

The Impact of EVFTA Agreement on Export Promotion of Vietnam Enterprises into the Eu Market and Some Proposed Solutions

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ABSTRACT:The European Union (EU) has always been a significant import partner, with the second-largest purchasing power in the world and a key market for Vietnam's exports over those years. The EVFTA is a comprehensive, high-quality agreement that balances benefits for both Vietnam and the EU and is in line with the World Trade Organization (WTO) regulations. One of the main areas of commitment in the EVFTA is preferential terms on trade in goods and taxes. Within ten years from official entry into force, the EVFTA will eliminate nearly 99% of tariff lines and trade barriers between Vietnam and the EU. It is a considerable advantage compared to competitors of Vietnam such as Thailand and China when they do not have a free trade agreement with the EU. However, the challenge of the EVFTA is the moderate pressure for Vietnamese enterprises to adjust and change their production methods and improve their competitiveness. The article presents the impact of the EVFTA Agreement and proposes some solutions to promote the exports of Vietnamese enterprises to the EU market.

Keywords: EVFTA Agreement; Export, Solutions.

I. INTRODUCTION

The EU is a very potential market with 27 economies and a population of about 500 million people. The EVFTA Agreement will create an excellent impetus for Vietnam's export growth, helping to diversify export markets and products. When the EVFTA comes into effect, it will restructure import-export and investment products, helping Vietnam to take the initiative in terms of markets and diversified supply chains, and reduce risks of disruption in trade and supply chains due to changes in trade relations, climate change, natural disasters and epidemics, contributing to ensuring the sustainable development of the economy. In order to exploit the potentials and opportunities in the EU market in the context of EVFTA implementation, Vietnam's export promotion

activities will also need to have specific plans and adjustments for immediate priority goals as well as long-term benefits associated with innovating approaches and implementation methods to ensure improved efficiency in supporting Vietnamese enterprises in the coming time. On that basis, propose solutions to adjust and implement export promotion more effectively, better access to the EU market.

II. MATERIALS AND METHODS

2.1. Assessing the impact of the EVFTA Agreement on Vietnam's export promotion to the EU

The EVFTA Agreement demonstrates the firm determination of both sides in promoting bilateral relations, contributing to the deepening and substantive development of relations between Vietnam and the EU. The signing and ratification of the EVFTA are in line with our foreign policy of multilateralization and diversification and our policy of deepening and strengthening relations with significant partners, including the EU. We were interwoven with strategic interests, contributing to maintaining a peaceful environment, enhancing Vietnam's international position, and enlisting the EU's support to realize the socio-economic, political, and economic objectives of many aspects of Vietnam today. The implementation of the EVFTA will immediately remove 85.6% of the tariff lines, equivalent to 70.3% of the turnover of Vietnamese goods exported to the EU. It will be an opportunity to increase the competitiveness of Vietnamese goods in this crucial market.

EVFTA can support the creation of a more competitive and innovative economy. In the long run, this is a matter of export growth rate and export structure and especially technology content in exports. Although Vietnam has achieved positive results in recent years in high-tech export growth compared to peers such as China and ASEAN,

Vietnam still mainly exports low-value goods. Most of the high-quality foreign investment flows are directed to the top segments of the supply chain and supporting industries of more profitable sectors such as textiles and apparel, and footwear to seize opportunities from the EVFTA. This process will encourage domestic private enterprises to participate in the expanding domestic supply chain and integrate into the global value chain, ultimately promoting high value-added goods.

In general, the EVFTA will be the driving force for Vietnamese enterprises to promote goods exports to EU countries actively. However, the degree of influence on industry groups will be differentiated based on the tax rate of the industry and the structure of the export market share of enterprises in the industry. Therefore, some export promotion activities of Vietnam to the EU are also affected by the Agreement and need to change drastically, increase the depth to take advantage of opportunities to expand the market, promote the export of goods. convert to EU market.

2.1.1. Export promotion through trade fairs

The agreement will create better conditions for Vietnamese businesses to access the European market, a large market with about 500 million people and bring many benefits to Vietnamese businesses such as tax exemption for at least 90% of the lines. Taxes on Vietnamese exports to the EU will be zero for most goods such as agricultural products, food, footwear, and apparel.

Therefore, export promotion activities through the Expo also need to precisely orient the target industries (prioritize items with zero tax rate as mentioned above). The target market from which to choose to attend the world's largest and most prestigious fairs in Europe continuously every year—helping businesses achieve results right at events such as international exhibitions specialized in agricultural, aquatic products, vegetables, and fruits. Processed foods in France, Germany, Belgium (Global Seafood Exhibition Brussels - Belgium, Fruits and Vegetables Fair Logistica Berlin - Germany, International Food Industry Fair Anuga - Germany, International Food Industry Fair SIAL Paris - France...). In addition, the regular and continuous appearance of Vietnamese enterprises at these fairs contributes to a positive and spillover effect, gradually building up the prestige and image of Vietnamese products in the EU market in particular. and the world market in general.

2.1.2 Propaganda activities to promote the product brand

In recent years, in general, and local products, in particular, Vietnamese product brands have not been effectively used and abused in export markets. The EVFTA Agreement has approved 39 geographical indications of Vietnam that will be agreed to be protected by the EU and opens up great opportunities for Vietnamese product brands to penetrate and stand firmly in the EU market from that spread to other countries around the world. To do that, the role of propaganda activities to promote the brand of Vietnamese products into the EU is very important. Ministries, sectors, and localities will have close coordination through implemented policies to strengthen propaganda and promotion activities of Vietnam's product brands and geographical indications associated with diplomatic events, culture, sports, investment tourism in the country and EU countries. In the coming time, the Ministry of Industry and Trade will continue to accompany businesses to promote activities to support enterprises and take advantage of EVFTA. They continue to focus on market information by industry and field to support enterprises overcoming barriers, contributing to promoting images, promoting products and building brands of export products and industries in the EU market.

2.1.3 Activities to improve competitiveness for businesses

In addition to tariff preferences, the EVFTA also sets stringent conditions on Vietnamese exports when entering this market. Privileges and advantages brought by this Agreement. It is a considerable challenge for export goods, so Vietnam needs to prepare a ready posture to innovate and change its mindset when implementing the EVFTA. EVFTA consists of 17 Chapters, 2 Protocols and several Memorandums of Understanding.

Strict requirements on rules of origin, dumping, subsidies, and trade remedies are also significant obstacles for Vietnamese enterprises in accessing the EU market. Goods will be considered originating in a party (Vietnam or the EU) if they meet one of the following requirements: Having pure origin or being produced entirely in the territory of the exporting Party; Not having a pure origin or not being produced entirely in the territory of the exporting Party, but satisfying requirements such as a domestic value content of not less than 40%... A simple system of rules of origin, Being flexible, suitable to Vietnam's situation and allowing Vietnam to enjoy legitimate

benefits from the EVFTA will be a prerequisite to ensure. This request is entirely reasonable from a benefits perspective (the most significant benefit from the signing of EVFTA is the EU's tariff reduction for Vietnamese exports) as proof of the legal origin of timber is a challenge for the industry. Alternatively, with the textile and garment group, the rule of origin is also an essential issue in exporting this item to the EU market of Vietnam.

The EU's strict requirements on hygiene, environment, labour and technological processes are also considered a long-standing barrier to Vietnam's exports to this market. Vietnamese enterprises must comply with hygiene, environmental, labour, and technological processes to export to the EU. It has made it difficult for Vietnamese small and medium enterprises to meet the requirements due to limited technical and financial capacity and unqualified products to be sold in the market. Besides the rules of origin, regulations on food hygiene and safety, animal and plant quarantine (SPS), environmental regulations, technical barriers to trade (TBT)... will also create new challenges. Specific difficulties and obstacles to Vietnam's export activities. For example, with seafood products, strict regulations on food safety, rules of origin and requirements for "voluntary certification of quality" about environmental responsibility of many organizations in Europe. are also significant difficulties for Vietnam's seafood industry today.

In order to overcome technical barriers and penetrate the markets of EU countries, activities to improve competitiveness for businesses will have to focus on training, coaching and consulting for businesses that need to raise prices. Value, product quality, professionalize the sales process, master the rules of origin, regulations on food hygiene and safety, animal and plant quarantine (SPS), regulations environment, technical barriers in trade (TBT). The competitiveness of their products and enterprises. Consulting and guiding business activities will also focus on food hygiene, meet the standards and management processes prescribed by the EU, attach great importance to social responsibility and transparency of information. On labour, production environment, especially ensuring rules of origin when exporting to the EU: connect design and marketing experts at home and abroad to research and improve product designs, packaging, brand identity, brand communication messages to help increase the value of exported products; Develop export manuals guiding specific and detailed information on technical requirements, regulations

and practices on import-export management and trade remedies, develop strategies for accessing and exploiting basic infrastructures. Compelling market opportunities for potential export products to EVFTA partner countries (textiles, furniture, coffee); Online market newsletter to introduce information about the markets of EVFTA partner countries.

2.2. Challenges

One of the significant challenges facing Vietnam in the EVFTA environment is the compliance, implementation of commitments and participation in the dispute settlement system between the Government and investors, which is increasingly improving according to the requirements of the Government and investors. Provisions of the Agreements. Up to now, the EVFTA and the Investment Protection Agreement (EVIPA) are expected to help limit the existing shortcomings of the dispute settlement mechanism system between foreign investors and the Government of the host country. Investment acceptance (ISDS) significantly limits the abuse of dispute resolution mechanisms by unscrupulous investors through stricter regulation of petition requirements and the zoning of exceptions to which the Government is entitled freely apply the measure without risk of dispute.

However, there are still many challenges coming from the dispute settlement mechanism of the Agreement. These are concerns about the capacity and qualifications of the arbitral candidates nominated by the Government and the independence and objectivity of non-Vietnamese applicants; The more significant pressure of litigation time and the risk of permanent arbitration will be more attractive motivate investors to use this mechanism.

With the official participation in the EVFTA Agreement, Vietnam and EU member countries have increased the wide range of commitments and the highest level of commitment with 99.2% of tariff lines eliminated by the EU for export goods export of Vietnam.

In addition to tariff preferences, the EVFTA Agreement also provides strict conditions that, without preparation from now on, it is difficult for Vietnam's exports to enjoy the preferential tax rate of 0%.

To enjoy this preferential level, goods exported to the EU need to satisfy the rules of origin. It can drag Vietnamese exports because raw materials for Vietnam's exports are currently mainly imported from China and ASEAN. If the rules of origin cannot be guaranteed, Vietnam's

exports to the EU will only enjoy the most favoured nation tax rate, not the 0% tax rate in the EVFTA Agreement.

Statistics from the Ministry of Planning and Investment show that most Vietnamese enterprises are indifferent to intellectual property issues, while this is the EU's top requirement for any participating goods into this market. Therefore, to exploit the benefits from the EVFTA Agreement, Vietnam needs to pay special attention to the rules on intellectual property in the EVFTA Agreement.

Besides the regulations on origin, labour and environment, entering the EU market are tricky due to non-tariff barriers on technical and food hygiene and safety of the EU market. Typically agricultural products, although the EVFTA Agreement has incentives with flexible SPS regulations, most of our country's agricultural products such as tea, vegetables still face limitations due to residuals and pesticides, lack of uniformity in each shipment, poor harvesting and preservation.

2.3. Solutions for Businesses

- To effectively take advantage of the incentives brought by the EVFTA, businesses need to learn the content of the EVFTA actively and follow it methodically, instead of just calculating competitive advantages in price when the EU cuts import taxes. Currently, many businesses have paid more attention to product quality and corporate social responsibility standards, with the desire to exploit the EU market faster and more sustainably. Especially commitments related to tariffs and rules of origin, proactively adjusting production processes and sources of raw materials to meet the Agreement's rules of origin, redirecting import sources to other sources. Domestic data or from EVFTA member countries or a third country with which the two sides have signed a free trade agreement. Enterprises need to actively research information to have a positive preparation. The preparation should be carried out comprehensively from studying the opportunities and challenges of the EU market to solutions such as: improving product quality and design; promote competitive advantages, increase efficiency, develop brands... Enterprises can also diversify products to gain competitive advantages, take the initiative in export promotion activities such as EU market research and regulations of the market, customers; appraise partners, meet sustainability standards to take advantage of the opportunities that EVFTA brings effectively.

- Enterprises need to consider EVFTA as the beginning of a business journey in a new context,

taking competitive pressure as a driving force for innovation and development. At the same time, it is also necessary to actively find ways to cooperate with the partner markets of the Agreement to strongly attract direct investment into Vietnam to make effective use of capital and technology transfer from large corporations. Businesses always learn, update and respond to changes in EU trade policies. Monitor trends in non-tariff measures while keeping an eye on import standards. At the same time, actively develop a plan to improve export capacity, especially the ability to meet technical standards, sanitary and epidemiological measures to the EU market.

- Some exporters in textiles, garments, footwear, furniture, seafood have a large scale and do business in the EU market. However, many enterprises exporting to the EU are small and medium-sized enterprises with limited resources, production processes that do not meet EU standards. They have not yet had an adequate investment in Research and Development (R & R&D) effectively exploit intellectual property assets, trademarks. There is a lack of human resources with foreign languages and professional trade promotion negotiation skills to carry out export activities to the EU market. Therefore, enterprises need to have appropriate product development investment policies to ensure compliance with EU import standards and regulations and develop export plans for each item and target market in pepper; focus on improving the quality of goods, applying advanced quality standard systems to meet the increasingly strict technical requirements of customers.

- To take advantage of the incentives from the EVFTA and boost exports to this potential market, one of the things Vietnamese businesses need to do right away is to invest in enhancing the added value of products to strengthen their competitiveness. Competition in the EU market. Enterprises need to invest in researching and diversifying product designs, adapting packaging designs and developing strategies for brand development and promotion suitable for each market segment.

Enterprises in the agri-food industry need to focus on food hygiene, meet the standards and management processes prescribed by the EU, attach importance to social responsibility, and transparent information on labour and the environment. Production markets, especially ensuring rules of origin when exporting to the EU. Mainly for enterprises in the textile, garment and footwear industries, it is necessary to build a complete domestic supply chain. Initially, businesses can negotiate with foreign partners to

transfer raw materials to Vietnam to meet the origin requirements and enjoy the tariff advantages from the EVFTA. In the long term, enterprises need to consider a strategy to develop domestic raw materials sources, to help them maximize benefits, and at the same time, minimize risks of being dependent on raw materials from some markets.

and implementation of the EVFTA Agreement;

III. CONCLUSION

The European Union (EU) is currently the organization with the most advanced regional integration globally, with a common currency, political, economic, and security policies based on standard rules for the whole bloc. Since its founding, the EU has continuously expanded and developed, playing an increasingly important role in the world economy. Two-way trade activities in general and Vietnam's exports to the EU, in particular, are transitioning to a new period, associated with economic transformations of both sides. With such a developed and potential market, Vietnam needs to make every effort to occupy one of the essential measures to promote and strengthen Vietnam's exports to the EU to an exemplary implementation of export promotion measures. However, this is a challenging market, and there is stiff competition among exporting countries. Recently, Vietnam's exports to the EU market have fluctuated. Therefore, improving the competitiveness of Vietnamese goods plays a decisive role in the existence and development of Vietnam's foreign trade in the EU market, especially taking advantage of the advantages from the Vietnam Free Trade Agreement (FTA). The EU-South Korea agreement was signed to contribute to promoting Vietnam's exports to the world, contributing to the country's overall growth and development.

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