

Policy Brief

Agriculture and Free Trade in
Vietnam:

How to develop agricultural
products to meet the
requirements of the EVFTA

Exporting Vietnam's vegetable products to the EU

The EU is a market with stable demand for vegetables and fruits (accounting for 45% of the global trade value of fruit and vegetables). Specifically, the EU's large market size and seasonal demand represent an attractive market for suppliers in developing countries. However, the EU is also a top demanding market when constantly updating and issuing new SPS measures for imported agricultural products, including products of plant and animal origin.

The EU-Vietnam Free Trade Agreement (EVFTA) officially took effect from August 1, 2020, thus creating a great boost for the export of fruit and vegetables to the EU.

94% of the total 547 tax lines on fruits and vegetables and processed products from vegetables and fruits have been eliminated (including many products that are Vietnam's strengths such as litchi, dragon fruit, pineapple, coconut, etc.)

Most of the tariff lines which the EU has committed to eliminating immediately have an average MFN tax rate of over 10%, especially for fruit and vegetable products that are subject to a tax of over 20%.

With these commitments of the EU, it is considered that it will create a great advantage in value for Vietnamese vegetables and fruits (especially in leveraging import competitiveness into the EU with countries with inherent strengths in vegetables and fruits but yet to have an FTA agreement with the EU, such as Malaysia, China, Indonesia...)

Highlights:

In 2020, Vietnam's fruit and vegetable export value to the EU has increased to US\$158 million, a growth rate of nearly 7% in comparison with 2019's figure. It can be seen that the EVFTA is bringing many new opportunities for Vietnamese businesses and the EU, where lies a very dynamic market as well as the biggest opportunities in the field of trade.

In 2021, the impact of the EVFTA have been clearer than in 2020, despite the difficulties arises by the stressful situation of the COVID-19 epidemic, the value of Vietnam's fruit and vegetable exports to the EU in June 2021 reached 19.58 million USD, 29% higher compared to June 2020's value.

The current situation of Vietnam's seafood exports to the EU

EU is the most potential market for seafood exporters because the market of 28 countries (now 27 countries) has a high demand for seafood, while the self-sufficiency state is rather low, hence making market demand largely depend on imports. For many consecutive years, the EU is the world's largest seafood importer in terms of value. The

European Union (EU) is Vietnam's second-largest seafood export market, after the United States.

Vietnam's seafood industry has rapidly developed into a commodity-oriented industry with an export turnover of nearly \$9 billion per year. In the past 20 years, Vietnam's seafood export values to the EU have soared from \$90 million in 1999 up to nearly \$1.5 billion in 2017

In the second half of 2020, when the EVFTA came into effect, the value of Vietnam's seafood exports gained considerable increment by about 36% compared to the first six months of the year and increased by about 30% compared to the first six months of 2019. But in November and December 2020, the number slightly decreased compared to the same period in 2019. The main reason is that EU seafood importers have actively reduced the amount of seafood imported for the Holidays due to fear of bad impacts from the Covid-19 epidemic. Besides, reducing seafood inventories is also a solution to cut costs.

In 2021, Vietnam's seafood exports have many opportunities to surpass the US\$1 billion mark in the EU market, as Vietnamese seafood exporters can exploit more efficiently than EVFTA. Thanks to taking advantage of opportunities from EVFTA, the seafood industry has grown substantially in the first six months of the year. Right in the first six months of the first year of EVFTA implementation, the ability to take advantage of opportunities is well over 70% of the total export turnover of Vietnam to the EU market.

POLICY RECOMMENDATIONS

1. Restructure the agricultural industry towards modernity, improve quality, and perfect policies for agricultural development

Seafood: Managing aquaculture and fisheries capturing based on environmental capacity. Implement synchronous solutions to protect and develop aquatic resources; control the intensity of exploitation of natural aquatic resources at an appropriate and sustainable level.

Cultivation: Adjust the national food security strategy; change the crop structure following the advantages and market demands, adapt to climate change and soil in each region and region. To encourage and invest in the development of hi-tech agriculture, ecological and organic agriculture.

2. Strongly develop processing and post-harvest industries in the agricultural, forestry and fishery industry

Developing the form of PPP (Public-Private Partnership) cooperation in agricultural linkages, promoting the attraction of foreign enterprises to invest in agriculture in the sector: agriculture, forestry, and fishery production, promoting participation in the agricultural sector, production networks, global regional value chains.

Perfecting the safe production process to meet the needs of export standards. The task of guiding and supporting enterprises in applying Good Manufacturing Practices (GAP)

3. Innovating, developing and connecting value chains in agricultural production, connecting to the global consumption system

Support to promote value chain linkage through effective propaganda and promotion activities; supporting communication to connect agricultural products of agricultural cooperatives with the market

Having policies to encourage domestic enterprises to be proactive in developing raw materials, improving technology absorption capacity, ready to connect with FDI enterprises and global value chains.

▶▶ Exchange information on opportunities for cooperation and association, share experiences in sustainable agricultural development

▶▶ Developing agribusiness incubator models, focusing on young people, farms, and individual business households.

Implement scientific research projects on conservation and development of indigenous plant and animal varieties that are specialty products of the region; to research, breed and improve new varieties with high quality, adapting to climate change, suitable for organic production, clean production, meeting the requirements of the import market.

4. Developing international agricultural product consumption markets and minimizing risks in international trade

Developing and reorganizing the market for agricultural products (production must start from the market), connecting to the global consumption network with the common goal of timely and efficient consumption of agricultural products for farmers.

Building a coordination mechanism between associations, businesses, and state management agencies in preparing and responding to AFF trade-related lawsuits, consolidating and implementing an early warning system on trade remedies. Commercial; open representative offices of AFF industry associations in key regional markets in Europe. Develop a specific mechanism to completely handle trade barriers with the EU (IUU, VPA/FLEGT)

5. Building national brands for the agricultural industry and developing the AFF market to the world.

Develop brands for key products along 3 main product axes (national, provincial key agricultural products and local specialties).

Strengthen market opening negotiations, update information on trade policies of partners and other countries to guide businesses to respond appropriately and promptly. Proactively deploying solutions to strengthen management and control of technical barriers, ensure demand and reasonably protect production in accordance with the law and in line with international commitments.

Other policy recommendations

- ✓ *Developing the AFF market in association with the protection of natural resources and a sustainable rural environment*
- ✓ *Training, propaganda to raise awareness, provide information, connect agro-forestry-fishery export markets*
- ✓ *Mechanization, automation, and professionalization of farmers and rural areas*



Policy Brief

DEVELOPMENT OF DIGITAL CURRENCIES AND POLICY RECOMMENDATIONS FOR VIETNAM

Background

The advancement of science and technology, particularly in this period of the Fourth Industrial Revolution, has promoted the presence of digital technology in all aspects of socio-economic life of countries throughout the world.

Personal digital currencies like Bitcoin, Ethereum, Diem, etc. are growing rapidly and have a big impact on global financial stability.

A digital currency, electronic money or cryptocurrency, is a digital currency created by complex cryptographic algorithms that are based on open source software. On the basis of the issuer, it is possible to temporarily classify digital currency into 2 types: private digital currency and central bank digital currency.

Private digital currency:

Most digital currencies are developed based on blockchain technology and have high security features. Currently, there are thousands of private digital currencies such as Ripple, Ethereum, Litecoin, Monero, etc.

Central Bank Digital Currency (CBDC)

CBDCs are a sort of central bank debt and backed by assets held by the central bank. As a result, the central bank recognizes the reliability and legality of CBDC issuance.

Advantages

- Modernizing the payment system: CBDC is a secure and standardized digital payment instrument issued and regulated by the Central Bank
- Replace cash in circulation: Central bank-issued digital currencies will provide an alternative to physical money at various phases of growth, such as parallel existence, as a supplementary channel, and as a gradual substitute to cash.

- Savings on printing, issuing, and managing cash costs: issuing digital currencies avoids growing expenses when there are cash supply disparities.
- Promote financial inclusion: Safe money accounts at central banks may be a useful instrument for financial inclusion.
- Enhance the effectiveness of technology application
- Increasing competition in the banking sector

Risk

- Information security risks: digital currencies can become victims of illegal transactions and cybercrime. As a result, the Bank for International Settlements (BIS) has urged central banks to continue researching digital initiatives and carefully assess the impacts of CBDC issuance.
- Terrorism and Money Laundering Risks: Central banks must guarantee that anti-money laundering and terrorist funding legislation, as well as meet tax policy and inspection requirements.
- Risks of “banking spikes”: digital currencies and payment deposits can be a relatively close substitute for cash and bank deposits

POLICY RECOMMENDATIONS

1. Vietnam needs to be proactive and soon prepare solutions through tax tools and legal framework. It is necessary to speed up the process of researching and completing the legislative framework for controlling digital currency in Vietnam. With the advancement of science and technology, especially information technology, there has been a rapid proliferation of digital currency in Vietnam, complicating circumstances. As a result, if proper regulation of this currency is

not enforced, it will not only put investors at danger, but also have an impact on the financial system and monetary policy. This challenge requires the State Bank of Vietnam taking appropriate measures and coordinating with the Ministry of Justice, the Ministry of Finance and the Ministry of Public Security to perfect the regulatory framework for digital cryptocurrencies.

Issuing/allowing and facilitating the development of a suitable form of digital currency in Vietnam soon. While waiting for the SBV's research into issuing digital currency, services can be provided to accredited organizations accessing the Central Bank's reserve to be able to issue their own digital currency to facilitate cashless payments, promote the benefits and realize the potential of digital currency;

Research, review and evaluate the entire legal framework, and improve the institutional and policy encouraging the development of innovation based on licensed digital currency in the country, which enhances the central coordinating role of the central bank and solves problems that may occur, tightens the management of unregulated and licensed digital currencies and prevents the negative economic and social impacts that it brings;

Encourage non-cash payment habits, digital currency, and promote communication for consumers and companies to understand the benefits of non-cash payment, as well as the distinction between money digitally issued by the central bank and privately.

Building a national payment system: upgrading the instant settlement system (RGTS), allowing non-bank payment service providers access to RGTS, depositing money overnight at the central bank, and allowing authorized digital currency to

integrate efficiently into the national payment system and realizing the potential benefits of it.

1. Conduct research and refer to China and previous countries' experiences with CBDC issuance: roadmap, implementation method, specific content, details of the main focal point, transportation mechanism implementation, testing time, official... since, providing suitable solutions for Vietnam, while ensuring to utilize the advantages and limit the disadvantages, risks of digital currency.

2. Continuously monitor and analyze the implementation of digital currencies in the world, as well as the implications for Vietnam in terms of financial flows, international payments, cross-border payments, and tourism..., so that relevant actions may be implemented.

3. Improving and developing the national payment system to ensure efficiency and limiting risks associated with digital currency payment transactions: (i) Improve the instant settlement payment system (RGTS), allowing non-bank payment service providers access to RGTS and paving the way for digital currency to be effectively integrated into the national payment system; (ii) Improve the national payment infrastructure; and (iii) Accelerate the construction of the population database and information and data sharing mechanism.

Finally, strengthen international cooperation in managing China's DCEP currency and digital currencies in general: (i) The State Bank actively collaborates with national central banks and international organizations to research and standardize issues related to digital currency in general, and digital currency issued by the Central Bank in particular; (ii) The State Bank and digital

currency issuers must collaborate in order to comply with regulations on prevention and combating cybercrime and tax evasion; investigate the mechanism for storing, sharing, and securing information related to digital currency transactions in accordance with Vietnamese

regulations and international laws; and (iii) Strengthening IT applications, increasing the efficiency of monitoring cross-border payment operations involving digital currency, and assuring the nation's commitment to integration, safety, network security, and financial safety.

Policy Brief

**VIETNAM'S INTERNATIONAL ECONOMIC
INTEGRATION IN THE CONTEXT OF
PARTICIPATION IN NEW GENERATION
FREE TRADE AGREEMENTS**

INTERNATIONAL AND DOMESTIC BACKGROUND

The world economy's recovery is precarious and uneven, with the risk of prolonged stagnation due to the heavy impact of the Covid-19 pandemic. The Covid-19 pandemic has created an unprecedented shock, causing the world's economy and the majority of economies to fall into recession. The trend of trade and investment protectionism has increased in some countries. On the other hand, many countries are looking for new economic links to create impetus for economic growth's recovery during and after the pandemic. Regional, sub-regional, small-group and bilateral economic linkages would develop stronger; while global economic's networks continue to face difficulties.

The world situation continues to change in which strategic competition between major economies is increasingly fierce. In the long run, the US-China relationship will be more balanced towards the formation of a "bi-super, multi-polar" order. Large economies have increased the concentration of forces through economic linkages led by them, transforming the structure of the world economic space. Small and medium-sized economies promote economic links with each other or join forces with economic's networks led by large economies to create a balance and avoid being stuck in the strategic competition of major economies.

Globalization goes on to be adjusted to suit the new context; thereby accelerating the reform of global institutions and rules. Globalization is still an objectively promoted trend, but global organizations, institutions, and laws are forced to drastically reform to meet the requirements of global governance in the new background. Besides, there appears to be a more balanced trend between freedom, economic association, and assurance of economic autonomy.

The trend of restructuring the world economy and other countries towards: (i) a strong shift to an intelligent economy; (ii) the global production network and supply chain is organized, rearranged, and restructured to minimize the risk of disruption, disruption, reduce concentration in one or a few countries, and bring production closer to the market school or return home; (iii) digital transformation is reinforced in both scale, scope, and speed under the impact of Industry 4.0 and the Covid 19 pandemic. Method of international economic integration and linkage through competitive advantage Natural resources and low labor costs are becoming increasingly inefficient and disadvantageous. The model of industrialization based on exports and FDI needs to be considered in the context of Industry 4.0.

Non-traditional security issues (environmental pollution, climate change, labor mobility, cyber security, territorial disputes, wars, conflicts, terrorism,...) are becoming more and more complex. Under the increasing pressure to solve non-traditional security challenges, the content of sustainable development continues to be prominent and deepened in regional and global forums and cooperation frameworks.

Vietnam has a new position after nearly 35 years of improvement with favorable foundations such as: (i) a socialist-oriented market economy continues to develop; (ii) the macro-economy is stable and solid, the major balances of the economy are ensured, the growth rate is maintained at a relatively high level; (iii) the scale and potential of the economy increase, the quality of growth is improved; and (iv) deep integration into the world economy through participation in a series of FTAs, including 4 new-generation FTAs. Vietnam's development potential is still great, including institutional potential, human potential, and market potential. However, our economy still has many limitations in terms of productivity, competitiveness, business environment, quality of human resources, science, and technology level, infrastructure, etc. Aspirations, with a vision to

the middle of the 21st century, striving to turn Vietnam into a socialist-oriented developed country with the goal by 2030 to become a middle-income country with modern industry, by 2045 to become a middle-income country with modern industry. High-income countries are a challenging task in the world economic recession background which is increasingly complex and unpredictable changes.

OPPORTUNITY AND CHALLENGE

The new context presents many opportunities for the Vietnamese economy. *Firstly, this leads to an increase Vietnam's position in global trade, investment, and value-added chain.* Strategic competition and policy adjustment of major economies help Vietnam take advantage of cooperation frameworks, strategic partnerships, and comprehensive partnerships. The implementation of signed FTAs helps Vietnam increase the quantity and improve the quality of trade and investment flows, diversify partners and participate in value chains led by the West. *Secondly, the trend of digital transformation* brings many benefits to the economy such as (i) promoting a change of mindset in policymaking and business operations to improve the productivity of the whole society; (ii) promoting technology transfer, narrowing the technology gap between enterprises in the value chain; (iii) opening up opportunities for service development and cross-border trade in services for Vietnam and other developing countries in the region. *Moreover, climate change and new-generation FTAs are the driving forces to promote economic integration towards sustainability.*

However, the Vietnamese economy also faces many challenges. *Firstly, the global economic recession caused by the pandemic has resulted in a narrowing and disruption in Vietnam's international trade and investment activities.* *Secondly, climate change negatively affects international production and trade, especially Vietnam's key export industries such as agriculture, fisheries, and forestry.* *Besides, the enforcement of environmental regulations can lead to new barriers to international trade.* Moreover, the application of the high-standard commitments of the new generation FTAs also poses challenges in terms of competition, innovation, institutional and legal reform.

POLICY RECOMMENDATION

1. *Raising awareness about international economic integration and new generation FTAs:* (i) Continue to organize the dissemination and mastery of Resolution No. 06-NQ/TW and the orientations, guidelines, and guiding documents of the party and country on international economic integration; (ii) Reinforce the organization of conferences on propaganda, dissemination, and training courses on the content of FTAs to which Vietnam is a member; (iii) Coordinate with press agencies, radio, and television stations to publish news related to the situation, guidelines and policies on international economic integration and commitments in FTAs of Vietnam; (iv) Coordinate with overseas Vietnamese representative missions to provide information on socio-economic development situation, propagate investment attraction policies; (v) Organize professional training courses, propagate the law on international integration for officials; (vi) Coordinate with associations, industries, and localities to propagate and disseminate commitments in FTAs in each specific sector; (vii) promote research, evaluate the impact of FTAs on the economy and different fields.

2. *Develop solutions and policies to enforce effectively the new generation of FTAs:*

External relations: (i) Promote bilateral and multilateral external relations; (ii) Actively and actively contribute to building and shaping multilateral institutions; (iii) Protect the independence, sovereignty, unity and territorial integrity of the Fatherland, the interests of the nation-nation; (iv) Promote the building and wide dissemination of national cultural identity; (v) Ensuring the compatibility of the Vietnamese legal system with international laws.

Trade promotion: (i) Legalize new generation FTAs; (ii) Review, amend and supplement legal documents and apply IT to facilitate import and export; (iii) Enhance trade defense capacity; (iv) Develop and apply an appropriate system of technical standards; (v) Expand and diversify markets and products; (Because)

The efficiency of FDI attraction: (i) Selectively attracting FDI; (ii) Developing a system of supporting industries and enterprises; formulating policies to encourage cooperation and technology transfer; creating favorable conditions for investors when investing; (iii) Developing mechanisms and policies to overcome the situation of "thin capital", transfer pricing, tax evasion, "hidden" investment, "hidden" investment.

3. Proposing policies and solutions to improve the investment and business environment, enhance the competitiveness of enterprises and the economy: (i) Continue to reform administrative procedures; (ii) Supporting enterprises to access credit capital; (iii) Improve the competitiveness of exports; (iv) Improving the efficiency of export promotion; (v) Effectively managing import activities, especially imports of non-essential goods that Vietnam can produce.

4. Proposing policies and solutions to ensure necessary resources for effective integration when participating in new-generation FTAs: (i) Advancing the quality of human resources through improving the training system training, vocational schools, training - fostering skills; promoting international cooperation in education - training and developing policies to attract high-quality human resources; and (ii) Ensuring the financial resources through restructuring the state budget, mobilizing domestic and international financial sources; from the overseas Vietnamese community; diversify forms of attracting investment capital in the field of infrastructure.