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THE REFORM OF VIETNAMESE ECONOMIC INSTITUTIONS UNDER THE IMPACT OF FREE TRADE AGREEMENTS A CASE STUDY OF THE EU AND VIETNAM FREE TRADE AGREEMENT

My paper introduces general information about Vietnam's Free Trade Agreements (FTAs) which shows the main achievements of the Vietnamese economic integration on the regional level as well as on the global level through FTAs during its economic reform period. It explains the impacts of FTAs which would eliminate tariffs for Vietnam, expand its market, improve the legality of trade, increase the quality of produce and then further benefit trade and economic growth. Especially, FTAs are highly necessary for reforming Vietnam's economic institutions.

In addition, of the free trade agreement between the EU and Vietnam FTA (EVFTA) is presented, introducing a new phase in the Vietnam-EU cooperation. EVFTA can offer more trade opportunities for both sides. However, Vietnam also faces many challenges in which Vietnam can lose access to the EU market because it has a lower capacity, weak competitiveness and a slow reform of its economic system, due to the dominant of state owned enterprises. EVFTA might trap Vietnam in inside a low-wage, low-skill cycle. The EU imposes a conditionality of the improvement of social issues, stressing democracy, human rights and labor. These issues can be obstacles for the negotiation and implementing of EVFTA.

1. INTRODUCTION

It has been three decades since the Economic Renewal (“*Doi moi kinh te*” 1986), and Vietnam's economy has been growing at an average rate of 6.5% per year. Vietnam has established trade relations with more than 200 countries and territories, and has been considered as one of the largest export-oriented economies in ASEAN. A part of this achievement can be accounted to the FTAs which Vietnam has signed. Vietnam's FTAs have covered not only the movement of goods, but also trade in services, investment, and other trade related-aspects. Exporters in Vietnam have benefited from the enlargement of export markets as well as reduced tariff and non-tariff barriers, thanks to FTAs. By the end of 2017, Vietnam has signed 12 FTAs, of which eight have already become operational, and it is negotiating another four (16 FTAs in total). The new generation of Vietnam's FTAs have a broader scope and its contents are beyond commitments on trade, services and partially investment, referring more to the institutional and legal issues in the fields of environment, labor, state-owned enterprises, intellectual property, government procurement, and “non-economic” or “political economy” rules. When coming into force, these FTAs will strongly influence Vietnamese stakeholders.

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Unlike other economies, Vietnam has been practicing a socialist-oriented market economy. The current economic model of Vietnam still lacks the full conditions for a market economy, because of the clash between characteristics of 'socialist factor' and basic principles of market economy. Vietnam is just considered as a relatively open economy. Therefore, Vietnam qualifies to be a good case study for its efforts to transform itself from a socialist economy into a market-based socialist economy where FTA has become an instrument of its transition.

This paper aims to answer two core questions:

- How about the Vietnam's FTAs during the process of economic reform?
- Which institutional reforms Vietnam achieved base on the impacts of FTAs?

There were quite many studies in the field of FTAs and the impact of FTAs on Vietnam's economic growth. However, it is necessary to update studies in light of policy changes and Vietnam's economic situation and the world economy. This paper wishes to summarize and give a general overview of Vietnam's FTAs and to offer some rational explanations for reforming Vietnamese economic institutions under the impact of its FTAs. EVFTA is used as a specific case study to provide a detailed analysis of the changes of Vietnam's economic institutions in order to harmonize it with this free trade agreement. Indeed, to answer the first research question, this paper produces a map of Vietnam's FTAs in which presents the main Vietnamese FTA partners and the status of each FTA. The following part is a description of Vietnam economic and trading achievements in order to point out the contribution of Vietnam's FTAs. A combination of literature review about the potential impacts of EVFTA and an analysis of institutions reform base on EVFTA can reflect the specific issues of this agreement. The key finding of this paper is that FTAs contributed in Vietnamese economic institutions reform in many aspects from the legal aspects to the conditions in the business environment and its economic structure which is presented in conclusion part.

2. LITERATURE REVIEW: THE POTENTIAL IMPACTS OF EVFTA

Recent papers examining the impact of EVFTA point out the opportunities and challenges of EVFTA include Baker et al. (2014, 2016), Nguyen B.D. (2014, 2016), Brauer et al. (2014), Wnukowski (2015), Nguyen Q.T. (2015), Vu (2016), Shairee (2016). There is much more research on the effects of EVFTA on Vietnam than on the effects on the EU and EU member states.

Focusing on the financial support of MUTRAP² III, Baker et al. (2014, 2016) evaluated the impact of EVFTA on the whole of Vietnam's economy, including trade, investment, savings, employment and economic growth. This study used a computable general equilibrium (CGE) to estimate the changing volumes of some main sectors of Vietnam's imports and exports from EU market such as rice, garments, electronics, machinery, chemicals under the tariffs reductions of EVFTA. The results show the potential benefits that Vietnam can gain from EVFTA. However, the study solely focused on the positive impacts of EVFTA. Nguyen (2014, 2016) applied the gravity model for trade to estimate the changes in overall trade flows between the two partners.

2 Multilateral Trade Assistance Program III (MUTRAP III) launched in 2008, one year after Vietnam joined WTO, the EU funded 10 million EUR and Vietnam government contributed around 0.7 million EUR

In the model, the coefficient explains that a decrease of 1% of EU's tariff/Vietnam's tariff leads to a 0.52% to 0.95% increase in Vietnam-EU trade. On one hand, the article explains the reasons on the side of Vietnam for boosting exports to the EU, thereby promoting Vietnam's trade policy reforms and access to advanced technology from the EU as the main benefits that Vietnam would get from EVFTA. On the other hand, Vietnam will face a reduction of tariff revenues and rising competition pressure on the domestic market, and the dependency on export products with cheap price and import products with expensive price from EU can push Vietnam's trading position. The studies of Brauer et al. (2014) stressed the negative aspects of EVFTA, showing the difficult position of Vietnam. They conclude that the Vietnamese legal system is not yet capable of coping with the plethora of changes. Before the full potential of EVFTA can unfold, the Vietnamese legal system will have to undergo fundamental reforms. Studies on the realities of Vietnam politic system as the CPV³, in fact, has been strengthened by the new constitution, highlighting that any change to the Party's supremacy is unlikely. Hence, they indicate the lack of willingness to commit on specific articles of EVFTA, such as human rights and transparency. In addition, it was one of the first studies to explore skepticism on the success of EVFTA.

EVFTA can play a crucial role for European businesses that are looking for new chances to access the Vietnamese market. Particularly, Wnukowski (2015) foresees a rise in Vietnamese demand for machinery, dairy and pharmaceutical products, and "green technology" from the EU. This paper produces a general explain for the opportunities of EU companies in some sectors, but it does not empirically show the consequences of tariffs reductions in each sector. The research of BGD Asia (2015) filled this gap. They connect the trending of shares in consumer and the changes of tariffs to find which sector can gain the most potential benefits from EVFTA. It is evident that EU investors have more to gain from EVFTA. Nguyen Q.T (2015) surveys recent EU investment in Vietnam and then isolating the opportunities to attract FDI as a result of EVFTA, both from Vietnamese and from European investors. Vietnam's favorable geographical position, abundant labor force with low-cost, financial incentives on land and amended income tax, and the transfer and strengthened consumption market spur EU investment. Whereas the EU can expand its markets for high quality services, Vietnam's economy is in need of advances in technology and capital for its further industrialization and modernization.

Furthermore, there are a number of articles that evaluate the impact of EFVTA on specific sectors. By using the SMART model, Vu (2015) assesses ex-ante impacts of tariff removal under the EVFTA on Vietnam's imports of pharmaceuticals from the EU, based on two scenarios. The results show that the EVFTA would lead to an increase of about 3% in Vietnam pharmaceutical imports from the EU, and the EU would still be the biggest source of pharmaceuticals for Vietnam despite the efforts of Vietnam to cooperate with other partners. Pierre et al. (2016) find that the EU is increasing its imports of rice (and dairy) but has an increase in its balance of beef and sheep and beverages, leading to an overall increase in agricultural production of 90 million euros.

In summary, several important research gaps have been identified. Previous studies on the EVFTA focused on its impact on the whole economy rather than the specific impact on trade.

3 The Socialist Republic of Vietnam is one-party state, where the Communist Party of Vietnam (CPV) holds the monopoly of the political process. The supremacy of CPV is guaranteed by the Article 4 of the national constitution.

Furthermore, the opportunities and challenges of EVFTA are underexplored. The previous literature estimated the impacts of the EVFTA in isolation with other FTAs that Vietnam has implemented.

3. METHODOLOGY AND DATA

The paper presented here is mostly based on desk-based research and comparative methodology to study in Vietnam's FTAs conditions as well as the role of Vietnamese FTA partners take part in its economic growth and its integration in regional and global trade. Both primary and secondary sources were consulted, whereby the lack of an accurate and up to date database of Vietnam trade relation with its FTAs' partners is identified, both in general and in the case of EVFTA.

Firstly, to determine the elements and content of Vietnam's FTAs and EVFTA, the author will use the available Vietnamese and international publications in the field. The next step in this study is to summarize Vietnam's FTA network, with the relevant the main points and its achievements in the economic institution reforms. The paper is rather descriptive in this respect. It is deliberately chosen to provide a broader picture, where the focus was rather put on the presentation of the overall process than data dumping. The results of the case study undertake neither a more detailed analysis nor the detailed evaluation of the potential influence on Vietnam economic institutions under the impacts of EVFTA. The data and the previous empirical results are collected and extracted from several databases, namely Eurostat, the IMF, the WorldBank, the Vietnamese Ministry of Investment and Trade, Vietnam's General Statistical Office, and other data in Vietnamese journal or online services.

4. FTAs AND THE REFORMING OF VIETNAMESE ECONOMIC INSTITUTIONS

4.1. AN OVERVIEW VIETNAM'S FTAs NETWORK

Vietnam is participating extensively and deeply in the globalization process and integrating deeply in the regional and world economies. Vietnam has integrated deeply into the world economy in diversified levels, conforming to global principles and standards. Vietnam's FTAs take the main role in the process of Vietnam integration as well as for reforming of Vietnamese economic institutions.

As of late 2017, Vietnam has signed 12 FTAs, of which eight have already become operational, and it is negotiating another four (16 FTAs in total). As a member of ASEAN, Vietnam has been involved in ASEAN Free Trade Area (ACFTA – 2004), ASEAN – South Korea Free Trade Area (AKFTA – 2006), ASEAN – Australia, New Zealand FTA (AANZFTA -2009), ASEAN – Japan FTA (AJFTA – 2003), and ASEAN – India FTA (AITIG – 2009). On the other hand, Vietnam has signed seven other FTAs as in independent partner, viz AFTA (1996), Vietnam – Japan FTA (2008), Vietnam – Chile FTA (2011), Vietnam – South Korea FTA (2015), Vietnam – EU FTA (2016) and TPP (2015, TPP11-2017). Additionally, Vietnam is negotiating four FTAs with trade key partners such as Israel, Hong Kong, the Regional Comprehensive Economic Partnership (RCEP) and EFTA. Table 1 provides a picture of the FTAs Vietnam has negotiated so far.

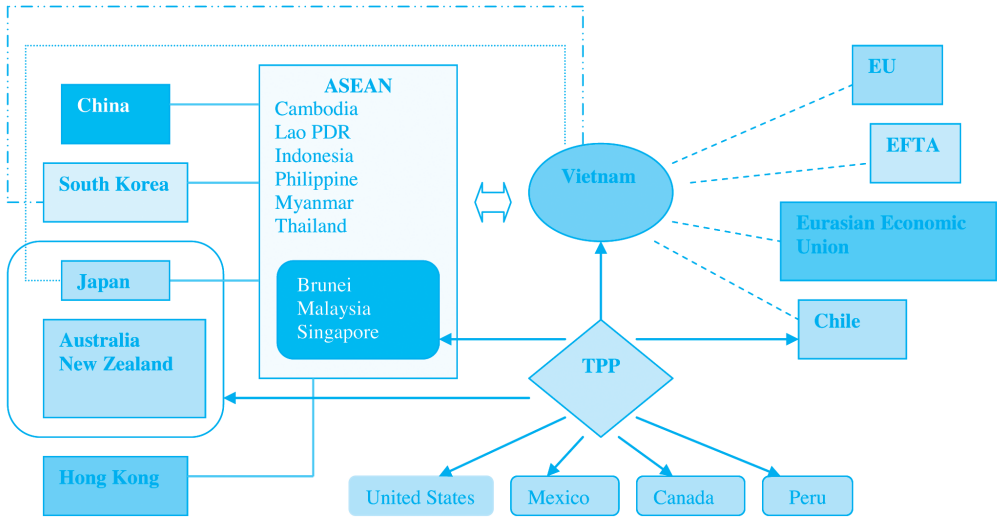
Table 1: Vietnam's FTAs network

No.	Milestone	Status
1.	AFTA (ATIGA) (then AFTAS; AIA/ACIA, AEC)	Signed in 1992 (ASEAN-6); Vietnam participated in 1995
2.	Vietnam – US BTA	Signed in 2000 and implemented in 2001
3.	ASEAN – China FTA	Signed 2004
4.	ASEAN – Korea FTA	Signed in 2006; (Thailand signed in 2009)
5.	WTO	Accession in 2007
6.	ASEAN – Japan CEP	Signed in 2008
7.	Vietnam – Japan CEP	Signed in 2008
8.	ASEAN – India CEP	Signed in 2009
9.	ASEAN – Australia – New Zealand ECP	Signed in 2009
10.	Vietnam – Chile FTA	Signed in 2011
11.	Trans – Pacific Partnership (TPP) → And then CPTPP (Comprehensive and Progressive Agreement for Trans – Pacific Partnership)	Negotiation concluded in 2016 (US withdraw) (APEC 2017 → Signed in March 2018)
12.	Vietnam – European Union (EU) FTA (EVFTA)	Signed in 2016
13.	Regional Comprehensive Economic Partnership (RCEP) (ASEAN + 6)	Negotiation in progress
14.	Vietnam – European Free Trade Association	Negotiation in progress
15.	Vietnam – Korea FTA	Signed in 2015
16.	Vietnam – Eurasian Economic Union FTAb	Signed in 2015
17.	ASEAN – Hong Kong FTA	Negotiation in progress

Source: Author's compilation
a Norway, Switzerland, Iceland and Liechtenstein;
b Russia, Belarus, Kazakhstan, Armenia, Kyrgyzstan;

Vietnam's FTA network has expanded to many parts of the world, where Vietnamese trade partners covered a large number of countries in three continents from Asia to Europe and America (Figure 1).

Figure 1: Signed and pending FTAs involving Vietnam



Source: Thanh (2015) and Author's compilation

4.2. THE ACHIEVEMENTS OF VIETNAM'S ECONOMIC PERFORMANCE UNDER THE IMPACT OF FTAs

FTAs have promoted Vietnam's export-import activities which, in turn, increased its trade turnover. Vietnam's exports to its FTA partners have successively increased by over 75% of the total export in recent years. Vietnam's main export markets are also its FTA partners encompassing EU, ASEAN, South Korea and Japan (Table 2).

Table 2: Vietnam's Major Export Markets, 2014 - 2016 (Based on Vietnam's FTAs)

Market	2014		2015		2016	
	<i>Billion USD</i>	%	<i>Billion USD</i>	%	<i>Billion USD</i>	%
ASEAN	19.1	12.7	18.3	11.3	17.4	9.9
EU	27.9	18.6	30.9	19.1	34.0	19.3
South Korea	7.1	4.7	8.9	5.5	11.4	6.5
Japan	14.7	9.8	14.1	8.7	14.7	8.3
China	14.9	9.9	17.1	10.6	22.0	12.4
U.S	28.6	19.0	33.5	20.7	38.5	21.8
New Zealand	0.32	0.2	0.33	0.2	0.4	0.2
Australia	4.0	2.7	2.9	1.8	2.9	1.6
Total (FTAs)	116.6	77.6	126.0	77.8	141.1	79.9
Total VN's export	150.22	100	162.02	100	176.58	100

Source: Vietnam General Statistic Office (2016) and author's compilation

Table 3: A comparison of pre- and post-FTA export growth of Vietnam

FTA partners	Before FTA (growth %)	After FTA (growth %)
ASEAN	-	18
China	18	23
South Korea	13	31
Japan	15	19
Australia	11	11
New Zealand	3	37
India	-	53
Chile	-	59

Source: Van (2016)

Vietnam imports from its FTA partners took over 80% total Vietnamese imports during the period of 2014-2016 (Table 4). China, ASEAN and South Korea were the biggest markets for Vietnamese imports.

Table 4: Vietnam's Major Import Markets, 2014 - 2016 (Based on Vietnam's FTAs)

Market	2014		2015		2016	
	Billion USD	%	Billion USD	%	Billion USD	%
ASEAN	23.0	15.6	23.8	14.4	24.0	13.7
EU	8.9	6.0	10.4	6.3	11.1	6.4
South Korea	21.8	14.7	27.6	16.7	32.2	18.4
Japan	12.9	8.8	14.4	8.7	15.1	8.6
China	43.7	29.6	49.5	29.9	50.0	28.6
U.S	6.3	4.3	7.8	4.7	8.7	5.0
New Zealand	0.5	0.3	0.4	0.2	0.4	0.2
Australia	2.1	1.4	2.0	1.2	2.4	1.4
Total	119.1	80.6	135.9	82.1	143.9	82.3
Total VN's import	147.7		165.6		174.9	
Total VN's export	150.22		162.02		176.58	
VN Trading Balance	2.5		-3.6		1.68	

Source: Vietnam General Statistic Office (2016) and author's compilation

FTAs are regarded as a magnet to attract FDI from Vietnam's trade partners. The implementation of FTAs reduced and eliminated the tariff rates of many imported commodities in Vietnam. Consequently, investors are subject to gain enormously if they do business in Vietnam (open factories taking advantages of cheap labors and low-cost inputs and then export their products to outside world as well as purchase in Vietnam market). Vietnam now is one of the most attractive FDI destinations in the world, with more than 16,300 FDI projects valued at USD 238

billion (Hai, 2016). Importantly, eight out of ten largest FDI investors are or will be Vietnam's FTA partners (Table 5)

Table 5: Largest sources of FDI in Vietnam

No.	Partners	Number of projects	Total (million USD)	Chartered FDI
1	South Korea	4110	37,233.55	10,543.97
2	Japan	2477	36,891.18	11,876.94
3	Singapore	1351	32,745.44	8412.01
4	Taiwan	2368	28,401.43	11,900.79
5	British Virgin Islands	549	17,987.70	5855.81
6	Hong Kong	869	15,463.21	4791.82
7	United States	717	10,937.34	2616.92
8	Malaysia	484	10,768.04	3682.88
9	China	1089	7952.16	3137.95
10	Thailand	374	6691.99	2951.96

Source: Vietnam Ministry of Planning and Investment (2016).

4.3. REFORMING VIETNAMESE ECONOMIC INSTITUTIONS UNDER FTAs

FTAs tend to have positive impacts on Vietnam's legal and economic institutional reforms and improve the national image and position in the international infrastructure. The commitments under FTAs require Vietnam to comply not only with international rules and standards, but also revise the national legal system and government regulations towards a more transparent business climate and fairer competition to attract foreign investors and trade partners.

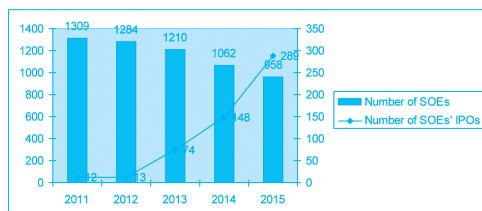
One of the important reforms in Vietnam in the preparation of joining FTAs was the revision of its trade and taxation policies. Before 2000, Vietnam employed a policy of 'import substitution'. Even the government had no schedule of tariff elimination/reduction. However, since 2001 Vietnam has pursued a export-oriented trade policy in order to join WTO and participate in AFTA and other FTAs. To meet FTA requirements, Vietnam has restricted its policy space, especially trade protectionism policies, through protection mechanisms of domestic companies such as tariff and non-tariff barriers (National Institute for Finance, 2015). The new law highlighted the government obligations of implementing tariff reduction/elimination commitments under FTAs. Vietnam's List of Preferential Tariff is updated yearly in order to comply with the FTA commitments. For example, after signing a new generation FTA with EU and joining other FTAs, the Vietnamese Trade Law of 2005 is proposed to be revised to be compatible with FTAs commitments (such as the rules of origin).

Vietnamese economic reform has seen a more active role of different economic sectors and a better environment for business activities. State-owned enterprises are being restructured and are reducing in number. Collective economic entities have adopted new forms of cooperation more appropriate for market institutions. The private sector is also witnessing a rapid rise in the number of enterprises and an improve performance, creating many jobs and making a growing contribution to gross domestic product. Foreign-invested companies are also stimulated and

have made significant contributions to job creation and export growth. Social and professional organizations are constantly developing and promoting their vital role to the national economy.

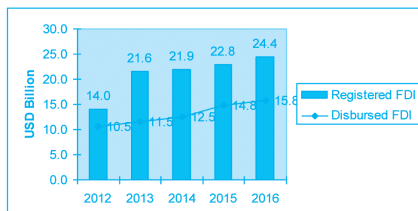
According to a report of the General Statistical Office (HaNoi, 2017), Vietnam has around 518,000 enterprises including 12,800 enterprises in the investment phase and 505,000 enterprises which were actually operating, a 55.5% increase compared to 2012. The number of private enterprises dominated the market with nearly 500,000, up 52.2% from 2012, and saw an annual growth of 8.7%. The number of SOEs in Vietnam has significantly decreased during the period 2011-2015 from 1,309 to 958 SOEs, with a further reduction planned to 190 SOEs by 2020 (see detailed in Figure 2). The foreign direct investment sector posted 14,600 enterprises, up 54.2% compared to 2012, and a 9.2% annual growth in the number of enterprises. The influx of FDI attracted by Vietnam's participation in the FTAs and other trade agreements may be considered empirical evidence of the achievements of Vietnamese economic reform. The FDI capital disbursed increased by 41% from 2012 to 2015 (see detailed in Figure 3).

Figure 2: Number of SOEs and SOEs' IPOs in Vietnam



Source: of General Statistic Office (2017)

Figure 3: Registered and disbursed FDI in Vietnam



Source: of General Statistic Office (2017) and Foreign Investment Agency-Ministry of Planning and Investment

Vietnam has gradually developed a market economy with smooth operations in line with the regional and international market. In the process of transition from the centrally-planning economy to the market economy, some important developments were reached:

- Ownership is now clearly defined. Private ownership is protected in the same way as other forms of ownership. Property rights on shares, other securities and the right to invest are recognized by law.

- The legal system has contributed to creating a good legal environment for businesses, by protecting the right to do business and prohibiting unfair competition in conformity with WTO rules. The Law of Enterprises and other relevant laws and regulations guarantee an equal legal framework for Vietnamese and foreign investors in Vietnam.

- The process of changing state-owned enterprises into stock companies or public utility supply entities has gained initial good results, where stock companies have become a popular form of business. So, the law has created more opportunities for the private sector to engage in business activities.

- Interference by the State through administrative measures in economic, commercial and civil matters has sharply decreased. The role of the State in resolving problems faced by enterprises and traders has been enhanced.

– *Key functions of the market economy have been established such as contracting, finance, banking, taxation, estate market, labor market, technology market, securities market and environment protection.*

However, based on the evaluation on institutions by World Economic Forum (2016), Vietnam has the lowest position on the institutional index, ranked at the 85th position out of 140 countries and 8th of the 10 ASEAN countries - lower than Laos. Table 6 illustrates the most important indicators for institutions, which plays a decisive role in the competitiveness of Vietnam. Vietnam is still ranked poorly. Among these indicators, ‘*Irregular payments and bribe*’ has the lowest position with the rank of 106th/140, followed by the ‘*Strength of investors’ protection*’ and ‘*Burdens from government procurement*’, ranked 100th and 90th, respectively. This result suggests that the administrative procedures in Vietnam are still complicated, time-consuming and costly for enterprises. Inevitably, this contributes to limited public services quality, an increase in irregular payments, corruption and harassment toward businesses and investors, making the business environment and economy less transparent, less attractive and less competitive.

Table 6: Institutional pillar of Vietnam 2015-2016

<i>Criteria</i>	<i>Rank</i>	<i>Score (point 1-7)</i>
Institution	85	3.68
Intellectual Property Protection	87	3.6
Irregular payments and bribes	106	3.2
Irregular payments and bribes: Obtaining favorable judicial decisions	65	3.2
Wastefulness of government spending	85	2.9
Burden of government regulations	90	3.2
Efficiency of legal framework in settling disputes	69	3.7
Transparency of government policymaking	89	3.8
Strength of investors protection	100	4.7

Source: World Economic Forum (2016)

4.4. CASE STUDY: EU-VIETNAM FREE TRADE AGREEMENT (EVFTA)

The diplomatic ties between Vietnam and European Union were established in October 1990, after which the relationship improved dramatically. As a rapidly developing and fast-growing ASEAN economy, Vietnam has substantial market potential for EU businesses and plays an important role in political ties with EU. Recently, the EU was one of the Vietnam largest overseas markets and purchased as much as nearly 19% of the country global export in 2015. Exports of Vietnamese products to EU reached over 27 billion euros in 2015. The EU was also the third largest trading partner of Vietnam, after China and the U.S. In 2015, the EU ranked fifth among the big FDI partners of Vietnam. Therefore, both sides went from the diplomatic relations to diversified sectors, especially, reaching a high level in trading.

The EU and Vietnam launched the negotiation of EU-Vietnam Free Trade Agreement since June 2012. There were 14 official rounds in the bargaining process to reach the signatures for this trade agreement in January 2016. The EU and Vietnam plan to implement EVFTA early 2018. EVFTA would largely contribute to a stable and predictable entrepreneurial environment, which in turn promotes growth and employment, enhanced trade liberalization and better market access. However, it is not a magic stick, nor it is full of traps. It simply brings opportunities and creates challenges for both partners. EVFTA will be an important “push” for Vietnam’s exports, especially for those industries in which Vietnam has a competitive advantage, such as textiles, furniture and agricultural products. With 500 million consumers and over US\$ 17,000 billion in GDP, the EU is a dream market. Signing a FTA with the EU and the subsequent reduction in the import duties by the EU, will offer a major opportunity for Vietnam to enter the EU market and increase its market share. According to the European Chamber of Commerce in Vietnam, EVFTA may help Vietnam’s GDP increased by 10%-15%; Vietnam’s exports to the EU might increase by 30%-40% and imports from Vietnam into the EU might increase by 20%-25%.

Vietnam has a vibrant economy of more than 90 million consumers, a growing middle class and a young, dynamic workforce. It is a market with great potential for the EU’s agricultural, industrial and services exports. Vietnam has a favorable geographical position as it is situated in the heart of Southeast Asia. Joining ASEAN Economic Community at the end of 2015, Vietnam is pressured to become the export center of the region. Vietnam will be the ideal bridge for EU manufactures to invest in Vietnam to enter other ASEAN markets.

EVFTA is a comprehensive free trade agreement. Considering both the scope and level of commitments, EVFTA goes further than WTO, with commitments not only in traditional sectors, such as trade in goods, trade in services but also in the fields of investment, intellectual property, public procurement, and competition policy. The main parts of EVFTA focus on the removal of tariff and non-tariff barriers to imports of specific goods and opening services sectors, the removal of obstacles to investment (joint venture requirements, burdensome licensing procedures, outright closure of certain sectors to foreigners); the improvement of the business environment (protection of intellectual property rights etc); reducing customs and administrative barriers in access to both markets and thus contribute to closer bilateral trade and investment cooperation.

Under the agreement, tariffs on most of Vietnamese export items will be eliminated, but some commodities such as food, garments, textiles, and footwear will still trigger stiff tariffs. Tariff reductions will make Vietnamese products more competitive but will not guarantee that Vietnamese enterprises exporting to the EU will overcome other non-tariff barriers. EVFTA might trap Vietnam in a low-wage low-skill cycle.

EVFTA would have a positive impact on trade and investment on both sides (giving easier market access and attracting FDI...). Especially the food and beverages, garments, textiles and footwear sector will have greater opportunities. There may be new opportunities for EU pharmaceuticals to export or do business and produce new products in Vietnam. In addition, machinery and appliances will still be the leading sector of trade flows between two partners. The reduction of tariffs and the simplification of the custom procedures as a result of EVFTA will cut down costs and enhance competition and expand the market. The removal (elimination) of nearly all tariffs may result in a huge potential for various industries.

EVFTA may promote Vietnam’s trade policy reforms. Commitments in EVFTA such as trade defense (anti-dumping, anti-subsidy), technical barriers (TBT), sanitary and phytosanitary

measures (SPS) contribute to the reform of Vietnam's trade policy, peacefully resolving impasses that arise in the process of applying commitments. The FTA with the EU will allow Vietnam's businesses and people to buy goods and services for reasonable prices, good quality, advanced technology, and thank of this, Vietnam has opportunity to increase the competitiveness and reduce the dependence on the imports from China. It can also help Vietnam create a freer environment for business and investment.

5. CONCLUSION

Thanks to FTAs, Vietnam is participating extensively and deeply in the globalization process and has integrated deeply in the regional and world economies. Under the impacts of FTAs, renewal of Vietnamese economic institutions has been development in many aspects from the legal aspects to the conditions in the business environment and its economic structure. However, it has not yet brought about the expected results. Institutional reform should have appropriate steps which must not cause legal conflicts between the contemporary economic laws and the requirements of FTAs. Without proper a legal system and business environment, advantages of the FTAs will not be harnessed. Besides, there must be a specialized apparatus with clear mandates to monitor, supervise, and evaluate the effectiveness of laws and institutions.

The EVFTA is a comprehensive free trade agreement. Considering both the scope and level of commitments, the EVFTA goes further than the WTO, with commitments not only in traditional sectors, such as trade in goods, trade in services but also in the fields of investment, intellectual property, public procurement, and competition policy. The main contents of EVFTA focuses on the removal of tariff and non-tariff barriers to imports of specific goods, opening services sectors; the removal of obstacles to investment (joint venture requirements, burdensome licensing procedures, outright closure of certain sectors to foreigners); the improvement of the business environment (protection of intellectual property rights etc); reducing customs and administrative barriers in access to both markets and thus contribute to closer bilateral trade and investment cooperation.

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