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Vietnam's FTA Strategy

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Abstract

Vietnam's trade performances after 1975 were primarily in Council for Mutual Economic Assistance (CMEA or COMECON) that was formed in 1949 under the leadership of Soviet Union to both counter to Marshall Plan of the US and facilitate the economic cooperation within the socialist bloc. After the Soviet Union collapsed in 1991, Vietnam lost the dominant aids and traditional markets. This urged Vietnam to push quickly the economic reform namely "Doi Moi" that was introduced since 1986. Hence Vietnam started to open the door and take part in the process of integration into the world economy. The process began with accession into Association of Southeast Asian Nations (ASEAN) in 1995 and ASEAN Free Trade Area (AFTA) in 1996; signing a bilateral trade agreement (BTA) with the United States in 2000 and free trade agreements (FTAs) under ASEAN framework in the 2000s and Vietnam has virtually engaged in international trade when Vietnam officially became a member of World Trade Organization (WTO) in 2007 and was more proactive and active in pursuing FTAs with a series of countries. This study attempts to have the profound investigation about Vietnam's FTA strategy in the process of integration. Based on the data was collected from past literature, WTO's reports, the official website of World Bank and Vietnam's government and an in-depth interview, the analysis indicates that Vietnam has strategy in participating in the integration process via FTAs since the dissolution of the Soviet Union. Vietnam signed FTAs with the most important country first-the US in 2000 and promoting FTAs with other developed countries both neighbour countries as Japan, Korea and the EU and multiple countries such as Chile in the Latin America region, European Free Trade Association, Eurasian Economic Union and Israel. FTAs are considered a tool for Vietnam to expand and diversify export destinations, attract foreign investment and foster trade liberalization reform through strong commitments.

Key words: *Vietnam, FTA, strategy, economic integration, trade, liberalization*

1. Introduction

The economic reform is well known as “Doi Moi” in 1986 marking a remarkable turning point in the transformation of the Vietnam’s economy from Soviet-type central planning subsidy and closed economy into socialist market-oriented and opened one. With such change of policy, Vietnam is becoming increasingly active in the integrated world economy by joining not only the multilateral trading system World Trade Organization (WTO) but also regional and bilateral free trade agreements.

The participation of Vietnam in regional trade agreement began with accession to Association of Southeast Asian Nations (ASEAN) and ASEAN Free Trade Area (AFTA) respectively in 1995 and 1996 that paved the way for Vietnam to participate the deeper integration with a series of FTAs. As a member of ASEAN, Vietnam has joined many FTAs such as ASEAN-Japan, ASEAN-South Korea, ASEAN-China, ASEAN-India, ASEAN-Australia/New Zealand, ASEAN-Hong Kong, Regional Comprehensive Economic Partnership (RCEP). As an independent side, Vietnam has bilateral trade agreements with the United States and FTAs with a range of countries includes Japan; Korea; Chile; EU; Israel, Customs Union of Russia, Belarus, and Kazakhstan; European Free Trade Association. Only Trans – Pacific Partnership (TPP) were signed but after US’s withdrawal, the others attempts to bring the pact into force by shifting TPP into the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) due to expectation of achieving trade liberalization for the whole Asia-Pacific region.

Becoming a member of WTO as well as negotiating a variety range of trade deals with other countries, on the one hand, has played a crucial role in declining tariffs and facilitated the export of products made in Vietnam; on the other hand, most of the partners Vietnam has signed FTAs are the most critical partners such as Korean, Japan, the US and EU so it is inevitable to be under competitive pressures. Not to mention that nowadays, Vietnam has been incrementally negotiating some high quality FTAs that incorporates new issues such as government procurement, competition policy, environment, labour, particularly diversity and complexity of rules of origin.

Definitely, as for developing countries like Vietnam, this will pose a ton of difficulties and challenges Vietnam has to face but it seems always willing to join the trade race that

comprises new international trade rules in the twenty-first century. Therefore, the thesis focuses on doing research about tactics of Vietnam to answer the research question: “What is Vietnam’s FTA strategy?”.

2. Research Objectives

The purpose of the study is going to explore:

- i. To identify Vietnam’s strategy in engagement in FTAs
- ii. To analyse the rationales Vietnam joins FTAs

3. History of Vietnam’s participation in FTAs

Since the “Doi Moi” initiative in 1986, Vietnam has incrementally accelerated the international economic integration and is becoming increasingly involved in the international trade over the past three decades. Vietnam’s trade liberalization progress encompasses three main periods:

- i. The period after war and under the Soviet Union’s influence
- ii. The period of “Doi Moi” and after the dissolution of the Soviet Union.
- iii. The period of deep integration after accession into WTO

a) The period after war and under Soviet Union influence

After the liberation in 1975, the US withdrew all aid to the South and China also terminated its aid at the same time since China failed to gain its influence in Vietnam in the Sino-Soviet strategic rivalry (Koga Kei, 2016). This induced the sharp decrease of external resources and pushed Vietnam on the edge of famine and some crises of supply for industrial activities in the South also emerged since the country lacked foreign currency to purchase inputs whilst the North’s supply could able to meet for only its own economic performances. Facing with the situation, together with the need of post-war economic rehabilitation, closer cooperation with the Soviet bloc was fostered strongly to compensate for the loss of China’s and US’s aids. Some commentators also believed that it was the reason of Vietnam government’s decision to take part in Council for Mutual Economic Assistance (CMEA or Comecon) that was formed in 1949 under the

leadership of Soviet Union to both counter to Marshall Plan of the US and facilitate the economic cooperation within the Soviet bloc.

Comecon's members were encouraged to be largely self-sufficiency, not necessarily full economic integration. Trade was insignificant because it was believed that trade was insufficient mechanism that was only used to purchase was not an efficiency mechanism; rather, trade was only used to cover essential purchases of goods that the domestic economy was unable to supply to subsistence levels and the composition of imports depended largely on what partner countries were willing and able to supply. Comecon also lacked a reliable price mechanism. Trading prices was well known as "stop price" was formed for each five year plan period based on average world market prices in the previous five years. In principle, the prices were based on world market prices but fixed for the purposes of planning. In the case of Vietnam, in terms of essence, trade with Comecon was the form of goods exchange at preferential prices that was subsidised by Soviet Union for Vietnam. For instance, Soviet sold oil for Vietnam at R/\$39 a tonne but actually, Soviet could sell easily at market price \$300 a tonne (Melanie & Dang, 2000). This made the much greater reliance on Comecon's aids.

b) The period of "Doi Moi" and the fall of Soviet Union

Owing to changes in the international context of the late 1970s, the Soviet Union and other CMEA countries were in severe difficulties and were not willing to supply imports on highly concession terms, they began to cut aids at the start of 1981. Consequently, the planned sector of the economy could scarcely have survived. Indeed, the acute shortages induced by the reduced aid supply had already begun seriously to erode the effectiveness of central planning which relied heavily on central control over major resource (Melanie & Dang Phong, 2000). Furthermore, the priorities of leaderships during the period were tilted toward heavy industry whilst the agricultural sector was not provided enough inputs contributing the largest proportion to national income through exporting. The shortcomings of Soviet economic type itself forced Vietnam move toward a series of limited reforms in foreign trade, industry, agriculture and prices during 1980-1981 and the comprehensive reform in 1986.

Thus, the reform took place before dissolution of the Soviet Union driving Vietnam to be closer with the regional countries thanks to commercial relations. These economic ties continued to be strengthened after the Soviet Union collapsed, the central planning mechanism ended in 1991 with the complete termination of Soviet “trade as aid”. So Vietnam was no longer able to rely on Soviet Union and had to foster reforms as well as adopt a new outlook on foreign policy in 1991. According to this new outlook, Vietnam desires to be a friend to all and to diversify its relations with all countries in the world regardless of their political and economic system. The ideological approach to foreign policy was replaced by one based on national interest; thereby, priority has been given to relationships with neighbouring countries. With such changes in Vietnam’s policy, Vietnam began to develop all-sided relations with ASEAN. In fact, since 1989 the ASEAN countries has contributed significantly to Vietnam's economic operations through their trade and investment in Vietnam and this, in turn, has created greater interdependence between them. In 1991, Singapore surpassed Japan to become Vietnam's largest trading partner with bilateral trade exceeding \$US 930 million. Furthermore, Singapore and Malaysia also were the biggest foreign investors in Vietnam with \$US 186 million and \$US 163 million respectively in 1993 (Hoang, 1993). So it was not surprising when Vietnam expressed interest in joining the regional integration-ASEAN that is Vietnam’s bridge to the wider world as early as 1992, or when it did in fact join in July 1995.

After one year Vietnam become ASEAN’s member, it was the first time Vietnam participated in regional economic cooperation and free trade through AFTA. It is worth noting here that since 1990s, the efforts of Vietnam to integrate were much more apparent. In the same year of Vietnam’s accession to ASEAN, Vietnam also attempted so as to enter to the playing field in international trade through application for WTO membership. After the insufficient trading progress under Comecon with socialist countries, Vietnam finds it very crucial to expand trade the rest of the world as well as carry out reforms for further development in the future and joining WTO can serve for these rationales.

Other crucial important FTA Vietnam signed at that time is BTA with US. Even though the US used to be one of enemies in Vietnam’s war and the US also ended virtually all economic interchange with unified Vietnam as well as imposed an embargo on bilateral

trade after 1975, but due to realization of the US's influence in international stage and the importance together with benefits from trading with large economy like the US, Vietnam gradually began to reestablish relations with the US and the US officially removed trade embargo towards Vietnam in 1994. Two countries normalized formal diplomatic ties in 1995 and move towards BTA that was signed in 2000.

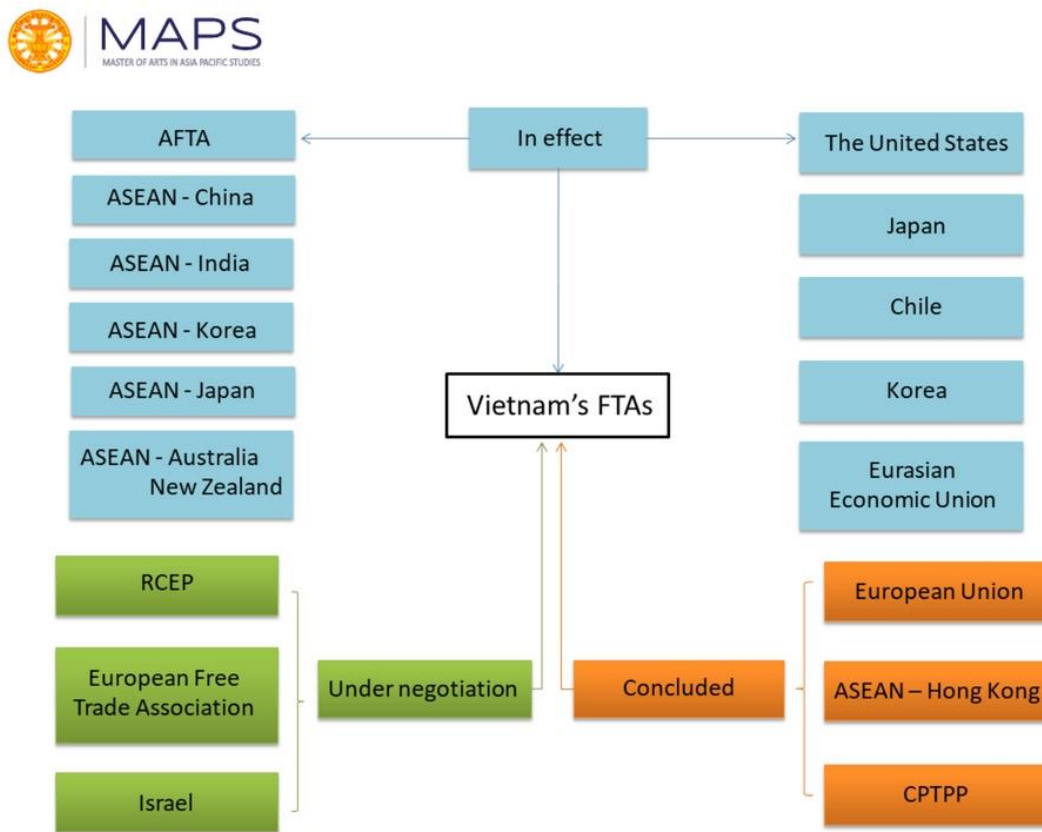
It can be said that the period is the time for Vietnam to both integrate and learn as well as regulate gradually to prepare for the far-reaching integration in the future. From 2001 to 2006, Viet Nam relied on ASEAN for progress on regional integration so Vietnam has participated extensively and comprehensively in economic cooperation as well as in the developmental orientation process and seriously fulfilled the commitments and obligations of a member country under the motto of "proactive, active and responsible". Thus, as a member of ASEAN, engaging in collectively FTA discussions under the ASEAN bloc is inevitable. Until now, Vietnam had eight FTAs as a member of ASEAN including AFTA, FTA of ASEAN with China, India, Korea, Japan, Australia and New Zealand, RCEP, Hong Kong.

c) The period of deep integration after accession into WTO

After participating WTO, Vietnam has been pushing the integration process quickly to catch up with the propensity of pursuing FTAs owing to the deadlock of WTO's Doha ground and meet the need of reform and economic development of Vietnam. Hence, besides FTAs Vietnam has in the framework of ASEAN, Vietnam pursued FTA negotiations with Japan, EFTA, Korea as primary targets to conclude FTA as well as high quality FTAs such as Vietnam-EU FTA and CPTPP

Besides signing FTAs with huge markets, Vietnam also emphasizes on new and potential market such as Chile. In addition, Chile is the first country in Latin America Vietnam negotiated to sign a free trade agreement with. This is considered a gateway for Vietnamese goods to penetrate into large markets in Latin America if the goods of Vietnam are able to enter the Chilean market, it can also penetrate into other markets in the Pacific Union and Latin American markets. Meanwhile, Vietnam actively engaged in FTA talks with EFTA consisting of Iceland, Liechtenstein, Norway and Switzerland. The signing of the FTA with the EFTA will create opportunities for the development of

Vietnam's textile and apparel exports as EFTA links with the EU and the EU has been the main market for Vietnamese textiles and garments. In 2015, Vietnam also became the first nation to sign FTA with the Russian-led Eurasian Economic Union EEU – which includes Armenia, Belarus, Kazakhstan and Kyrgyzstan. As for Israel, after 23 years of diplomatic ties, Vietnam and Israel have become important partners. In terms of commerce, according to Embassy of Israel, Israel is one of Vietnam's major partners with bilateral trade volume swelling from \$US 375 million in 2011 to nearly \$US 1.7 billion in 2015. Prospects for co-operations have been seen in other fields such as investment, finance, services, science, technology and labour.



Vietnam's FTAs

4. Vietnam's FTA with selected countries

Over the past three decades, Vietnam has deeply integrated into the economy of the world so the objective of this part is to capture the potential connections between Vietnam's participation in FTAs and the economic development in Vietnam. Viet Nam

might consider to developing a strategy in its trade liberalization process to diversify its export markets, attracting FDI as well as serving the process of internal reforms.

In 1995, the country officially applied for accession to WTO and became one of WTO's members in 2007. Vietnam determined to participate in the organization since the early stage of "Doi Moi". Vietnam's economy in recent years has been an export-oriented economy with high openness and export has been playing a role as the engine of economic growth. Therefore, theoretically, after accession to the WTO, access to markets of WTO member countries at the MFN (preferential import tax rate), the transition to the next developmental stage through FTAs that grants much more preferential-access provisions than MFN is inevitable. Hence, besides WTOs, Vietnam also signed some FTAs with large economies such as the US Japan, Korea, EU, ASEAN.

Vietnam-the US BTA

The first FTA Vietnam signed unilaterally is BTA with the US in 2000, There are several following reasons being able to interpret why Vietnam picked up the US as the first country to conclude FTA.

Firstly, negotiation BTA with the US served as a stepping stone to Vietnam's accession to WTO in 2007 since as a part of BTA, the US extended to Vietnam conditional most favoured nation (MFN) trade status, now known as normal trade relations (NTR). Economic and trade relations further improved when the US granted Vietnam permanent normal trade relations (PNTR) status on December 29, 2006, as part of Vietnam's accession to the World Trade Organization (WTO). It can be said that the negotiation with the US was the most difficult in the WTO members, but fortunately, the BTA was implemented, so the negotiation was much smoother.

Secondly, choosing the US as the first one, demonstrates the role of the US's market to Vietnam economy. Before 1990, trade relations between the two countries are one-way, only the US exported goods to Vietnam; by contrast, on the Vietnamese side, almost no Vietnamese products were exported to the US (Nguyen, 2016). But it is necessary for Vietnam to form economic ties with the US seeing that the US had the tremendous national strength in terms of economy and also are the most powerful country in the world after the dissolution of Soviet Union.

Hence signing the trade agreement with the US is beneficial a lot for Vietnam. On the one hand, it has been able to generate a great market access for Vietnamese exports. The difficulties in the early stage of “Doi Moi” to divert economy from centrally planned economy into to a market-oriented economy as well as other internal issues such as poverty alleviation, employments so it is extremely necessary to seek new markets for its exports, particularly labour-intensive products, which Vietnam has comparative advantages and previously was imposed high tariffs around 40% by US.

However, BTA granted Most Favored Nation (MFN), Normal Trade Regulation (NTR) for Vietnam, as a result, the tariff rate fell sharply to 3% (Vo, 2005). This opened the way for the growth of two countries’ trade in general and Vietnam’s trade in particular

Vietnam exports to the market have soared in 17 years. In 1996 Vietnam and the US just started to negotiation BTA and Vietnam's exports to the United States amounted only \$US 0.319 billion in 1996. Until 2000, the figure increased slightly to \$US 0.733 billion and jumped into \$US 5.927 billion and \$US 14.23 billion in 2005 and 2010 in respectively. It is worth noting here that the Vietnam exports valued \$US 33.48 billion in 2015 and still increased to \$US 38.46 billion in 2016 accounting for a fifth (21.78%) of the country’s total exports. This is far higher than that in 1996 (4.69%) (Table 1).

Table 1: Export value and Share of export value in selected FTAs of Vietnam

Unit: \$US billion and %

Year	US		Japan		Korea		EU		ASEAN	
	Export Value	% Share	Export Value	% Share	Export Value	% Share	Export Value	% Share	Export Value	% Share
1996	0.319	4.69	1.546	21.3	n.a	n.a	0.9	12.4	2.58	22.8
2000	0.733	5.11	2.575	17.78	0.353	2.43	2.9	20	2.60	17.95
2005	5.927	18.27	4.340	13.38	0.664	2.04	5.5	17	5.56	17.13
2010	14.23	19.73	7.728	10.70	3.092	4.28	11.4	15.78	10.40	14.39
2015	33.48	20.66	14.14	8.7	8.93	5.5	30.94	19.09	18.25	11.26
2016	38.46	21.78	14.68	8.31	11.41	6.46	33.97	19.2	17.45	9.88

Source: Vietnam Customs, World Integrated Trade Solution and The Japan External Trade Organization

* n.a: not available

Notably, before 1996, commercial relations between two countries was not developed and since 1994, Vietnam started to export to the US but it was insignificant, primarily the US exported to Vietnamese market so the US remained trade surplus until 1996. Nonetheless, the period from 1997 to now has witnessed a reverse in economic relations of Vietnam with the US when Vietnam has pocketed continuously the trade surplus with US. It was only \$US 0.1 billion in 1997 but rose gradually to \$US 0.28 billion, \$US 0.31 billion and \$US 0.45 billion in 1998, 1999 and 2000 in respectively and notably, climbed sharply to \$US 31.9 billion (Table 2). It is undeniable that US economy is the world's leading economy as well as has great scopes of market access so any countries in the world want to export goods to the United States.

Table 2: Vietnam's trade in goods with US

Unit: \$US billion

Year	Export Value of Vietnam	Import Value of Vietnam	Trade balance
1992	0.0	0.0046	-0.0046
1993	0.0	0.007	-0.007
1994	0.05	0.17	-0.12
1995	0.199	0.25	-0.05
1996	0.33	0.61	-0.28
1997	0.38	0.28	0.1
1998	0.55	0.27	0.28
1999	0.6	0.29	0.31
2000	0.82	0.36	0.45
2005	6.63	1.19	5.43
2010	14.86	3.7	11.1
2015	38.01	7.1	30.9
2016	42.09	10.1	31.9

Source: United States Census Bureau

According to the Statistics Portal, the US spent nearly \$US 2000 billion annually to import products from other countries showing the size of the largest import market in the world and demand of US' importers are extremely large. Even though the total export turnover of Vietnam to the US rocketed over 20 years but it also accounted for a relatively modest proportion of total imports of this country at approximately 1.15% in 2016. When a lot of Vietnamese businesses were interviewed, they responded that their anxiety was not in the size of market or competition in price. It is ability of Vietnam enterprises that is still limited and is not able to meet the demand of large numbers of partners (Nguyen, 2004)

Moreover, the US is also a very choosy market but the good thing is that Vietnam can export products to the US. Hence BTA is an opportunity for Vietnam to take advantage of the US's market. In total 40 items, Vietnam has exported to the US, textiles and garments posted the highest export turnover followed by footwear, wood and wood products, seafood. The US remained Vietnam's largest export market among 200 countries and territories that it had established trade partnerships with.

On the other hand, the US also is the world's leading source of technology, importing machinery from the US definitely helps Vietnam acquire advanced and modern equipment for the process of industrialization and modernization.

Finally, opportunities to attract direct investment from one of the most developed countries for the socio-economic development of Vietnam was also crucial at that time. While US's FDI from 1988 to 1993 (when trade embargo was not lifted), only reached \$US 3.3 million, only after the first year (1994) lifted the ban, this figure increased to more than \$US 266 million. Thus, the US jumped from 11th in 1994 to 8th in the top investors of Vietnam in 1995 (Nguyen, 2004).

Vietnam-Japan EPA

EPA with Japan is the first bilateral free trade agreement Vietnam has signed since the World Trade Organization's accession. In fact since 1996, Japan has been one of the most crucial and potential of Vietnam seeing that the export turnover reached \$US 1.546 billion and presented 21.3% in total value of Vietnam's exports (Table 1). So it is understandable that Vietnam desired to continue to export more products in the market, particularly, Japan has been one of the largest importer of many of the products in which Vietnam holds an absolute advantage in producing, such as agricultural products, consumer textiles, footwear, processed food products and so on. Especially in bilateral relations, Vietnam has the opportunity to strongly export seafood as Japan committed to reduce tariffs on these products, equivalent to about 83.8% of Vietnam's agricultural exports (the highest rate among ASEAN countries in all EPA Japan signed with other ASEAN countries). In contrast, Vietnam desires to import commodities from Japan such as machinery, technology. Then, it is inevitable for Vietnam to enjoy much more benefits from EPA with Japan. Under the established commitments, Japan has pledged to

liberalize 94.53% of trade revenue within ten years. Therefore, the VJEPA will improve the growth of Vietnam's exports while also insulating said exports from the downturns and fluctuations currently seen in the American and European markets (Nguyen & Shira, 2013). Thus, the export turnover of Vietnam in 2010 (\$US 7.728 billion) was nearly twice as high as that in 2005 (\$US 4.340 billion) and it also soared to \$US 14.14 billion and \$US 14.68 billion in 2015 and 2016 in respectively, as a result of signing EPA with Japan (Table 1).

Vietnam-Korea FTA

Korea is second developed economy in Asia Vietnam attempted to negotiate FTA. The trade relations between Vietnam and Korea began in 1983 and were strongly developed after 1992 when the two countries formally established diplomatic relations. The goal Vietnam towards to sign FTA with Korea is not different from the US and Japan because one of the most salient characteristics of Vietnam-Korea bilateral trade relation is the export-import structure is highly complementary and basically not competing directly against each other. The trade structure between Vietnam and Korea reflects the overall trade structure of Vietnam and its competitive advantages in terms of natural and human resources as well as cheap labour cost. Vietnam exports mainly fuel in the post-1992 and agricultural products to Korea and import mostly machinery, capital goods and production materials.

The structure of Vietnam's exports has witnessed positive transformation from raw materials and fuels to agricultural and manufactured goods. There was the largest share in the fuels and raw materials category that presented about 35.26% total export turnover in 1993 but this figure declined sharply to only 13.3% and 6.85% in 1997 and 2000 in respectively (Nguyen, 2014). Korea, currently, is one of the crucial markets for Vietnam's major exports such as textile and garments, telephones and parts, seafood, wood and wooden products, and footwear.

Exchange turnover has been continuously increasing from \$US 0.353 billion in 2000 to \$US 3.092 billion in 2010 and \$US 8.93 billion in 2015. There was a remarkable increase in 2016 after Vietnam and Korea signed FTA at \$US 11.41 billion, accounting for 6.46% in total Vietnam's exports. As a result, South Korea was the fourth largest export market for Vietnam, according to the General Department of Customs (Table 1).

Vietnam-EU FTA

In the same year with VKFTA, Vietnam also signed a high quality with EU. The strong market access commitments are expected to boost Vietnam-EU trade relations. Vietnam and the EU will eliminate import tariffs on more than 99% of tariff lines. For the very few remaining tariff lines, the two sides will give each other tariff quotas or tariff reductions. This can be considered as the highest level of commitment Vietnam has achieved in FTAs that have been signed so far.

Since the establishment of diplomatic relations between Vietnam and the European Community (EC) on 28 November 1990, economic relations between the two sides have grown steadily. But in general, for five years from 1990 until the signing of the Cooperation Agreement in 1995, the economic cooperation has been modest (Dinh, 2011). Economic activity was the developmental assistance of EU for Vietnam. However, the market always presents a large proportion of Vietnam's market share. In 1996, Vietnam's exports to EU amounted at \$US 0.9 billion, accounting for 12.4 %. There is an increase in exports Vietnamese goods to EU in the following years. In 2010, it reached \$US 11.4 billion and recorded \$US 30.94 billion in 2015 and peaked at \$US 33.97 billion in 2016 (Table 1)

With 500 million consumers, the signing of EVFTA will be an important impetus for Vietnam to access potential market and continue promoting economic and trade relations with the EU. As the FTA framework allows the elimination of tariffs on more than 90 types of tariffs, Vietnam is able to access easily to the EU's market. This has resulted in sustained benefits for Vietnam. The reduction of tariffs alone will facilitate for Vietnamese exports increase to 30%-40% compared to the absence of an agreement. The sectors most likely to benefit from EVFTA are electronic products, footwear, textiles and clothing, coffee, rice, seafood, and furniture and so on. The average tariff of Vietnamese goods is about 4% when Vietnam exports to the market, but in fact, this level rises to 7% since most of Vietnam's exports are subject to the list of goods that are imposed high tariffs by EU. Thus, when EVFTA comes into force, Vietnamese goods will benefit greatly in terms of tax rates, contributing to the competitiveness of Vietnamese goods in the EU.

It can be seen that the reduction of tariff barriers thanks to EVFTA will bring many benefits to Vietnam because on the one hand, EU is a diversified and huge market; on the other hand, main exports of Vietnam and EU are complementary with one another other.

One point need to be noted in here that EVFTA is a high quality FTA so besides tariff barriers elimination, it also includes commitments behind the border such as investment, services liberalization, government procurement, intellectual property protection, environment, labour. This will require Vietnam to regulate certain domestic regulations being in line with policy of reforming administrative procedures and renovation of Vietnam's growth model, so it will bring about positive impacts on the economy in the long run.

5. Conclusion

After the fall of the Soviet Union in 1991, Vietnam has responded quickly to the international diplomatic isolation together with the loss of dominant source of economic aid and markets by the greater emphasis on comprehensive reform namely “Doi Moi” or renovation that was introduced in the Sixth Party Congress in 1986. Vietnam started its own integration with neighbour countries through participating in AFTA in 1996 and with the world through WTO in 2007. Nowadays, Vietnam is in the far-reaching integration due to a range of negotiations in FTAs with many countries. This process indicates that Vietnam has clear strategy in engagement in the process of trade liberalization via FTAs. by signing FTAs with the core advanced and major economy first as the US in 2000 and promoting FTAs with other developed countries both neighbour countries as Japan, Korea and the EU and multiple countries such as Chile in the Latin America region, European Free Trade Association, Eurasian Economic Union and Israel. The ultimate goals in signing these FTAs are to expand and diversify export destinations, attract investment inflows and serve domestic reforms particularly new generation FTAs such as Vietnam-EU FTA.

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