



MUTRAP
EU - VIET NAM MUTRAP III
MULTILATERAL TRADE ASSISTANCE PROJECT

NEWSLETTER | JANUARY - 2010



MUTRAP IS FUNDED BY THE EUROPEAN UNION
JOINTLY IMPLEMENTED BY THE MINISTRY OF INDUSTRY AND TRADE OF VIET NAM



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The MUTRAP newsletter is published with financial assistance from the European Union.

The views herein in no way reflect an official opinion of neither the Union nor the Ministry of Industry and Trade.

CONTACT DETAILS

The 9th Floor, Minexport Building,
28 Ba Trieu Str., Ha Noi, Viet Nam
Tel: (+844) 6270 2158;
Fax: (+844) 6270 2138
Email: mutrap@mutrap.org.vn;
Website: www.mutrap.org.vn



Workshop “MUTRAP III – European Trade Policies for Vietnamese Business Associations”

On January 15, 2010, in Ho Chi Minh City, European Chamber of Commerce in Viet Nam (EuroCham) organized the workshop “MUTRAP III - European Trade Policies for Vietnamese Business Associations”.

This is the first event of the project “Strengthening capacity of Vietnamese Business Associations for Trade Policies” built by EuroCham and sponsored by European Union.

EuroCham is one of the 6 organisations that received the direct grant of more than 200,000 EUR (in the total value of EUR 1,700,000 EUR) from the EU to implement the project “Capacity building on trade policy for Vietnamese business associations” with the aim at strengthening the integration and information sharing between Vietnamese Business Associations, their members and the Government. The Project has the duration of 24 months (from September 2009 to August 2011) and is an activity within the framework of the component 2 of EU-Viet Nam MUTRAP III. EU-Viet Nam MUTRAP III Project task force supports EuroCham in the implementation and execution of this project.

“*Viet Nam’s growing integration into global supply chains and international markets will require strengthened capacities of government and business associations at central and local levels.*”

*Ambassador Sean Doyle,
Head of the EU Delegation to Viet Nam*

There were 150 representatives who participated in the workshop, including European senior experts, Vietnamese business associations and enterprises.

The workshop focused on practical issues related to policies and regulations on trade of Europe as well as the propositions to cut down 30% of administrative formalities by the end of 2010.

In his speech at the workshop the Head of EU Delegation to Viet Nam, Ambassador Sean Doyle stated that “Viet Nam’s growing integration into global supply chains and international markets will require strengthened capacities of government and business associations at central and local levels. Some Vietnamese Business Associations are still lacking the means to provide consultation on European trade regulations to inform association members about the implications of trade integration, free trade agreements and business opportunities. They lack professionally trained staff and funds to carry out their own research agenda that could be addressed through small grants”.

According to Ms. Nguyen Thi Hoang Thuy, Deputy Head of Multilateral Trade Department (MOIT), Director of EU – Viet Nam MUTRAP III Project, the promotion of collective strength via associations is important because the standard and scale of Vietnamese businesses are still too low. Ms Thuy said that the project “Strengthening the capacity of Vietnamese business associations for trade policies” will





Ambassador Sean Doyle, organisers and speakers of the Workshop

contribute to strengthen the capacity of Viet Nam Business Associations in supplying effective assistance as well as practical experience for their members with issues related to trade or EU market accession; maintaining the dialogue with the Government on laws and policies which affect activities of enterprises; and becoming effective advising partner in making trade policy.

Mr. Alain Cany, Chairman of EuroCham highlighted: “The implementation and application of WTO commitments and the bilateral trade agreements are not only requirement for the Government but also for the business associations as their members engaged further in cross-border trader”.

To strengthen the awareness on trade policies for associations, EuroCham is operating the activity “assessment of training needs” for Vietnamese business associations. After this activity, EuroCham will carry out a series of workshops for 8 business associations to improve the capacity as well as to design training materials in accordance with practical demands.

Eight Business Associations were selected as EuroCham’s partners, including the Viet Nam Textile and Apparel Association (VITAS), the Viet Nam Leather and Footwear Association (LEFASO), the Viet Nam Association of Seafood Exporters and Producers (VASEP), the Viet Nam Chamber of Commerce and Industry in Ho Chi Minh City (HASMEA), Handicraft and Wood Industry Association of Ho Chi Minh City (HAWA), Ho Chi Minh City Youth Business Association (YBA), Can Tho Business Association (CBA).





Workshop “Instruments for Trade Related Advocacy”

On 20-21/01/2009, in Hanoi, the workshop “Instruments for trade related advocacy” was organized by the Viet Nam Association of Small & Medium Enterprises (VINASME) in cooperation with the German business association (SEQUA). Participants attended the workshop including presidents and vice chairman of SME business associations from 10 provinces/cities throughout Viet Nam together with the heads of different departments and organizations of VINASME. Some participants will be selected until the end of this month to build the nucleus of the VINASME trade advisory committee of the Action “Capacity Building on Trade Policy for the Viet Nam Association of Small & Medium Enterprises” to be implemented by VINASME in cooperation with SEQUA which is a part of the second component of the EU - Viet Nam MUTRAP III Project and funded by the European Union.

The main objective of the workshop is to strengthen the capacities of the Trade Advisory Committee members to develop a business agenda and work out trade related position papers and to become an efficient consulting partner for the Vietnamese Government, especially for the Ministry of Trade and Industry.

“ *Staff members of VINASME both at central and local levels have equipped with necessary tools that later can be used to support SME members to promote trade activities.*



Mr. Daniel Thomann, SEQUA expert, chairs discussion at the Workshop

The workshop which was conducted by SEQUA experts consisted of 4 sessions: Introduction to Policy Advocacy, Understanding the Issue and the Stakeholder Environment, Organizing Internally and Reaching the Audiences. The theoretical part of the sessions were complimented by case studies which helped the participants quickly to get a sound understanding of trade related advocacy. With the support of the SEQUA experts, a draft work plan for the Trade Advisory Committee was formulated in which detailed activities, a timeframe as well as responsible persons were defined. This drafted work plan is considered as a foundation for the Trade Advisory Committee to develop a complete working agenda for the activities of the Committee.

The participants evaluated the event as successful and useful. By taking part in the workshop, staff members of VINASME both at central and local levels have equipped with necessary tools that later can be used to support SME members to promote trade activities, particularly after the global economic crisis.





Launching Event: The Committee on International Trade Policies & The Portal on WTO and Economic Integration

On 29/01/2010, in Hanoi, Viet Nam Chamber of Commerce and Industry (VCCI) organized a launching event for the Committee on International Trade Policies and the Portal on WTO & Economic Integration. There were more than 130 representatives from government competent authorities in charge of making policy, negotiating and implementing international commitments, business associations and press agencies participating in the event.

The Committee on International Trade Policies and the Portal on WTO & Economic Integration are two major activities of the Program “Enterprises and International Trade Policies” of VCCI, in the framework of EU – Viet Nam MUTRAP III, granted by the European Union.

The Program aims at enhancing the participation of business community into the process of policy making, negotiating and implementing of international trade commitments. Furthermore the program aims at offering solutions to current regulatory shortcomings that have a negative impact on the development of some enterprises/industries and labors.

According to Mr. Tran Huu Huynh, Deputy Secretary of VCCI – Chairman of the Committee on International Trade Policies, currently there is not an official mechanism for enterprises to cooperate with the governments in the design of its trade policy, or to raise their voice or pass opinions to government negotiating authorities about their demands, interests and other issues on international trade policies. As a result, government negotiating authorities lack a “practical input” when designing the negotiating strategies, while at the same time the business community lack the necessary informations to take advantage of Viet Nam’s international commitments. The reality of implementing international commitments, especially in recent years, shows the consequence of this situation.

In the context of an increasing international economic integration, the fact that the Government is taking part in more and more FTA negotiations as well as negotiations in the framework of Doha Development Round and other important international treaties, should increase the participation of the business community in the process of negotiating and implementing international trade commitments of the Government.





Sharing the same point of view with Mr. Huynh on the necessity of harmonizing interests of public and private sectors in the process of negotiating and implementing of international trade policies, Mr. Hans Farnhammer, First Secretary, Deputy Head of Economic Cooperation and Governance Section of the EU Delegation to Viet Nam and Ms. Nguyen Hoang Thuy, Project Director of EU - Viet Nam MUTRAP III emphasized that European Union and MUTRAP III will pay high attention to this issue and that the EU at the same time is granting to three other Associations to step by step strengthen the capacity on international trade policies for Vietnamese business associations.

Representatives of many business associations and relevant agencies also state that business community has little chance to take part in the process of making policy, negotiating and implementing international trade commitments and thus the VCCI establishment of the Committee on International Trade Policies is highly appreciated. Participants at the event also have high expectation of this Committee to become a linking bridge, a forum for open discussion and exchange between the Government and business community not only in the process of negotiation but also in the period of implementation of international trade commitments.

At the event, the Committee on International Trade Policies introduces 30 members who are representatives of business associations in important economic sectors and experts from competent authorities in charge of making policy and negotiating of international commitments. The first aim of the Committee is to create an effective channel where the voice and interests of business community are heard and are considered in the process of making policy, negotiating and implementing international commitments; towards persuading the Government to establish an official consultation mechanism between State agencies and business community in this issue (similar to the current mechanism in building domestic law).

“The establishment and operation of the Committee on International Trade Policies and the Portal on WTO & Integration in the framework of the VCCI Program “Enterprises and International Trade Policies” will strengthen efforts in improvement of the relationship between the Government and business community.





Ms. Nguyen Thi Hoang Thuy, Director of EU - VietNam MUTRAP III and Mr. Tran Huu Huynh, Deputy Secretary of VCCI

The Portal on WTO & Integration www.trungtamwto.vn (Vietnamese version) and www.wtocenter.vn (English version) was also introduced in this event as (i) a communication channel for integration information not only on WTO but also on other integration forms (multilateral, bilateral); (ii) a forum for multidimensional and open discussion on all international trade policies and (iii) a channel of online consultation in which enterprises, business associations can get appropriate and timely advices from experts on international trade policies. This portal is set up especially for enterprises and business associations, uploaded information are collected, processed, summarized and explained in manner that meet demand and level of understanding of all enterprises but is not “raw information”. Tasks of information collecting, analyzing, processing and online consultation at the Portal are undertaken by the WTO Center of VCCI.

Hoping that the establishment and operation of the Committee on International Trade Policies and the Portal on WTO & Integration in the framework of the VCCI Program “Enterprises and International Trade Policies” will strengthen efforts in improvement of the relationship between the Government and business community, then increase effectiveness and quality of the integration process.

Committee on International Trade Policies consists of three groups:

- 1. Experts who are experienced and important in the negotiations of international trade commitments.*
- 2. Representatives of important business associations in important economic sectors*
- 3. Experts of trading study*

The total number expected of member is about 25-30



Nation Full Speed Ahead in WTO



On the occasion of 3-year WTO accession, Viet Nam Investment Review (VIR) had an interview performed with Mr. Claudio Dordi, Technical Assistance Team Leader of EU - Viet Nam MUTRAP III Project.

Viet Nam has enjoyed its first three years as a WTO member. What do you think of the country's implementation of its WTO commitments, and how has it taken advantage of the opportunities brought about by its membership?

Soon after its accession to the WTO, Viet Nam was hit by a number of negative economic events. First, there was a very high inflation rate, mainly due to an excess of liquidity following a spectacular increase in foreign investments. Next, there was a sudden rise in the price of raw materials and commodities, and, later, the international economic and financial crisis.

Most analysts recognise that Viet Nam has implemented its WTO commitments properly, even though some problems still exist, especially in service sectors such as distribution and with customs-related procedures.

What the international community has realised is that Viet Nam has become a reliable international trading partner. Its accession to the WTO has had two important and immediate effects, which are not measurable straight away. Firstly, on the imports side, although unusual global economic conditions have been a feature of its first three years as a WTO member, Viet Nam has continued to implement its commitments without any particular delay. Indeed, on the domestic side, it is clear that Viet Nam did not apply protectionist trade policies in this period.

Secondly, the worst economic crisis of the global economy since the 30s has affected Viet Nam only partially. This is even due to the important role played by WTO rules, which limited the recourse of members to trade protectionist measures. What would have happened, in such an economic and financial crisis, if Viet Nam were not a member of the WTO?

Regarding the way Viet Nam has exploited the opportunities brought about by its WTO membership, I think that it is too early to come to a conclusion. From the point of view of the institutional membership, however, Viet Nam has benefited from the advantages of the rights granted by its WTO membership.

Since 2007, Viet Nam has participated in all relevant WTO organs and it is fully integrated into the WTO system. All ministries are aware of the implications of WTO membership. The situation is different in the business sector, where many enterprises still seem unaware of the opportunities offered by participation in the WTO.





Several weeks ago, the Minister of Trade and Industry, Vu Huy Hoang, announced that only about 20 per cent of Vietnamese enterprises had made use of the opportunities brought about by the country's WTO membership. What are the main reasons for this?

The unsatisfactory level of exploitation of the opportunities brought about the WTO membership by Vietnamese enterprises can be explained from different perspectives. First of all, it should be pointed out that the Vietnamese value added is still low in many exported products. This makes it difficult to accumulate the necessary capital for further investments in the country, for upgrading technological equipment and for Vietnamese enterprises to adopt a more aggressive strategy in international markets, preventing them from fully benefiting from the reduction in trade barriers.

Secondly, for private enterprises, and especially for small- and medium-sized ones, it is difficult to understand the complications of a number of trade instruments, such as the rules of origin, customs classification and other trade-related policy measures.

For example, in many cases, enterprises prefer to export the goods without benefiting from the preferential treatment afforded by a free trade agreement or by the generalised system of preferences because the administrative burden of applying for such preferences is too great.

During her December visit to Viet Nam, former US Trade representative Susan Schwab suggested Viet Nam should be more vocal in Doha negotiations and should join the WTO's Government Procurement Code to open up more markets for its exports. Do you agree with her? Why? In your opinion, in what areas of negotiations should Viet Nam have a stronger voice?

The situation of Viet Nam in Doha negotiations is peculiar and different from most of the others WTO members. As a "very recent accessed member" (VRAM) Viet Nam is not required to deepen its commitments to WTO obligations outside of those agreed to during the procedure of accession.

For this reason, Viet Nam's "wait and see" attitude during the Doha negotiations is reasonable. Moreover, this attitude does not mean that Viet Nam does not participate actively in Doha negotiations, especially in NAMA (non agriculture market access), rules (anti-dumping, subsidies) and agriculture.

Participation in the Government Procurement Code has its pros and cons. Of course, allowing foreign enterprises to participate with the same rights to the Government Procurement procedures will increase the potential of Viet Nam in attracting foreign investments, and will improve the credibility of Viet Nam as a trading partner.

However, it should not be forgotten that Viet Nam is still a developing country and Vietnamese enterprises still lack competitiveness. Participation in the Government Procurement Code could have negative consequences, in the short term, for Vietnamese enterprises.





The best solution would be a sort of “programmed accession” to the code, i.e. a declaration by the government providing a deadline for participation in the code. This would set a deadline for enterprises wishing to improve their competitiveness and efficiency (including SOEs). It would provide a signal to other WTO members that Viet Nam is carrying on its policy of improving its market economy structure.

In 2010, according to its WTO commitments, Viet Nam will open its market much wider and deeper than it has in the past three years. Do you have any recommendations for Viet Nam to prevent further trade deficit and protect its domestic production in compliance with WTO regulations?

Viet Nam’s trade deficit is caused mainly by the import of materials and machinery. This is somewhat the price to be paid for its rapid development. Any move to protect domestic production would amount to an increase of the costs of imports, and, as a consequence, an increase in the cost of production in Viet Nam.

Moreover, it should be remembered that Vietnam’s main exports have a very high foreign content. Increasing the cost of its imports would reduce its competitiveness on the export side. Furthermore, protecting domestic production could increase costs for consumers and could slow the restructuring of inefficient national enterprises.

The best way of fighting the trade deficit is to increase the value of what is produced in Vietnam, widen the value chain, change the patterns of production, promote the most competitive sectors (private) and force the restructuring of the least competitive ones, especially SOEs.





CALENDAR OF EVENTS – JANUARY 2010

Date	Activity Code	Event	Co-organiser
15 January (HCMC)	CB-7	Workshop “MUTRAP III - European Trade Policies for Vietnamese Business Associations”	EuroCham
20 - 21 January (Ha Noi)	CB-7	Workshop “Instruments for Trade Related Advocacy”	SEQUA and VINASME
29 January (Ha Noi)	CB-7	Launching Event: The Committee on International Trade Policies & The Portal on WTO and Economic Integration	VCCI

UP COMING EVENTS

Date	Activity Code	Event	Co-organiser
03 - 07 February (Japan)	FTA-8	Meeting on the Rules of Origin Negotiations in East Asia FTAs	
01 - 05 March (France, Luxembourg)	SERV-7	Study tour to EUROSTAT on International Trade Statistics	
02 - 11 March (Czech, Germany)	SERV-5	Study Tour on the Domestic Regulations of Distribution Services	
10 - 12 March (Ha Noi)	CB-7	Workshops “Capacity Building on Nucleus Group Counselling”	SEQUA and VINASME
15 - 17 March (HCMC)	CB-7	Workshops “Capacity Building on Nucleus Group Counselling”	SEQUA and VINASME
18 March (Ha Tinh)	COMP-3	Workshop “Comments on Draft Law on Consumers’ Interests Protection”	VINASTAS
26 March (Da Nang)	CB-7	Workshops “Capacity Building on Nucleus Group Counselling”	EuroCham





EU-VIET NAM MUTRAP III AT A GLANCE

Foreign donor

European Community

Executing Authority and Implementing Agency

Ministry of Industry and Trade of Viet Nam

Budget

10,670,000 Euros (10,670,000 Euros from the EC, 670,000 Euros from the Vietnamese Government)

Project Duration

4 years, from August 2008 to June 2012

Overall Objective

To assist Viet Nam to implement the SEDP and the Post-WTO Accession Action Plan for sustained pro-poor economic growth through stronger integration into the global trading system

Project Purpose

The capacity of the Ministry of Industry and Trade (MOIT) to further implement and develop Viet Nam's trade and economic integration strategy is strengthened.

Main Results

- 1- Increased capacity of the MOIT to coordinate and implement WTO commitments;
- 2- Increased coordination of the MOIT with the private sector, training and research institutions to develop a coherent, social and environmental sustainable trade integration strategy;
- 3- Increased capacity of the MOIT to effectively negotiate and coordinate regional trade related arrangements such as AFTA, ASEAN plus dialogue partners and to engage in FTA negotiations with major trade partners;
- 4- Improved facilitation of trade in services through better coordination, statistics and better analytical capacity;
- 5- Strengthened capacity of the competition policy stakeholder to ensure consumer protection, a fair and level playing field for all businesses through the implementation of the new competition law.

