3 156	10 448	15098	3920

Year	2020	2021	2022	2023
December	4 561	9 283	4431	5662
Total	**56 032**	**85 292**	**86 839**	**92 744**

(**Unit:** thousands USD)

Source: General Statistics Office of Vietnam (2023)

From Table 3, it can be inferred that for CBU cars, there has been a noticeable change. The number of imported units rose steadily from 56 032 in 2020 to 92 744 in 2023, demonstrating an increasing demand for European automobiles in Vietnam. The greatest surges were observed between 2021 and 2022, as well as between 2022 and 2023, indicating a notable rise in the demand for European automobiles in Vietnam during those time frames. Significant peaks in import volumes were observed in January, June, and November of 2023.

3.2. The current barriers of Vietnam's automobile import from the EU

More than 3 years after the Free Trade Agreement between Vietnam and the EU (EVFTA) came into effect, the prices of products benefiting from tariff incentives have decreased significantly. Nonetheless, compared to cars imported from other nations, the cost of cars imported from Europe is still quite high at the moment.

Although import taxes, as specified in the EVFTA, will be reduced, the specific tariff levied on EU cars entering Vietnam is still very high, all over 50% - 64%/vehicle. That is not to mention the taxes and fees buyers must pay such as registration fees of 10% - 12% depending on the locality, license plate fees... These taxes, along with license plate registration cost increase the value of the vehicle. Additionally, imported cars mostly have large cylinder capacities and are subject to high special consumption taxes, so it is difficult to drastically reduce prices and reach more customer groups. Alongside that, the automobile market is competitive in not only price, but also technology. Each new car model must be worked towards increasing technology integration, causing increased costs.

The imported EU car' price is very high when it rolls around, so by only reducing about 7% of one type of fee (which in this Agreement is the import fee), the opportunity for Vietnamese to access European cars is still difficult. Many luxury car models has, and will reduce prices at an amout of hundreds of millions dong thanks to the EVFTA; however, whether the final price will decrease or not, and how much they will decrease would depend on many factors, namely policies, technical regulations... to protect the domestic car manufacturing and assembly industry.

Another challenge is that cars imported from Europe also have to compete on price with cars imported from other regions (ASEAN, Japan,…) and those domestically-produced. Vietnam has signed the ASEAN Free Trade Area Agreement (AFTA) and since the beginning of 2018, the tax rate on imported complete cars from the ASEAN market has been reduced to 0%. In 2023, Thailand was the leading nation in exporting automobiles to Vietnam, followed by Indonesia and China. Meanwhile domestically, the appearance of Vinfast, the first

Vietnamese’s automobile brand, has gradually shifted people’s attention to using domestic products since it brings a great sense of national identity.

3.3. Government policies and chances toward Vietnam's car automobiles import from the EU

3.3.1. Opportunity to promote car import from the EU

The most obvious chance associated with the EVFTA for imported European automobiles, undoubtedly, stems from the progressive cut on import tariffs to 0% committed by Vietnam. These tax reductions are significant, as they make luxurious imported cars from these high-living standard countries less expensive, more accessible for even the middle-income in Vietnam. This, alongside constant expansion of Vietnamese middle class whose tastes often ties with possessing a car, would increase domestic demand for this particular product, making Vietnam attractive in the eyes of EU exporters.

Moreover, the simplified procedures and requirements in non-tariff barriers also create incentives for the EU exporters to promote exports, entering a potential market like Vietnam. As EVFTA comes into force, the trade relationships between Vietnam and the EU would be reinforced, making way for many other commitments beneficial for the Vietnam economy in the future.

3.3.2. Opportunity to attract Foreign Direct Investment (FDI)

Commitments on Investment in the EVFTA will make way for European enterprises to invest in Vietnam, as we have promoted market access, attracting FDI from partners in the EU. As soon as the EVFTA comes into effect, positive data have been announced, signaling upcoming opportunities for many industries to grow. In that context, 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.

To conclude, Vietnam has always been a potential market for the import of cars due to high demands. Before EVFTA, the import mainly focused on those from ASEAN countries such as Thailand and Indonesia and other ASEAN partner countries like Korea. After the implementation of EVFTA, taxes are reduced, which means that the import of automobiles will become very promising in the future. Despite having some of the barriers, Vietnam can enhance the import of automobiles with the EU if we take good advantage of all the chances coming from the EVFTA deal.

4. Recommendations for the car importing industries of Vietnam

The rise in imports is claimed to be a threat to the domestic market, especially to the local assembly and manufacturing enterprises. However, this report continues to offer recommendations to promote the import activities of European automobiles into Vietnam and give price incentives on this commodity due to several reasons as follows:

Firstly, it is the constant demand for these EU cars, along with the price being raised too high when they enter Vietnam, that is causing citizens’ unsatisfied wants, while these imported cars remain unsold in the inventory. If there can be other tax reduction on them (besides the import tax elimination in EVFTA), Vietnamese can truly benefit in the sense that they can access high-end, high-quality cars, meet their demands at a much more reasonable cost.

Secondly, though tax incentives may lower the price of imported cars, the government will also ensure to put the domestic market at the highest priority, with different policies being enacted. This can be proven by the 50% registration fee support policy, specified in the Decree 70/2020/ND-CP. Moreover, the long contracted schedule in the EVFTA regarding tax rate elimination of automobiles can be used as a form of protection for Vietnamese enterprises against the EU car exporters, as they can take this time to develop themselves before having to compete directly with them. Hence, the existing import tax reduction on imported automobiles may be effective, but not significant enough to make them immediately stand out price-wise, and to become a threat to the domestic market.

Thirdly, in the process of importing, Vietnamese enterprises can also establish strategic relationships with big exporters of this field in the EU. Thanks to this, Vietnam can learn from them lessons in transportation, technology adoption, and especially in how to improve competitiveness, market experience and to take advantage of different FTAs.

For all these reasons, it is justifiable that the import of EU automobiles should also be promoted, or receive incentives, as they create reasonable pressure that pushes Vietnamese enterprises to adjust and develop themselves accordingly. Below are recommendations that Vietnam can take to do so.

4.1. For Vietnam Automobile Manufacturers Association (VAMA)

The Vietnam Automobile Manufacturers Association (VAMA) is a social-professional association that engages the voluntary participation of automaking businesses in Vietnam. The association has long played an important role in assisting the automobile industry of Vietnam; therefore, it is vital that VAMA equip not only the automakers, but also importing firms with information concerning the EVFTA. Specifically, activities such as seminars, workshops and conferences, where enterprises can exchange and tackle all their concerns about the EVFTA, should be organized regularly and timely. Along with the EVFTA, the association also should consult and provide its members with adequate understandings about the EU market, international business laws, economic integration, and experiences to solve international commercial disputes through periodic publications, as well as posts on its website for better access. The association also needs to answer the enterprises' questions about the EVFTA and relevant government policies.

Most importantly, in the context of the EVFTA, VAMA should serve as a more effective bridge between firms and the government in the industry. The association should help deliver directions of the government and the ministries to the auto enterprises, and if possible, develop them into detailed plans for better approach. At the same time, it should collect and examine the opinions and wishes of its members, and then communicate them with government agencies. Apart from this, VAMA can organize industry networking events that bring together Vietnamese importers, EU manufacturers, and government officials. This would allow for open communication and potential collaboration, on exploring new opportunities from the EVFTA, as well as methods to pursue inevitable trends of the industry, such as sustainability and the applications of AI.

4.2. For Vietnamese auto importers

4.2.1. Improve the businesses' capacity

The first thing Vietnamese car importing enterprises should do is to make their own improvements. Specifically, firms must understand clearly the EVFTA and its provisions, constantly stay updated about the latest tariff rates and taxes applied to car imports in Vietnam, seek any exemptions that may apply to reduce import duties.

Secondly, to attract foreign investment into the company and foster partnerships with EU manufactures, firms need to be transparent - meaning that they provide customers, or potential investors and partners with clear information on investment regulations and policies under EVFTA.

Another important action is to develop high-quality human resources. In the current setting of increasing international collaboration, training personnel with skills and deep understanding of automotive technology, while supporting training and technical development programs, will ensure a workforce able to meet the increasingly demanding requirements of the market.

4.2.2. Consider local assembly

Another recommendation worth considering for Vietnamese car importers is to establish partnerships with EU manufacturers for local assembly or production in Vietnam.

Firstly, Vietnamese importers should take this chance to localize their supply chain, by sourcing components and materials from Vietnamese suppliers. Also, they need to encourage their EU partners to transfer production of certain auto parts and components to Vietnam, in order to reduce costs, enhance efficiency, and strengthen local manufacturing ecosystem. Thanks to this, firms can increase localization rate, qualify for various incentives given by the government on domestically-assembled cars, which is much more beneficial compared to those applied for imported product lines, and reduce considerably import costs incurred in the process of resourcing overseas.

Secondly, it is crucial that our car importers negotiate with EU partners on the transfer of advanced manufacturing technologies, know-how, and technical expertise to Vietnamese operations. Meanwhile in the manufacturing process, firms should consult EU partners to adopt best practices, optimizing production workflows. Most importantly, when entering Vietnam, in order to make up for the pushed up price, these importing enterprises, now becoming assembly units, need to allocate resources for R&D, to innovate new products and technologies aligned with local market preferences. This process can be accelerated when firms engage in joint R&D projects with EU partners, working together to develop cutting-edge solutions, enhancing competitiveness in the domestic automotive market.

4.2.4. Foster good government relationships

Vietnamese auto importing firms should build a strong, harmonious relationship with the local government. Firstly, they should actively join industry associations relevant to their business sector, which, for automotive, is VAMA. As these associations often have close ties to the government, firms will be more exposed to opportunities to collaborate on policy initiatives or voice their concerns, such as events, conferences,…These concerns can involve simplifying unnecessary administrative procedures, proposing methods of continuous monitoring and evaluation, modernizing import regulations and preventing outdated or unnecessary ones. Also, all parties can work to seek clarification on these requirements, provide feedback on any inefficiency, towards mutual solutions that reduce costs without compromising safety standards.

Moreover, building goodwill is important. Firms should engage in corporate social responsibility (CSR) activities for the community. This includes supporting social causes, environmental initiatives, or educational programs. Taking steps in greening internal and external operating systems and supply chain towards sustainability is also recommended. Especially when considering labor practices, being fair and ethical, ensuring labor safety and security should be deemed high priority. Besides, harmonious relationships with the media and a positive public image should be built. This calls for a clean record, and firm’s proactivity in being transparent, and smart use of media to highlight their contributions to the country economy and job creation.

4.2.3. Take up environmentally-friendly practices

In the context of inevitable development towards green in every aspect, it is also expected by many that the automotive sector can do the same. A crucial step is shifting import focus to EU cars that serve environmental goals. This may include prioritizing imported electric vehicles (EVs) and models with latest fuel-efficient technologies; or to enter technology transfer partnerships with EU partners to gain knowledge and expertise in building and servicing eco-friendly vehicles. This would reduce the emissions footprint of imported vehicles, while catering to the growing demand for sustainable options within Vietnam.

Beyond products offerings, Vietnamese importers should consider energy-efficient practices in their operations. This could involve using energy-efficient appliances and optimizing warehouse layouts to minimize energy consumption. Additionally, they should organize recycling programs for paper, plastic, and used car parts, and collaborate with waste management companies to properly dispose of dangerous materials (used batteries, oils,…). Also, they can try exploring greener logistics options, such as hybrid trucks, or be more environmentally-driven in the way they choose logistics companies. Partnering with environmental organizations to invest in carbon offset projects like tree planting initiatives or renewable energy programs helps offset the carbon footprint associated with their business activities

Making a change is important, and so is making that change acknowleged. Therefore, eco-friendly marketing campaigns should be implemented to educate consumers about the environmental benefits of EU cars. Also, they can make a good reputation by publishing annual sustainability report. Lastly, through VAMA, firms can advocate green policies that give favorable conditions to the import and sale of eco-friendly vehicles, for example tax breaks on EVs.

5. Conclusion

The market for automobiles in Vietnam has great potential. As the EVFTA came into force in August 2020, the growth potential of this industry became even more noticeable. After research on the EVFTA commitments in general and Vietnam’s auto market, we have discovered and highlighted a number of opportunities for Vietnamese enterprises. Alongside that, the EVFTA also raises challenges that importing businesses must deal with. Therefore, our research team has also proposed several recommendations to support these enterprises to overcome challenges and optimize chances, promoting import activities of automobiles from the EU to Vietnam. Due to our limited knowledge and that this research paper aims mainly to apply theoretical statements to practical solutions, mistakes are inevitable and there is still much space for improvements, which in further studies, we will focus on analyzing and looking for solutions.

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