

MUTRAP

EU - VIET NAM MUTRAP III
MULTILATERAL TRADE ASSISTANCE PROJECT



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NEWSLETTER

Quarter IV - 2010



Capacity Building in Trade Policy Analysis

Strengthening of State Management with regard to Retailing Sector



EU - VIET NAM MUTRAP III AT A GLANCE

Foreign donor

European Community

Executing Authority and Implementing Agency

Ministry of Industry and Trade of Vietnam (MOIT)

Budget

10,670,000 Euros (10,000,000 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 Vietnam 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.

Components

- 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.

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EU - Viet Nam MUTRAP III Supported Ministries to Conduct Missions Abroad

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- OECD meetings - Paris
- Second Meeting of the ASEAN-Australia, New Zealand FTA Joint Committee
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Doha Round Bulletin, Vol. 3 & Vol. 4 - 2010

Calendar of Events

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BRIEF NEWS

- **Activity WTO-3: Assist MOIT to make preparations for the first WTO trade policy review**

This activity aims at building capacity of the Ministry of Industry and Trade (MOIT) and other relevant ministries and agencies in the preparation of Viet Nam's first WTO Trade Policy Review by early 2013, including effective preparation, effective inter-agency coordination, effective use of the opportunity to enhance stakeholder awareness of the WTO and to drive ongoing trade policy transparency as well as implementation and adherence to WTO commitments.

The two PNSs were organized and the final technical report addressed the establishment in due course of an appropriate and effective coordinating mechanism to guide and coordinate Trade Policy Review activities of Viet Nam; sets out some principles with respect to good practice in trade policy inter-agency coordination, based on international experience.

The technical report recommended government agencies to be ready in the provision of all relevant material to the WTO Review team, across all sectors of the economy, across all trade-related policy measures and across all trade-related domestic regulatory regimes.

- **Activity SERV-2: Research on the competitiveness of key services sectors of Viet Nam and suggested strategy for services trade development up to 2020**

Following two missions during October and November 2010, experts completed the third mission and it is also the last mission of this activity.

Regarding Telecommunication services, after the policy networking session on 20th September 2010 and some meetings with other relevant stakeholders, international and local experts completed the technical report on "Regulatory approaches – Anti competitive behavior in telecommunications". This technical report focused on anti-competitive behavior and the general relationship between competition and competition administration, as well as some solutions recommended to improve fair competition in Telecommunications.

Regarding Securities, in the mission, on 17th November 2010, a policy networking session on "Securities market liberalization – What comes next?" was held in Hanoi to collect recommendations from relevant State agencies in Securities service and securities firms. Furthermore, experts had meetings and working sessions with securities companies to study the legal compliance practice of the companies, internal control system, staffing, procedures, relationship with the State Securities Commission (SSC) and challenges faced by these companies... These are important inputs

for the report on "Securities market liberalisation in Viet Nam – Key issues for the securities regulator and the domestic securities companies" which is expected to be completed in January 2011.

- **Activity SERV-4&5: Comparative studies on the regulations of distribution services in selected countries in view of supporting MOIT in drafting a decree on retail and recommendations for an efficient and WTO-consistent discipline on distribution**

During three missions in July and September and November, 2010, experts studied and compared experiences on management practices of distribution services in some countries (Korea, China, Thailand, France, Germany and USA), and prepared the Draft for Decree on Retailing Service.

Findings of the studies and the Draft Decree were presented in three workshops organized in Ha Noi and Ho Chi Minh City, and three policy networking sessions in Quang Ninh and Hai Phong and Da Lat cities to collect comments from departments of Planning and Investment, departments of Industry and Trade, law firms, universities, associations and domestic and international organizations. The comments are considered to contribute in the comparative studies and Draft Decree on Retail as well.

The objectives of the Draft Decree on Retail mainly are to create favorable conditions to improve the development of the modern retailing system to promote production, protect consumers, ensure the stability of small and super-small traders' activities and attract these traders to participate in modern distribution channels. Especially, in the report on international experience on state management practice in distribution services in six above countries, experts presented challenges of the state management in Viet Nam and recommendations to strengthen the effectiveness of the state management in Viet Nam.

- **Activity SERV-7: Capacity building to improve the statistical system for trade in services**

The objective of activity SERV-7 is to provide capacity building to the General Statistics Office (GSO) in the planning of quarterly survey for trade in services, such as questionnaires and data gathering. Following the mission on International Trade in Services (ITS) in October 2010, experts carried out the mission on Foreign Affiliates Statistics (FATS), the last mission of this activity in 2010. During this mission, experts had meetings with relevant departments of GSO, FDI enterprises in Viet Nam in order to study. Following the the mission on International Trade in Services (ITS), in October 2010,

experts carried out the mission on Foreign Affiliates Statistics (FATS), the last mission of this activity in 2010. During this mission, experts had several meetings with relevant departments of General Statistic Office of Viet Nam, FDI enterprises in Viet Nam and completed a report on "Planning for an annual FATS survey". Through these meetings, the GSO will compile the main indicators of inward FATS, which can be extracted from available data of FDI statistics under Annual Enterprises Survey done by the GSO. Outward FATS will be developed after the year of 2012.

In the upcoming time, the GSO will compile the main indicators of inward FATS, which can be extracted from available data of FDI statistics under Annual Enterprises Survey done by the GSO. Outward FATS will be developed after the year of 2012.

- **Activity FTA-5: Analyse and compare Rules of Origins (ROOs) in bilateral and multilateral trade agreements participated by Viet Nam**

During the second mission of international expert in November 2010, the local experts collected, synthesized and provided statistic data related to trade value, conducted survey on the utilization rate of CO (Certificate of Origin) in exports according to Free trade agreements, etc. These statistics will be use as inputs for technical reports.

In addition, the international expert had meetings with relevant stakeholders, including associations to discuss

the utilization of CO, figured out the existing difficulties, challenges normally faced by export enterprises.

The final report will be completed upon the next mission of the international expert (tentatively in Quarter I/2011). MUTRAP III Project shall organize two workshops in Ha Noi and Ho Chi Minh city to disseminate the research results. The report is expected to provide recommendations for the benchmark Rules of Origins, supporting to Viet Nam's negotiators and trade policy makers. Also, the activity output helps to facilitate the utilization and issuance of Certificate of Origin in Viet Nam.

- **Activity FTA-7: Training on negotiation skills**

In order to assist in capacity building of the Ministry of Industry and Trade as well as of relevant ministries in trade agreement negotiation, MUTRAP experts developed a training program on negotiation skills. The training content includes basic principles for negotiation, accompanied by simulation exercises and practical experience of other countries.

With the assistance of local experts, the international experts completed the training course manual for both instructors and participants. As planned, MUTRAP III Project shall organize three training courses on trade negotiation skills in Quarter I/2011. The local experts shall participate as key instructors. In addition, there will be invited speakers who discuss and share experiences with participants.

PNS and Workshops

Workshop "Capacity Building on Consumers' Complaint Handling for Viet Nam Standards and Consumer Association"

The implementation of regulations on consumer protection requires an effective complaint handling mechanism. Consumer protection organisations in Viet Nam, especially, Viet Nam Standards and Consumer Association (VINASTAS) are expected to play an important role in this activity when the Law on Consumer Protection is adopted by the National Assembly on 17th November 2010.

In the last several years, the number of annual consumers' complaints has been significant. In 2009, VINASTAS Offices in Ha Noi and Ho Chi Minh City

received over 310 complaints by consumers. In the first 9 months of 2010, they have received about 200 complaints, not including the complaints received via phone calls. 80% of these cases have been settled successfully and achieved specific desired outcomes.

In fact, the number of cases where consumers' rights are violated by manufacturers and trading enterprises is significantly higher than the number of complaints. The reasons are due to the fact that consumers lack information, they have limited knowledge about laws, they do not know who and how



to get support, or they do not trust the capacity in handling complaints by State agencies or consumer protection associations...



Speakers and organisers at the workshop

The workshop "Capacity building on consumers' complaint handling for Viet Nam Standards and Consumer Association" was organized by EU - Viet Nam MUTRAP III with the cooperation with VINASTAS in Ha Noi on 13th October 2010 to present the current status of consumer's complaints handling practices in Viet Nam, disseminate international information and experiences and recommend to improve the capacity of consumer protection organisations in Viet Nam.

At the workshop, Dr. Lucette Defalque, MUTRAP expert, shared European experiences and gave some suggestions for improving current practices of consumers' complaint handling in Viet Nam. Specifically, Viet Nam can learn from the EU Rapid Alert System (RAPEX) for harmful products, except foods, pharmaceutical and medical devices. Dr. Lucette also emphasized the importance as well as advantages and disadvantages of two different consumers' complaint handling methods: binding decision (actions taken by the Court/arbitration) and Conciliation/Mediation. In non-competition cases, conciliation/mediation looks a

preferable method. According to Mr. Nguyen Phuong Nam, Deputy Director General, Viet Nam Competition Authority - MOIT, there had been no cases where consumers' complaints were settled by arbitration; court was not the consumers' choice, as its complicated and prolonged procedures. Therefore, consumers' dispute settled by conciliation/mediation should be recommended and applied. He also recommended to design an effective and efficient consumers' dispute settlement system, and establish professional consultation and mediation organizations.

Participants also emphasized the management role of State Agencies (Viet Nam Competition Authority, Ministry of Health...) in handling giant cases (says, milk and pharmaceuticals) related to anti-competitive behaviors or using misleading advertisements.

Another lesson learned from the workshop's presentations was to use mass media in raising awareness of consumers and lobbying to prevent illegal actions.

Sharing experience of consumer protection practices in local provinces, especially in Kien Giang, participants once again emphasized that the efficiency of Consumer consultation and mediation organizations depends substantially on the support and help from of Public Authority with Government funding.

Mr. Doan Phuong, Chairman of VINASTAS highly appreciated practical comments and suggestions at the workshop. Especially, these opinions would be used in completing consumer protection mechanism and would be raised at the upcoming final workshop on Draft Law on Consumer Protection before being adopted by the National Assembly.

★ Currently, the efficiency of Consumer consultation and mediation organizations depends substantially on the support and help from of Public Authority with Government funding.

Second Policy Networking Session "Preparing for The WTO Trade Policy Review Process"

According to the obligations stipulated in WTO, Viet Nam has to conduct the first Trade Policy Review (TPR) in 2013. The TPR will assess the development of trade policies since Viet Nam became an official member of WTO in 2007 and the implementation of WTO commitments and obligations in all aspects, including all sectors of the economy, all measures, policies as well as trade regulatory mechanism. Therefore, it is necessary for Viet Nam to have careful preparation for the TPR. Normally, countries (especially developing countries)

need 2-3 years to prepare for the first review.

Following the first Policy Networking Session (PNS) on Preparing for The WTO Trade Policy Review Process held in August, the second PNS was organised on 22nd October 2010. Participants to the PNS were designed to kick-start the process of careful coordinated inter-agency preparation required for the World Trade Organisation (WTO) Trade Policy Review of Vietnam.

The WTO Trade Policy Review will put Vietnam's performance with respect to implementation of its WTO

commitments under an international spotlight, involving close international scrutiny of all aspects of Viet Nam's trade policy since WTO accession in 2007.

The WTO Review will oblige the Government of Vietnam to respond to an intense and demanding process of inter-governmental inquiry into recent developments in all aspects of economic, trade and industry-related policy measures and all trade-related domestic regulatory regimes.

Presentations made by experts focused on relevant topics like Plans for how to identify and collect legal documentation that is relevant to trade policy from across all ministries and agencies; Learning from the experience of other countries with their WTO Trade Policy Reviews: domestic preparations, working with the WTO Secretariat, answering WTO member questions; Issues emerged after Vietnam's 3-year accession to WTO and policy recommendations; The importance of domestic trade policy coordination in drafting the Government Statement: sharing international experience.

The PNS is an opportunity for officials to learn of the preparatory steps which WTO members undertake when undergoing a WTO Trade Policy Review and how and when they should get started.



Ms. Jane Drake-Brockman, MUTRAP expert, delivered presentation at the PNS

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Workshop "International Economic Integration – Opportunities and Challenges for the Development of Milk Industry in Viet Nam"

In the last several years, milk industry is one of the fastest growing food industries in Viet Nam with average revenue annual growth rate of 18%.

Along with the international economic integration and the development of the domestic economy, improved living standards promoted milk consumption in Viet Nam. Average milk consumption per capita in Viet Nam has increased from 8.09 liters/person/year in 2000 to 14.81 liters/person/year in 2008, with average growth rate of over 9% per year during 2000-2008. However, in comparison with other countries in the region such as Thailand, milk consumption in Viet Nam is far lower than that in other countries. With the annual population growth rate of around 1.2%, GDP growth rate of 6-8% per year and increasing per capita income, the potential to develop milk market in Viet Nam is huge.

There are many opportunities for milk industry in Viet Nam brought by international economic integration such as: production restructuring, dissolution or merger of inefficient enterprises to form bigger and more potential corporations.

Besides many opportunities emerged from international economic integration, Viet Nam milk industry also has to face with a number of challenges such as food hygiene and safety and milk quality. Cases related to milk containing melamine, quality of milk lower than posted information... have obstructed the sale of milk, which affects seriously to milk enterprises. In addition, cattle feed is imported with increasing prices, which impacts the cost of production. Domestic milk enterprises also face with more and more fierce competitions due to the reduction of tariffs when Viet Nam implements Common Effective Preferential Tariff (CEPT/AFTA) Scheme, and WTO commitments.

On 29 October 2010, in Ho Chi Minh city, the Domestic Market Department - Ministry of Industry and Trade (MOIT) cooperated with EU - Viet Nam MUTRAP III Project to organize a workshop "International economic integration – Opportunities and Challenges for the development of milk industry in Viet Nam".

The workshop has been organized to collect comments and recommendations from policy decision makers, experts, researchers and business community



about impacts of international economic integration and solutions for development of milk industry in the future, which helps complete regulatory framework for milk industry and create favorable conditions for the sustainable development of the milk market.



Chairmen of the workshop were representatives of MOIT: Mr. Phan Chi Dung, Director General of Light Industry Department, Ms. Nguyen Thi Hoang Thuy, Project Director of EU-Viet Nam MUTRAP III Project, and Mr. Nguyen Loc Anh, Deputy Director General of Domestic Market Department.

Participants attending the workshop were from ministries, agencies, Department of Industry and Trade in southern provinces, milk corporations, companies, business associations and some research institutes.

Mr. Phan Chi Dung stated that imported milk powder accounted for high market share (approximately 72%), domestic milk powder accounted for smaller market share, for instance, Vinamilk (20%), Nutifood (5%) and other domestic small enterprises with no brand name. Moreover, the price of imported milk powder in Viet Nam sometimes went in the opposite direction with the world price of raw milk materials, which causes a lot of confusion for the consumers... Mr. Dung also said that

the competitiveness of Viet Nam milk enterprises was not high due to the fact that they had to depend on imported materials and equipment; quality of milk, especially milk powder was extremely low because 100% raw materials, equipment and technology were imported. However, the competitiveness of sweetened condense milk, liquid milk and yoghurt has been highly appreciated as the portion of fresh milk produced domestically has been increased, and domestic enterprises have built their own brand name and prestige with consumers.

Representatives of some milk companies like Nutifood, Vinamilk, Lactalis also shared their experience on formulating and developing brand name in international economic integration period, experience on penetrating into milk market in Viet Nam, as well as opportunities and challenges for milk companies in the upcoming time.

At the workshop, participants have discussed on Milk industry development strategy up to 2020. In the future, it is necessary to specify development planning for Viet Nam milk processing industry in municipal and rural areas. In addition, it is essential to encourage economic investors to build in milk quality testing facilities with advanced, modern and internationally standardized equipment to improve quality of products and contribute to the development of milk industry in the integration period.



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Workshop "Opportunities to Access and Expand the EU Market for Vietnamese Exporters"

After nearly two decades of establishing diplomatic relationship since 1990, the relationship between Viet Nam and the EU has positive improvement and development in many areas such as political and economic areas, trade, investment, development cooperation as well as education, and technology... Up to now, EU is still the largest trade partner of Viet Nam, which accounts for 17% of Viet Nam's total trade volume with international partners. To strengthen this relationship, in the last October, in Brussels, Viet Nam and EU completed the negotiation process and signed a

Framework for Partnership and Cooperation Agreement (PCA), which opened a new chapter for the relationship between the two parties. Also in the signing ceremony, the leaders agreed to initiate the Free Trade Agreement (FTA) negotiation process. This agreement is expected to bring many opportunities for Vietnamese exports to the EU market.

Being the second largest export market (after the US), EU with 27 member countries is really a large, diversified and potential market for Vietnamese exporters. However, EU is also one of the markets with

the most technical barriers to trade. Therefore, in doing business with EU partners, enterprises should actively get better understanding to deal with regulations, and requirements, to increase added value, to make a difference for products, to fit the consumption trend of the market. In this context, the EU – Viet Nam MUTRAP III Project has carried out many events for information disseminating about TBT, SPS, EU’s anti-dumping and anti-subsidy regulations... Also, the two workshops entitled: “Opportunities to access and expand the EU market for Vietnamese exporters” are to disseminate information to domestic enterprises. The two workshops were organized Hue city on 22 October 2010 with the cooperation of Hue city’s Management Board of industrial zones, and on 02 November 2010 in Hai Phong City with the cooperation of Viet Nam Chamber of Commerce and Industry (VCCI), Hai Phong Branch.



Mrs Nguyen Thi Tong, Vice Chairman - General Secretary of Viet Nam Leather and Footwear Association delivered speech at the workshop

Participants to the workshop were Mr. Nguyen Canh Cuong, Deputy Director General of European Market Department - MOIT, leaders of Hue city’s Management Board of industrial zones - VCCI Hai Phong Branch, representatives of Viet Nam Textile and Garment Association, Viet Nam Association of Seafood Exporters & Producers, Viet Nam Association of Leather and Footwear, Viet Nam Timber and Forest Product Association, and representatives of Department of Industry and Trade, business associations and other related exporters in Thua Thien – Hue, Hai Phong and neighboring provinces.

At the workshops, speakers disseminated relevant regulations in accessing EU market as well as

★ **EU is really a large, diversified and potential market for Vietnamese exporters. However, EU is also one of the markets with the most technical barriers to trade.**

situations, trends in consumption, distribution and export opportunities to EU markets for products in several sectors such as: textiles and garment, leather shoes, wood and furniture, handicraft. Accordingly, in doing business with EU partners, enterprises should consider the following issues:

Firstly, enterprises should analyze the market demand such as purchasing power, market segmentation, population, culture and consumption style... Enterprises should sell the products that the market demands but not the products that they have.

Secondly, EU also promulgated many difficult regulations for imports such as Regulations on Registration, Evaluation, Authorization and Restriction of Chemical Substances (REACH), Regulations on Illegal, Unregulated and Unreported (IUU) Fishing, Regulations on Animal Welfare, the Forest Law Enforcement, Governance and Trade (FLEGT)... If enterprises lack knowledge about EU regulations and trade barriers, it will be very difficult for them to approach new markets in the Europe.

Thirdly, enterprises cannot ignore direct and indirect competitors when participating in international markets. It requires a lot of hard work, efforts and investments to conquer these markets. Especially Viet Nam has to compete with China - a country exporting cheap products. Besides, EU has more preferential trade policies for African & Caribbean countries, and new members joining EU. These preferential treatments are also difficulties for Viet Nam, because they reduce the competitiveness of Vietnamese enterprises in penetrating in EU market.

In the discussion session, the participants required clearer information regarding the procedures to open representative office, Vietnamese branches in the Europe. In answering for above questions, Mr. Canh Cuong presented the enterprises policies, and regulations in the EU as well as ways of contact with Viet Nam trade counselors in Europe.

Training courses on “Instruments and Methodology for Trade Policy Analysis”

The integration of Viet Nam into the international trading and economic system is an important factor for Viet Nam in trade promotion, investment attraction, economic growth and for enhancing Viet Nam position

in the international market. In addition, the Viet Nam's deeper and larger integration in the international trading and economic system requires training and upgrading for researchers, lecturers, experts on



trade-related topics so that they could have capacity for analysing and processing trade-related matters and as well as capacity for teaching updated knowledge on trade policy analysis.

★ The training courses aim to improve the skills for analyzing trade policy, analyzing trading data, market diagnostics and multi-stakeholder consultation for trade policy making and implementation.

In this context, a series of training courses on “Instruments and Methodology for Trade Policy Analysis” was organized in November 2010. This action aims to improve the skills for analyzing trade policy, analyzing trading data, market diagnostics and multi-stakeholder consultation for trade policy making and implementation. It was particularly aimed at lecturers from universities and research institutes such as Foreign Trade University, Viet Nam Commercial University, Academy of Finance, Diplomatic Academy of Viet Nam and officials from lines ministries such as Ministry of Industry and Trade, Ministry of Planning and Investment, Ministry of Agriculture and Rural Development, General Statistics Office and Department of Industry and Trade, Department of Planning and Investment...

Two international experts, Dr Anna Strutt and Dr Thierry Coulet contributed to the courses, along with four national experts, Dr Luong Hoang Thai (Director General of the Multilateral Trade Policy Department - MOIT), Dr Pham Lan Huong (Central Institute for Economic Management), Dr Tu Thuy Anh (Foreign Trade University) and Dr Pham Van Ha (National Institute for Finance).

In November 2010, three two-day introductory courses were organized in Da Nang (9-10/11), Ho Chi Minh city (11-12/11) and Hanoi (17-18/11). The training then covered an Applied Course delivered on the 23rd and 24th of November in Hanoi.

Mr Hans Farnhammer, First Secretary, EU Delegation to Viet Nam attended the training course in Ho Chi Minh city and delivered the opening speech. He emphasized that it was very necessary to organise such training courses on trade policy analysis. In his opinion, in order to make effective analyse for trade policy, two factors must be taken in account: analysts must have thorough understanding on trade and economic policies as well as social-economic development plan in Viet Nam, and they must have sufficient data on situation of trade and industry in Viet Nam.



Mr Hans Farnhammer, First Secretary - EU Delegation to Viet Nam delivered opening speech at the training course on 11/11/2010 in HCMC

The two-day introductory course comprises eight sessions related to different tools that are commonly used for quantifying the impacts of international trade policy changes. The course also provided with comparative analysis of two methodologies: International Trade Statistics and Balance of Payments - two main statistical systems for the measurement of international trade. In addition, the learners studied on international trade data analysis, including international trade databases, calculation of simple indicators that can help identify key issues and sectors that may be important in the liberalization processes.

Main tools for analysis introduced in the course were partial equilibrium models, computable general equilibrium (CGE) models, and gravity models.

The introductory courses ended with a discussion session on trade policy strategy, focusing on the using of analysis tools as supporting tools for development of appropriate trade policy strategies.

The applied training course, held in Hanoi on the 23rd and 24th of November 2010. The main difference is the practical approach, including the use of specific software. A case study was performed, focusing on descriptive analysis of the Vietnamese external trade. The applied training course concluded with a presentation by Mr Luong Hoang Thai on an overview of the trade policy environment in Viet Nam.

The introductory and applied training courses both offered an overview of a wide range of key instruments and methods for trade policy analysis. The courses appeared to be appreciated by participants, with significant demand for follow-up training courses that explore further application and in-depth analysis using some of the specific tools introduced in this course.

Policy Networking Session "Securities Market Liberalisation in Viet Nam – What Comes Next?"

Within WTO framework, after 5 years since the accession date, Viet Nam will allow the establishment of 100% foreign invested securities companies, and allow them to conduct principal trading and provide services related to underwriting, and public offering. At the same time, branches of foreign securities companies are allowed to provide services such as brokerage, portfolio management, financial information provision, settlement and clearing. The time to open the securities market for foreign enterprises is in January 2012, what domestic securities companies should prepare to seize the opportunities and cope with the risks of opening the market, and fierce competition from foreign enterprises? The EU – Viet Nam MUTRAP III organized a Policy Networking Session (PNS) on "Securities market liberalization in Viet Nam – What comes next?" in Ha Noi on 17 November 2010 to create a forum for securities companies to exchange information and discuss with international experts about opportunities and challenges in international economic integration under WTO commitments.

★ The development strategy for Viet Nam securities market in the upcoming time relates to capacity building, income source diversification, mortgage, private placement, consultancy services...

Chairmen of the PNS were Mr. Claudio Dordi, TA Team Leader of MUTRAP III, Ms. Duong Thi Phuong, Deputy Director General, Market Surveillance Department, State Securities Commission, Ministry of Finance and Mr. Andrew Capon, MUTRAP expert.

Participant attending the workshop were representatives of ministries, agencies and over 30 domestic and foreign securities companies, Ha Noi stock exchange and Viet Nam Depository Centre...

Experts focused on analyzing the current situation in Viet Nam's and international securities market, challenges faced by Viet Nam such as capital, technology, human resource..., especially the issue of merger among small scaled securities companies. According to Mr. Andrew Capon, in comparison with other countries in the region, there are around 580 listed companies on Ho Chi Minh Stock Exchange (HOSE) and Ha Noi Stock Exchange (HNX) with total market capitalization of 33 billion dollars, there are only 107 listed companies in China with market capitalization of 1000 times bigger (3,589 billion dollars), or there are 24 listed companies in Singapore (1/5 of the number of companies in Viet Nam) but the market capitalization is about 492 billion dollars... This analysis shows that there are too many listed companies in Viet Nam. Participants also actively discussed the development strategy for Viet Nam securities market in the upcoming time such as capacity building, income source diversification, mortgage, private placement, consultancy services...

Workshop "The Role of Women in Consumer Protection"

Consumer protection has always been a topical issue, concerned by the EU – Viet Nam MUTRAP III besides many other important components of the Project. It could be said that there is no place in this world where consumers are protected so badly as in Viet Nam. Recently, there have been a number of cases where consumers' interests are harmed such as frauds in gasoline selling, insufficient protein in milk, milk containing melamine, false charges for taxi fares, telephone... Consumers' interests have been invaded so seriously, however, there have been no cases brought to the Court.

There are two main reasons: the Government has not issued effective regulatory framework, and mechanism to apply sanction for consumers' interest



Ms Nguyen Thi Hoang Thuy, Project Director, EU-Viet Nam MUTRAP III, delivered opening speech at the workshop



invasion, and the consumers have not been aware of their rights. In this context, along with the international economic integration, there are an increasing number of cases of counterfeit products, low quality products, and the process of raising awareness for consumers is slow. Therefore, consumer protection has become an essential topic which receives a lot of attention from State agencies and the whole society.

The EU- Viet Nam MUTRAP III cooperated with the Female Consumer Club to organize a Workshop entitled: "The role of women in consumer protection" on 19/11/2010 in Ha Noi. This workshop was organized in the context that Law on Consumer Protection was approved by the National Assembly on 17/11/2010.

Ms. Nguyen Thi Hoang Thuy, Project Director of the EU – Viet Nam MUTRAP III stated that the workshop was held for awareness raising and disseminating the policy of the Government, competition law, and law on consumer protection, to ensure good implementation of these policies, and regulations regarding protection of consumers' legitimate rights.

At the workshop, Ms. Vu Thi Bach Nga noticed some points in the Law on Consumer Protection, and emphasized that women were the ones creating consumption trend for the country. She also said that the Law on Consumer Protection has defined clearly the role of social organizations, and consumer protection associations. Ms. Dinh Thi My Loan, Deputy Chairwoman of Viet Nam Association of Retailers also said that most of consumers in Viet Nam were women; hence, the role of women should be emphasized in implementing Law on Consumer Protection.

Speaking at the workshop, Ms. Nguyen Thi Quynh Chi, Chairwoman of the Female Consumer Club stated that there had been 15 legal documents related to consumer protection. Assuming the current role of female consumers in the society, it is necessary to disseminate and instruct these consumers to actively participate in monitoring and implementing the Law.

In the discussion session, there were many practical suggestions contributed by participants. The Law on Consumer Protection should be disseminated widely to female consumers in a simpler, easier and

understandable manner. Others proposed that after the approval of the Law on Consumer Protection, law enforcers have to ensure strict and effective implementation to create confidence for consumers. In addition, State management agencies should also strengthen the prevention of counterfeit, low quality products, "fraud commercial" products, and minimize the penetration of these products to the markets, especially to female consumers in rural or remote areas.

FEMALE CONSUMER CLUB

The Female Consumer Club was established according to the decision No 64 HTC – QĐ dated on 12 May 1998 by the Vietnam Standard and Consumer Association (VINASTAS).

Principles and objectives

- This is a voluntary public organization of individuals who are interested in the consumption of women and optional attend the Club.
- The Club implements activities in order to promote the capability, the creativeness and the enthusiasm of women on the interests of consumers and responsibilities in consumption. The Club is where women consumers come to exchange their consumption experiences and increase their awareness of reasonable and right consumption.
- The Club is a non - beneficial organization, without services and marketing.
- The Club covers its expenditures by itself.

Activities

- Information, dissemination of consumption information, training on consumption knowledge and consumer's interests
- Exchanging and direction of consumption experiences
- Carrying researches, investigation, surveys and participating in projects on consumption issues occur in the society within financial capacity of the Club.
- Coordinating with national and international individuals and organizations to solve problems in female consumption in accordance with Ordinance on Consumer rights' protection by VINASTAS.

Contact address

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68/26 Thai Thinh 2 – Dong Da – Ha Noi – Viet Nam.
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Workshops "The Retailing Sector: An Update of The State Management Policy in Viet Nam"

After over three year accession to World Trade Organization (WTO), there are many significant changes in distribution sector. Regarding solely the retailing services, Viet Nam market has been considered as a very potential one which is attractive to foreign enterprises and investors.

Total value of retailing goods and revenues of consumption services in the first six months in 2010 reached 747.4 trillion dongs, which increased 26.7% as compared to the same period in 2009. The estimated value of retailing goods and revenues of consumption services in the first 10 months in 2010 is 1,282,020 billion

dongs, which increases 25.1% as compared to the same period in 2009. Total value of retailing goods and revenues of consumption services in Viet Nam continues to rise remarkably over the periods, the average annual growth rate in the period from 1996 to 2000 was 10.75%, 2001-2005: 18.3%, 2006-2008: 25%. By the end of 2010, total number of markets throughout the country (in accordance with the zoning concepts) is 8,591 (234 markets of level I, 887 markets of level II, 7470 markets of level III, 1,130 temporary markets or un-ranking markets), including 79 regional and provincial focal markets supplying agricultural products. Total number of people trading in these markets is more than 2 millions. Regarding modern retail shops, in 2005, there were only over 200 supermarkets, 30 shopping centers in 30/64 provinces and cities. However, in 2009, there were 445 supermarkets, 78 shopping centers and approximately 2,000 convenient stores in all 63 provinces in cities. Total value of goods circulating in the markets accounts for 40%, in modern retail shops accounts for 15-20%. Nevertheless, there are still many problems in the current retail system which needs a more transparent legal framework for further development.



From left to right: Prof. Francois Bobrie, Mr. Truong Dinh Tuyen, former Minister of Trade, Mr. Pham Dinh Thuong, Legal Affairs Department - MOIT, Prof. Robert A. Rogowsky

For this reason, the EU-Viet Nam MUTRAP III Project supported Domestic Market Department, Ministry of Industry and Trade (MOIT) to conduct researches, reviews of regulatory framework on distribution service, impact assessment of market openness on Vietnamese distribution market, learning international experience to recommend for State management agencies in managing domestic distribution sector, constructing a modern distribution system harmonized with urban and rural area development, and ensuring efficiency, fair competition between big enterprises and SMEs, and between domestic and foreign enterprises.

In 2010, MUTRAP experts have conducted researches and written the Draft Decree on Retailing Services, and report on the regulations of distribution services in some Asian and European countries and recommendations for policy-making in Viet Nam. The experts have compiled the opinions, ideas and contributions from lawyers, researchers, state management agencies and policy makers in two Policy Networking Sessions (PNS) in Quang Ninh (07/2010), Hai Phong (08/2010), two workshops in Ha Noi (07/2010), Ho Chi Minh city (09/2010), and more recently, a PNS in Da Lat (11/2010) and Ho Chi Minh city (11/2010).



It is necessary to construct a Decree on retailing service in the context where regulations on retail and wholesale were still missing and weak.

Participants attending the PNS in Da Lat were MUTRAP experts, representatives of Domestic Market Department, Legal Affairs Department, and Multilateral Trade Policy Department - MOIT. At the PNS, the participants focused on commenting on the Draft Decree on Retailing Services, sharing international experience and State management activities on Vietnamese distribution sector as well as international experience applicable to the Draft Decree.

Following the PNS in Da Lat, on 26th November 2010, EU - Viet Nam MUTRAP III cooperated with Domestic Market Department - MOIT to organize a workshop on "The retailing sector: An update of the state management policy in Viet Nam" in Ho Chi Minh city with nearly 100 delegates from Department of Planning and Investment, Department of Industry and Trade in many provinces and cities, law firms, universities, business associations, domestic and foreign enterprises.

The workshop was chaired by Mr. Truong Dinh Tuyen, member of the National Fiscal and Monetary Policy Advisory Committee, former Minister of Trade; Mr. Luong Hoang Thai, Director General of Multilateral Trade Policy Department, Mr. Tran Nguyen Nam, Deputy Director General of Domestic Market Department - MOIT and Mr. Claudio Dordi, TA Team Leader of EU - Viet Nam MUTRAP III.

At the workshop, Prof. Robert Rogowsky - George Mason University shared international experiences in retailing services in six selected countries (China, France, Germany, Korea, Thailand and the US) on three major topics: broad legal framework and special provisions for retail sector, planning, zoning, and State public management as well as other regulations to ensure the stability of the retail market: forbidding enterprises to sell at dumping price, different closing hours for different types of retail shops in one area...



According to Mr. Francois Bobrie, President of the French Association of Retail Marketing and Strategy, Viet Nam needs to review its regulatory framework, especially regarding retail network, State management mechanism should be an instrument to ensure the consistency between investment and retail market expansion, as well as to protect consumers' interests.

Mr Truong Dinh Tuyen stated that it was difficult to distinguish the definitions of retail and wholesale. For instance, Metro has very large retail volume, however, it is still unclear as to whether Metro is a retailer or wholesaler. Regarding protection of consumers' interests, the Draft Decree should specify the rights to exchange or return of goods when sellers sell a product different from contractual obligations stipulated in labels or advertisements... Sellers have to issue invoice upon requests of the consumers no matter how much money... The Decree should satisfy the following requirements: the decree should be the basis for the construction of retail system leading to the

socio-economic development of municipalities and the country; protecting the rights of consumers and small and medium enterprises (which account for a large proportion of the national economy). In addition, the Draft Decree should provide more transparent regulations on Economic Need Test (ENT), more specifically, clearer definition of geographic market, consistent with that in Competition Law without any conflicts among prevailing regulations.

At the workshop, Mr. Pham Dinh Thuong, Head of Legal document Division, Legal Affairs Department - MOIT emphasized that the objective to the Draft Decree was to provide a legal framework and level playing field for competitors in the market as well as to protect consumers' legitimate rights.

All participants agreed that it was necessary to construct a Decree on retailing service in the context where regulations on retail and wholesale were still missing and weak.

Workshop "Viet Nam – EU Relations: Achievements and Prospects"

In commemoration of the 20th Anniversary of Viet Nam-EU diplomatic relations (28 November 1990 – 28 November 2010), on 29 November 2010, Ministry of Foreign Affairs (MOFA) organized a Workshop entitled "Viet Nam – EU relations: achievements and prospects" in Ha Noi. This workshop was organized under the sponsorship of the EU – Viet Nam MUTRAP III Project.

The workshop was chaired by Mr Vu Khoan, former Deputy Minister, Mr. Nguyen Dy Nien, former Minister of Foreign Affairs, Mr. Bui Thanh Son, Deputy Minister of Foreign Affairs, Mr. James Moran, Director for Asia, DG External Relations, European Commission and Mr Sean Doyle, Ambassador, Head of EU Delegation to Viet Nam. Participants to the workshop were representatives of ministries and agencies and representatives of diplomacy agencies of EU member states in Ha Noi.

At the workshop, Vietnamese and EU delegates looked at achievements in Viet Nam – EU relation throughout 20 years. In the past 20 years, the relation between Viet Nam and EU has developed strongly, which is the direct consequence of the efforts of Viet Nam, European Commission and EU member states in which 20 states has embassy in Viet Nam. EU has become the largest donor to Viet Nam, and EU is actively supporting Viet Nam to develop prioritized areas such as human development, socio-economic reforms and international economic integration.



Mr. Sean Doyle, Ambassador, Head of the EUD to Viet Nam, delivered speech at the workshop

The bilateral trade relations have grown stronger. Market openness and Viet Nam's rapid economic development has made bilateral trade increase 4 times over the decade. This makes EU become one of the biggest trade partners for Viet Nam with bilateral trade turnover of 12.98 billion dollars in 2009. EU is also the second largest foreign direct investor in Viet Nam, which accounts for one fifth of the total implemented capital.

According to Mr. Vu Khoan, the relation between EU and Viet Nam originates in the 1950s, initially with some East European countries (which have become member states of EU nowadays). Especially,

after the Renovation policy (Doi Moi) in 1986, many European countries resumed their relations with Viet Nam. From then on, Viet Nam – EU relations have been strengthened in terms of quality and quantity. This is a comprehensive relation in political, economic and cultural aspects. There is not only a bilateral relation between Viet Nam and EU, but also multilateral relations in ASEM forum and ASEAN – EU. EU was the first partner for Viet Nam to conclude the negotiations within WTO framework and the motivation to boost relations between Viet Nam and other countries. Vice versa Viet Nam is also a country contributing to the acceleration of ASEAN – EU relations.

Ambassador Sean Doyle said that there had been many positive improvements in Viet Nam, and the relation between Viet Nam and EU had developed very well in the last 20 years. The EU has implemented many projects to support and assist Viet Nam to create a firm ground for export, facilitate the trade flows from Viet Nam to the EU market, and support the development of regulatory framework and institutions in Viet Nam.

These projects have contributed significantly for the growth of Viet Nam. In addition, there are many more EU projects for health care, development of



EU has implemented many projects to support and assist Viet Nam to create a firm ground for export, facilitate the trade flows from Viet Nam to the EU market, and support the development of regulatory framework and institutions in Viet Nam (Mr. Sean Doyle, Ambassador - EUD to Viet Nam)

national health care policy, as well as other poverty eradication programs.

At the workshop, the participants had an optimistic opinion on the prospect of Viet Nam – EU relations. Although there have been many rapid and positive developments in this relation in the last 20 years, there are still many potentials to exploit to further develop this relation in the upcoming time, to commensurate with the increasing position and roles of both parties in the new context of concluding Partnership and Cooperation Agreement (PCA), and preparation for Free Trade Agreement negotiation. Major achievements in the last 20 years have set a firm ground for more comprehensive and deeper Viet Nam – EU relations.

Workshop "A 10 - Year Review of Implementation Strategy and Action Plan for The Advancement of MOIT's Women Up To 2010"

On 10 December 2010, under the sponsorship of the EU – Viet Nam MUTRAP III Project, the Committee for Progress of Women, Ministry of Industry and Trade (MOIT) organized a conference to review the 10-year implementation strategy and action plan for the advancement of MOIT's women up to 2010. Participants attending the conference were Mr. Le Danh Vinh, Deputy Minister of MOIT, Ms. Ho Thi Kim Thoa, Deputy Minister MOIT and representatives from the Committee for Progress of Women - MOIT and other ministerial units of MOIT.

At the conference, Mr. Tran Trung Thanh, permanent member of the Committee reported the implementation of National Strategy and Action Plan for progress of MOIT's women up to 2010 as well as the orientation and key tasks in the activities for the progress of women and gender equality in the upcoming time.

Participants to the conference discussed the following issues:

- Implementation of equality rights for MOIT's women in employment;
- Implementation of equality rights and creation of favorable conditions for the improvement of women in all areas;

- Implementation of equality rights for women in health care;
- Improvement of quality and effectiveness of women's activities in political, economic, cultural and societal areas to increase the number of women in management apparatus at all levels;
- Improvement of capacity in all activities for the advancement of women.



Speakers and organisers at the workshop



Speaking at the conference, Mr. Le Danh Vinh praised the achievements, and awarded Merit Certificates for individuals, units having outstanding contributions to the progress of women in 2010, appreciated the attendance of distinguished guests, and nearly 300 women representatives (represented 185,500

women staff in Industry and Trade sector in Viet Nam). He recognized that the achievements in Industry and Trade sector were contributed by women officials, public servants, civil servants and workforce in Industry and Trade sector in Viet Nam.

The Third Meeting of The Project Steering Committee of EU – Viet Nam MUTRAP III

On 10 December 2010, at the Office of the Ministry of Industry and Trade (MOIT), the Project Steering Committee (PSC) of EU - Viet Nam MUTRAP III had the third meeting presided by Mr. Nguyen Thanh Bien, Deputy Minister of MOIT, Chairman of PSC. The purpose of this meeting was to review the performance of the Project in 2010 and receive opinions on the Draft Annual Work Plan 2011 – 2012.

Participants to the meeting were Mr. Hans Farnhammer, First Secretary and representatives from the EU Delegation to Viet Nam and members of PSC from MOIT, Ministry of Planning and Investment, Ministry of Finance, Ministry of Foreign Affairs and the EU - MUTRAP III Project Task Force (PTF) including Mrs. Nguyen Thi Hoang Thuy, Director, Mr. Claudio Dordi, TA Team Leader and other members of PTF.

On behalf of EU - Viet Nam MUTRAP III's PTF, Mrs. Nguyen Thi Hoang Thuy presented the state of the projects implemented in 2010 and follow-up activities in 2011. In general, all activities in 5 components were carried out in close relation with the Program Estimate period 2008-2012 and the Program Estimate 2010. In 2010, the Project has implemented 25 technical assistance activities, including 11 completed activities; other activities will be implemented and finalized in 2011. The Project has organized 80 workshops and policy networking sessions, 5 field missions, surveys (30 officials), supported 41 officials from different ministries/agencies to attend multilateral and bilateral meetings/conferences in other countries.

According to Mr. Nguyen Thanh Bien, it is time to assess the impact of trade negotiations on Viet Nam's economy. The Project has supported and continued to support MOIT in researching this issue, in order to strengthen the trade relationship with other countries. Especially, in the current situation, the development of Viet Nam is not sustainable, Viet Nam is facing with many challenges such as inflation, trade deficit, environmental pollution...



In 2010, the Project has implemented 25 technical assistance activities, including 11 completed activities, organized 80 workshops and policy networking sessions, 5 field missions, surveys (30 officials), supported 41 officials to attend multilateral and bilateral meetings /conferences in other countries.

In the discussion session, members of PSC and EUD to Viet Nam appreciated the efforts of the MUTRAP PTF in implementing activities in Program Estimate 2010 and designing Annual Work Plan 2011 – 2012. In the near future, the Project should focus on activities with high priorities, and continue to support for MOIT.

Deputy Minister – Chairman of PSC, representatives of the EU Delegation and PSC members approved in principle the Annual Work Plan 2011 - 2012 and believe that MUTRAP PTF will carry out activities effectively and efficiently, contributing for building and implementing the strategy of international economic integration of Viet Nam.

Workshops Disseminating Commitments in Free Trade Agreements Participated by Viet Nam

To satisfy the demand of business community in seeking information relating to commitments in Free Trade Agreements (FTAs) participated by Viet Nam, Ministry of Industry and Trade (MOIT) cooperated with the EU – Viet Nam MUTRAP III Project to organize two Workshops entitled: “Disseminating commitments in Free Trade Agreements participated by Viet Nam” on 15 December 2010 in Pleiku City, Gia Lai province and on 17 December 2010 in Quy Nhon City, Binh Dinh province. With the support from People’s Committees, and Departments of Industry and Trade, the workshops attracted the participation of many business representatives, business associations in export sector (agro-forestry products, handicraft, construction materials...) media agencies, and representatives from State agencies in some surrounding areas: Nha Trang, Dak Lak, Lam Dong, Ninh Thuan, Phu Yen, Quang Ngai...

These workshops were the effort of MOIT in disseminating information about Free Trade Agreements concluded and implemented by Viet Nam, so enterprises can utilize the export opportunities brought by these agreements. This is a chance for enterprises to update accurate information relating to tariff reduction commitments in FTAs participated by Viet Nam. At the same time, this is also an opportunity to discuss with competent authorities about the possibility for approaching and expanding the market of agro-forestry products in other areas in the world, as well as the challenges in domestic markets – consequence of ASEAN economic integration process.

At the workshops, speakers from MOIT and Ministry of Finance introduced generally the progress of

constructing ASEAN Economic Community, aiming at creating a common manufacturing space, a single market. Therefore, the conclusion and implementation of FTAs plays an important role in the integration process through tariff reduction roadmap, which helps enterprises approach international market more easily with strong products such as: seafood, coffee, cashew nuts, pepper, wood, textile... These FTAs have been negotiated by ASEAN member countries and their partners to facilitate the trade flows, especially, the flow of services and investment in the region and in the world.

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One of the practical contents for enterprises is the guidance on how to approach and foster the exports of seafood and agricultural products. Methodology of market research and useful information about agro-forestry products and activities for promotion of national trading were also introduced to business community.

In addition, enterprises were instructed to declare and submit Certificate of Origin (C/O) to exploit the preferential treatments in FTAs participated by Viet Nam. The workshops were contributed by many business representatives who shared experience in declaration, and submission of preferential C/Os, registration procedures and completing C/O application via Ecosys network.

Moreover, speakers answered questions and queries from business representatives, and relevant state agencies about the construction of ASEAN Economic Community like European Union with a common market, common monetary policy and free trade flows among member countries.

The workshops have noted many practical contributions of business community, especially the procedure of granting preferential C/O in FTAs participated by Viet Nam and the most optimal way to approach the international market.





Workshop "5-Year Implementation of Competition Law in Controlling Anti-Competitive Behaviors in Viet Nam"

After 5 years of implementing Competition Law, there have been more than 40 cases related to the violation of Competition Law being investigated and applied sanction. Among them, there are 3 cases of abuse of monopoly power, abuse of market dominance, anti-competitive agreements being investigated and penalized with total fine value of up to billions of VND. In implementation of the Competition Law, State agencies in competition have been organizing apparatus, implementing specific action plans to protect the achievements of the market economy with the socialism orientation.

On 28 December 2010, in Ho Chi Minh city, Viet Nam Competition Council and the EU – Viet Nam MUTRAP III Project cooperated to organize a workshop on "5-year implementation of competition law in controlling anti-competitive behaviors in Viet Nam". The workshop was a forum for State agencies, representatives of relevant organizations and enterprises to share information, discuss and exchange theoretical and practical contents to complete and improve the implementation practices of competition regulations. Chairman of the workshop was Mr Le Danh Vinh, Deputy Minister of Industry and Trade, Chairman of Viet Nam Competition Council.

According to Mr. Le Danh Vinh, the investigation and handling of violations to competition law in accordance with legal procedures has created a reputation in business community and public in Viet Nam, contributed to the improvement of enterprises' awareness in production, business, and compliance to regulations to ensure the protection of consumers' rights; and also attracted the special attention of foreign business community.

At the workshop, Mr. Nguyen Sinh Nhat Tan, Director General of Legal Affair Department - MOIT reaffirmed that the development of competition law improved the understanding in sectoral management policy, promulgation of regulations and administrative order usage. The violations to competition law are no longer widespread. The administrative orders against competition law have been extinct.

Mr. Nguyen Trong Nghia, Director General of Legal Affair Department, Ministry of Finance stated that there had been some anti-competitive behaviors such as agreements to suppress the competition.... However, it is



Mr Le Danh Vinh, Deputy Minister of MOIT, delivered speech at the workshop



The investigation and handling of violations to competition law in accordance with legal procedures has created a reputation in business community and public in Viet Nam

difficult to investigate and discover violation. Regarding the fines, as there are enterprises diversifying their business in different sectors, it will be unreasonable to fine them based on the total revenues if their violation is restricted to one activity or one product.

In the discussion session, delegates have contributed many ideas to better implement the Competition Law in the future such as the maximum fine of 10% of revenues of an enterprises is inappropriate as the enterprise may diversify its business in different sectors but its violation is limited to one service or one good; the procedures for exemption of anti-competitive agreement are complicated so enterprises rarely apply them; dissemination of information about violations to educate competition law.

The workshop participants also shared practical experience in handling anti-competitive behaviors in Viet Nam; recommendations for completion of Competition Law and enforcement apparatus in competition; procedures in handling competition cases; difficulties in applying and implementing regulations related to the competition.

Workshop "Opportunities and Ways to Exploit the Japanese Market"

In 2010, total trade turnover between Viet Nam and Japan reached over 16 billion USD, increased 24% as compared to the same period in 2009 in which trade turnover from Viet Nam to Japan was 4.8 billion USD, increased 24% as compared to the same period last year.

Japan is still the second largest export market for Viet Nam (after the US). Main export products from Viet Nam to Japan in 2010 were agricultural products, seafood, textile and garment, wood and furniture... In addition, Japan is also an important market for footwear and textile industry in Viet Nam (rank third after the US and the EU).

In the last few years, there have been many cooperation projects between Viet Nam and Japan in the fields of exploration, mining, environment protection and human resource training and development with the financial support of Japanese government. The two countries usually organize conferences to exchange information in coal, mineral; to assess the achievements of cooperation projects and suggest for future programs. However, there are some Vietnamese enterprises, especially small and medium enterprises lacking information about Japanese market such as cooperation and investment experience of Japanese enterprises.

★ **Main export products from Viet Nam to Japan in 2010 were agricultural products, seafood, textile and garment, wood and furniture...**

In order to satisfy the demand of business community and State management agencies, especially enterprises involving in export-import activities and assessing the opportunities to do business in Japan, the Asia Pacific Department, Ministry of Industry and Trade (MOIT) cooperated with the EU – Viet Nam MUTRAP III and Viet Nam Chamber of Commerce and Industry – Ho Chi Minh City Branch to organize a workshop on

"Opportunities and Ways to Exploit the Japanese Market" on 29 December 2010 in Ho Chi Minh City.

Participants to the workshop were representatives of State management agencies, organizations in export-import activities, enterprises in Ho Chi Minh City and neighboring provinces.

Speaking at the workshop, Mr. Vo Thanh Ha, Asia – Pacific Department - MOIT stated that Japan was a market with strict standards in food hygiene and safety and quality; goods flowing to Japanese market have to go through many distribution channels, so the price of goods is very high for end-users as compared to the import price. Therefore, Vietnamese enterprises should invest to improve production process such as design, techniques, preservation, transportation, quality control and market research to access the Japanese market effectively.

According to Mr Le Quang Lan, Deputy Director General, Multilateral Trade Policy Department - MOIT, after one year concluding the Viet Nam – Japan Economic Partnership Agreement (VJEPA), products like footwear, garment, fisheries, agricultural products... exported from Viet Nam to Japan are imposed 0% tariff, and received more preferential treatments than from other countries. Accordingly, Vietnamese enterprises have more competitive advantages in price of export products, and they can expand the market in potential fields such as being involved in supply chain of electric – electronic, and chemical products.

This workshop was a chance for enterprises to update information and business practices in Japanese market, tariff reduction commitment, and conditions to enjoy benefits from VJEPA. Furthermore, this was also an opportunity for business community to discuss, exchange information with competent authorities and other enterprises in experience of doing business successfully in Japan.

Awarding Facilities for Multi-Functional Classroom

Under the sponsorship of the EU – Viet Nam MUTRAP III, the Ministry of Industry and Trade has awarded the Foreign Trade University with many facilities for a multifunctional classroom (110m²/135 students). These facilities have been awarded on the occasion of 50th anniversary of the University.

This is one activity within the framework of the Project with the objective of increasing coordination of

the MOIT with training and research institutions to develop a coherent, social and environmental sustainable trade integration strategy.

On 30 December 2010, at the headquarter of the Foreign Trade University, the Facility awarding ceremony was organized. After the Ceremony, the classroom is named MUTRAP.



EU - Viet Nam MUTRAP III Supported Ministries to Conduct Missions Abroad

Study Tour on Practice in The Fight Against Counterfeiting, Piracy and IP Infringement in Spain and United Kingdom

A delegation led by Deputy Minister of MOIT Nguyen Cam Tu, had a study tour to Spain and United Kingdom to learn about best practice in the fight against counterfeiting, piracy and IP infringement.

In Spain, the delegation had meetings with the Spanish Patent and Trademark Office (SPTO) under Ministry of Industry, Tourism and Commerce on its fighting counterfeiting and piracy at national level; visited Mustang's premises and factory to know about Mustang strategy to combat counterfeiting and piracy activities of their products; and met IPR Helpdesk's Headquarters to listen to interesting presentations on its activities to raise IPR awareness among European Small and medium enterprises, the project of a European Observatory on Counterfeiting and Piracy, and European footwear companies' experiences in protecting and enforcing their IP rights - Community Design. In the United Kingdom, members of the delegation had meetings with London School of Economics (LSE), Intellectual Property Office (IPO) and Office of Fair Trading (OFT) to discuss and exchange points of view on structure and organization of market management, how to defeat counterfeit and pirated products and best practice to ensure the smooth and fair operation of the domestic market.

Through such informative meetings, MOIT participants have learned a lot from Spanish and UK authorities and IP law enforcers' experience, particularly in the power decentralization to region, localities, while the central level only plays the guiding, advising and regulating role. Basically, Spanish and English laws on IPR are consistent and compliant with EU regulations, WTO

TRIPS and other provisions in some TRIPS-plus with important partners. Besides, both countries pay attention to raising the awareness of business community and society about the strict implementation of IPR, thus infringing cases within their territory have been under control to avoid the ever-worsen situation. Specifically, the handling with IP infringement there is treated through civil and criminal courts, depending on the scale and level of conviction in each case, and there are not administrative sanctions like the ones enforced in Vietnam. The regular training and upgrading level, knowledge as well as awareness and capacity of the law enforcers have been emphasized to catch up with the ever-sophisticated maneuvers of counterfeiting and piracy. The prevention of counterfeit and pirated products is implemented mainly at the border with a view to stop the flow of fake products imported from other countries, while in the domestic market, there have not many cases of conviction found so far.

The IPR Helpdesk based in Alicante is decentralized operation of the European Commission in this field with the main responsibility of providing support, advice and fast Q&A to business and right holders. Its active role can be a very good example for Vietnam in the future establishment of domestic supporting agencies for enterprises in the IPR area.

The delegation also had discussion with Spanish and UK counterparts on opportunities to share experience and promote cooperation on IP issues, in which LSE expressed its great interest in the coordination with the MOIT to conduct short and medium term training courses for MOIT officials in the field of the Ministry's interest.

OECD meetings - Paris

From 4th to 6th October 2010, under sponsorship of EU-Viet Nam MUTRAP III Project, a delegation of General Statistics Office and Ministry of Industry and Trade attended the OECD annual meeting held in Paris. This activity (SERV-7) "Capacity building to improve the statistical system for trade in services" is under framework of the Project.

The main topics addressed in the meeting focused on the adoption of the new methodological frameworks for merchandise trade and trade in services, countries would aim at implementing the revised compilation guidelines. Both countries and international organizations shared practical implications of these changes for trade statistics, including cross-cutting issues

between merchandise trade and trade in services, such as processing services; New and planned development to increase the range of available trade statistics to better meet analytical needs; Linking trade with enterprise characteristics; Trade, Globalization and Competition: approaches, issues and measurement challenges.

During the meeting, some main issues were discussed such as country plans on implementing the new merchandise trade and trade in services statistics guidelines; country practices and methodology for measuring international travel receipts and payments

and treatment of merchant services.

The meeting was a good opportunity for Vietnamese delegation to listen, discuss and learn experiences, lessons from many countries which have developed statistical, exchange specific issues and difficulties with other foreign participants. Also, many good experiences, lessons gained from meeting in methodology, organize data collection methods could be applied to improve the international trade statistics of Viet Nam.

Second Meeting of the ASEAN-Australia, New Zealand FTA Joint Committee

Under the sponsorship of MUTRAP III, a delegation of MOIT attended the second meeting of FTA Joint Committee and related workshops within the framework of ASEAN-Australia, New Zealand negotiation held in Melbourne, Australia from 23-26/11/2010. Representatives from ten ASEAN member countries, Australia and New Zealand participated to the meeting.

Apart from the objective of working on key issues such as trade on goods and Rules of Origin, the investment workshop was organized with the presentation of Australia, New Zealand and ASEAN members (Viet Nam and Philippines) to help other parties better understand each others' approach and methodology.

Noted from the outcomes of the Committee on Trade in goods meeting, the review of non-tariff measures pursuant to Article 7.4 of the AANZFTA and the

draft work plan towards the development of a regional approach in monitoring the utilization of AANZFTA tariff preferences will be considered at the third meeting of FTA Joint Committee/ Committee on Trade in goods. Parties to the AANZFTA were encouraged to notify all measures affecting trade in goods, including advice on the information on websites and publications as well as details of notifications made to the WTO. In relation to the Rules of Origin, the parties agreed in principle to the proposal for a workshop on CO procedures and on CO Self-certification procedures.

In addition, the inter-sectional endorsement for such proposals as Capacity-building workshop on International Trade in Services Statistics Collection and Management, ASEAN Regional Diagnostic Network on SPS, etc.

WTO Regular Meetings in Geneva

Under the sponsorship of the EU-Viet Nam MUTRAP III Project, a delegation from the Ministry of Industry and Trade and Ministry of Planning and Investment attended the meeting week on Services; Seminar on Notification procedure under the Agriculture Agreement from 16-18 November and 16th regular meeting of the Committee on Agriculture; and Negotiating Group on Trade Facilitation between 29 November and 3 December 2010 in Geneva. The Meeting week on services included Meeting of Committee on Specific Commitments; Meeting of Committee on Trade in Financial Services; Meeting of Council for Trade in Services – MFN review; and Meeting of Council for Trade in services – Regular Session. The Seminar on Agricultural notifications clarified the areas and time of notification. Not all of WTO members are consistent with the notification obligations stipulated in the WTO, though in theory, a member must do this obligation strictly. The

Meeting of Negotiating Group on Trade Facilitation was set up to continue the Textual Negotiations on the Revised Draft Consolidated Negotiating Text (TN/TF/W/Rev.5): GATT Article VIII-related areas, continuing the Negotiations initiated at the October meeting.

Viet Nam should attend frequently the regular meetings of the Committee on Agriculture in order to assess and report on the measures of other members which are being complained in the Committee and may have impact on Viet Nam's exports. Viet Nam should also consult with other countries of the similar impact, hence raised the concerns in the meetings. However in order to raise the concerns, domestic assessment of concerned agencies is needed.

Besides the meeting on trade facilitation covered the skills to deal with multi-dimension and multi-channel opinions regarding the terms and the



issues on trade facilitation in country members, especially the practices in their own regulations and procedures, such as customs regulations and procedures, customs compliance, release and clearance of goods, etc... The different understanding is inevitable,

and therefore, it requires in-depth reviews and further technical and group discussions. In this regard, technical assistance and capacity building is necessary for effective cooperation and better facilitation among stakeholders.

Events Organized by the Projects Funded by EU in The Framework of The EU – Viet Nam MUTRAP III

Workshop “Final Evaluation of Higher Education Programs on International Trade Law at Foreign Trade University Designed by EU Experts”

On the 6th of October, 2010, a workshop “Final evaluation of higher education programs on International Trade Law Trade Law at Foreign Trade University designed by EU experts” was held by Foreign Trade University (FTU) in Ha Noi.

This is an important event of Sub-project MUTRAP III-FTU1 entitled “Design and development of higher education programs on international trade law at FTU to meet the demands of Viet Nam’s integration into the global trading system following the country’s accession to the WTO”. The Sub-project aims at the implementation of two significant activities at FTU: firstly, designing world – class Bachelor and Master programs on International Trade Law, secondly, organizing short – term training courses on International Trade Law and law system of the WTO. The body directly responsible for executing this Project is the Faculty of Business Administration – FTU.

Last June, 2010, FTU held an International Workshop with the participation of EU experts from famous universities in Europe, including Bocconi University (Italy) and Maastricht University (the Netherlands). These are the experts with whom FTU contracts to design the above programs. During that workshop, FTU had collected opinions on evaluation, exchange and discussion from experts, leading scientists from Viet Nam in the field of international trade law, based on which, European experts have amended, supplemented and improved the relevant programs.

To design higher education programs which meet both international criteria and requirements from Ministry of Education and Training in Viet Nam as well as the socio – economic status quo in Viet Nam and demands of learners, FTU has held this workshop so as to continuously collect suggestions, contribution ideas from local experts prior to the final evaluation of these programs and official implementation on schedule as



planned in the Project.

The workshop has recorded the participation of some 50 delegates, including delegates from the EU Delegation to Viet Nam. EU – Viet Nam MUTRAP III project, local experts, representatives from governmental bodies, universities with disciplines of law and economics and lawyers from prestigious law offices in Viet Nam.

During working sessions of the workshop, local experts have reviewed revisions made by EU experts, simultaneously introducing contribution ideas to improve the higher education programs on International Trade law at FTU. The workshop had received multiple papers as well as open and constructive contribution ideas from experts. Experts from various bodies, organizations had provided the workshop with multi-faceted and diverse opinions to design advanced, modern higher education programs in accordance with the demand and reality in Viet Nam. FTU will collect opinions and recommendations from experts to accomplish the above – mentioned programs and put them into practice in the coming time.

Experts participating in the workshop have reached a consensus that the designing of higher

education programs on International Trade Law is extremely essential to satisfy the imperative needs for human resources in the field of law in the international economic integration process of Viet Nam and the implementation of Viet Nam's commitments within the WTO. Viet Nam became the official member of the WTO

on the 11th of January, 2007 and the status quo of international trade law suits Viet Nam have been faced with have shown the severe shortage of legal experts and lawyers versed in international trade law and having the facility in proceedings in international trade law suits.

Workshop "Follow up Nucleus Group Counsellor Training"

The Viet Nam Association of Small & Medium Enterprises (VINASME) in cooperation with SEQUA (a German business association) has organized the workshop on the topic of "Follow up Nucleus Group Counsellor Training" in Ha Noi and Vinh Phuc from 20th to 22nd October 2010. The workshop is a component part of the Project "Capacity Building on Trade Policy for VINASME" which is funded by the Delegation of the European Union to Viet Nam and part of the EU-Viet Nam MUTRAP III Project.

Altogether 31 participants who are counsellors from local associations from 8 provinces and cities in the North, head of different departments and organizations of VINASME's headquarter.

The main objective of the workshop was to advise Nucleus counsellors to enable them to run Trade Nuclei in their provinces effectively. Trade Nuclei are groups of export oriented entrepreneurs in one location. To achieve this objective, the following topics were conducted by the Nucleus expert from Sri Lanka: Review of experiences with the Nucleus approach, Practice Nucleus meetings, Nucleus as a tool for organizational development of SME associations, Role of a counsellor in the business association, How to implement Action plans.



To simulate training on the job situation the workshop participants also had to practice a Nucleus group meeting. At the end of the 2 day workshop, both the participants and the Nucleus expert agreed that the next step is to formulate a Trade Nucleus in their local areas and to develop work plans with activities.

The workshop was evaluated by the participants as very successful. The contents were seen as helpful to set up Trade Nuclei and support SME members to promote business activities.

Workshop "Capacity Building on Doing Business with the EU"

The Viet Nam Association of Small & Medium Enterprises (VINASME) in cooperation with SEQUA (a German business association) has organized the workshop on the topic of "Capacity Building on Doing Business with the EU" in Ha Noi from 26th to 28th October 2010. The workshop is a component part of the Project "Capacity Building on Trade Policy for VINASME" which is funded by the Delegation of the European Union to Viet Nam and part of the EU-Viet Nam MUTRAP III Project.

Altogether 30 participants consisting of 16 representatives from export firms from Ninh Binh, Vinh Phuc, Hung Yen, Phu Tho and Thai Binh, head of different departments and organizations of VINASME's

headquarter, and mass media have participated in the workshop.

The main objective of the workshop was to transfer expertise in the field of regional trade and doing business with the EU. To achieve this objective, the following main topics were conducted by the EU expert from Belgium: Demonstrating a wide range of information sources related to doing business with the EU; explaining product legislation (e.g. technical, labeling, packaging, hygienic and environmental rules) which is related to specific product groups.

The workshop was evaluated by the participants as successful. The contents were seen as helpful.



Conference “The Trans-pacific Partnership Negotiations – Opportunities and Challenges for Viet Nam”

The Viet Nam Chamber of Commerce and Industry (VCCI) coordinated with Miller & Chevalier Chartered held a conference “The Trans-pacific Partnership Negotiations - Opportunities and Challenges for Viet Nam” in Hanoi on 4th and in Ho Chi Minh city on 5th November 2010. About 200 participants from State agencies, business associations, enterprises, press agents and related agencies attended the seminar.

This event belongs to VCCI’s Program “Enterprises and International Trade Policies” in the framework of EU-Viet Nam MUTRAP III Project, sponsored by European Union.

In the opening speech, Mr. Tran Huu Huynh – President of the Committee on International Trade Policies of VCCI said that Viet Nam has already signed 6 bilateral and regional Free Trade Agreements (FTA). FTAs are a chance for Viet Nam to be deeper integrated into the world economy (not like WTO accession is a kind of “broad” integration). However, the matter here is Viet Nam should negotiate FTA with whom, at what level and what time? Currently, the Trans-pacific Partnership Negotiations (TPP) is of great concern to Viet Nam as one of the 7 negotiating partners is the United States – a very important market of Viet Nam.

Key speaker of the Conference, Mr. Jay Eizenstat, senior lawyer of Miller & Chevalier Chartered made a presentation providing an overview of TPP and the U.S. objectives in these negotiations. Accordingly, Viet Nam is one of the most concerns of the U.S in TPP because of great and growing trade transaction between the two

countries. Mr. Jay also pointed out difficulties and challenges for Viet Nam when joining TPP as it is a high-standard and comprehensive free trade agreement while Viet Nam is still constrained in implementation and capacity.

However, it is also a “not to be missed” opportunity for Viet Nam to increase export and enhance domestic competitiveness capacity. Specifically, we can see most near-term market access benefits in sectors like Aquaculture, Textiles and Apparel, Footwear, Furniture... due to significant tariff cut/reductions.

One matter raised and discussed by participants is what Viet Nam should do and how to negotiate to yield the best all the benefits brought in by TPP in particular and FTAs in general. In fact, each industry must take into account all risks and benefits gained from TPP, in the context of general benefits of the whole economy, to have proper policy recommendations to the Government. According to the senior economic expert Pham Chi Lan, everything has two faces, economic integration contains both opportunities and challenges, but it does not mean Viet Nam should stand outside FTAs to miss such clear benefits.

The conference concluded with the consensus of the participants that joining TPP is good for Viet Nam, but how to join and what should be prepared need consultations between the government and business community to have best negotiating strategy to take full advantage of TPP.

Training Course “Innovation of Design Method for Successful Development of a New Collection”



Speakers and organisers at the workshop

Following the activities done in the period first year in the framework of Project “IN-TRADE: Innovation and Trademark as a tool to successfully compete in the global market”, sponsored by EU under EU-Viet Nam MUTRAP III, Viet Nam Leather and Footwear Association jointly with partners Consorzio Toscana Shoe Components, Training Centre-Leather and Footwear Research Institute organize Training course “Innovation of design method for successful development of a new collection” from November 16th to 21st 2010 in Hanoi for Staff of Design - Development products of enterprises in the North Area.

In the opening ceremony, there were attending of Mr. Hans Farnhammer - First Secretary, Delegation of European Union to Viet Nam; Mr Federico Bechini - President of Consorzio Toscana Shoe Components; Mr Nguyen Huu Cung - Vice Director of Leather and Footwear Research Institute; Mrs Nguyen Thi Tong - Vice Chairman, General Secretary of Viet Nam Leather and Footwear Association and 21 participants came from 10 enterprises.

The training course provided to participants with the knowledge and skills to develop a collection full of technical and aesthetic standards, thus creating a solid basis to build own brand name & trademark.

Italian expert, Mr. Claudio Pighini who has 35 years experience on designing footwear models introduced the latest fashion trends, how to update your information and catch early the fashion upcoming season. In addition, the experts also pointed out a few notes before implementation of designing to make models to be as we want to archive and cost savings. Course focused into the technical issues in designing

such as structure, how to calculate the shoe size, some standard indicators in designing shoes, shoes forms requirements, the design principles to make users comfortable.

Training course arranged for participants to practice in some enterprises and factories where each participant could practice designing under the guidance of experts. Actual questions of participants were answered in specific and direct ways. Based on the actual situation, Mr. Claudio Pighini also gave expertise for that enterprises and factories in the field of designing

The course is a good opportunity for participants to supplement the basic knowledge and acquire advanced knowledge on approaching international standards and fashion trends in designs. The foreign experts are also impressed with the enthusiasm of learning and highly appreciate some model designed by participants, however they indicates that the problem of the Vietnamese designers is lack of standard forms which creates the standard and comfort shoe for the users.

Workshop “Information Management for Vietnamese Business Associations and Enterprises”

European Chamber of Commerce to Viet Nam (EuroCham), along with Viet nam Chamber of Commerce and Industry branch HCMC) and Dong Nai Exporter Club, has held a workshop on “Information Management for Vietnamese Business Associations and Enterprises” on 8 December 2010 in Bien Hoa city. This workshop is part of the “Capacity Building on Trade Policy for Vietnamese Business Associations” project which is funded by the European Union in the framework of the EU-Viet Nam MUTRAP III Project.

The objective of workshop is to give business associations and enterprises a comprehensive understanding of information management from the diverse outlooks of managers in different areas, who work closely with the IT field and/or its usage. In fact, information management is one of the keys to the survival of an organisation in this competitive and fast-moving electronic and globalization age. Thus, it is important for enterprises and business associations to have opportunities to share their experience and expertise, to help each other learn how to handle information in a way that benefits their organisation the most. The workshop also aims at promoting the European Trade Information Center (ETIC), which provides information service for companies, in HCMC and surrounding areas, exporting to the EU market.

The workshop attracted around 121 participants, mainly from Dong Nai province but from different sectors: electronics, informatics, wood and

garment. The workshop also attracted the attention of representatives from government sector, i.e. Dong Nai Department of Trade and Industry.

In the opening remark, Dr Matthias Duehn, EuroCham Executive Director and Mr Tran Ngoc Liem, Deputy Director of VCCI HCMC stressed on the importance of information management in companies and associations. Both also emphasized the essential role of information in companies’ export strategy abroad in general and to the EU market in particular.

Mr Jean-Paul Tschumi, General Director of ELCA Viet Nam started the workshop with a presentation on “Call to Action-How to start with IT”. The presentation tried to give an answer to the dilemma of gaining efficiency and innovation in business with the help of IT against budget and human resource constraints and other difficulties.

Dr. Matthias Duehn made a presentation on European Trade Information Center (ETIC): what kind of information the ETIC provides and how to access these kinds of information.

The workshop was successfully concluded and left a very good impression on participants, which is obviously shown through attendance, attention and good feedback. It is expected that information management will receive much more attention and investment from enterprises and associations in the upcoming time.



Third Meeting – The Committee on International Trade Policies

On December 24th, 2010, the Vietnam Chamber of Commerce and Industry (VCCI) held the “Third Meeting - The Committee on International Trade Policies” in Hanoi. This event belongs to VCCI’s Program “Enterprises and International Trade Policies” in the framework of EU-Viet Nam MUTRAP III Project sponsored by European Union.

The Committee on International Trade Policies (the Committee) is a unit under VCCI, served as a forum between State Agencies and the business community in order to enhance the participation of the business community into the process of negotiating and implementing international trade commitments.

Established since the end of 2009, the Committee has built up an operational mechanism and a working plan which focuses on specific, selective and necessary issues. In 2010, the Committee continued to complete its operational mechanism, carry out propaganda activities through the website www.trungtamwto.vn/www.wtocenter.vn, publishing newsletters “Enterprises and International Trade Policies”, drafting a handbook on international trade policy advocacy; conduct policy advocacy activities through three campaigns: i) Setting up a mechanism for the business community to participate into the process of negotiating and implementing international trade policies; ii) Should Vietnam join the Vienna Convention on Contracts for international sales of goods; iii) TPP negotiations – which strategies for Vietnam?

In the framework of the Committee action plan, the 3rd meeting of the Committee focused on: i) TPP negotiations and Vietnam Strategies? ii) Which mechanism for the business community to actually and effectively take part in the process of negotiating international trade commitments? Most participants said that to have the best TPP negotiating strategy, it is



necessary to increase dialogue between the negotiating authorities and the business community in which opinions of each industry group must be paid attention. Therefore, it is necessary to create an effective mechanism for the business community to take part in the process of shaping policy and negotiating international trade commitments of the Government.

According to Mr. Tran Quoc Khanh, Deputy Minister of MOIT, the Government has been collecting opinions of the business community in almost international trade negotiations through unofficial channels. Therefore, he highly supported the formation of an official mechanism that allows the business community to raise their voices in international trade negotiations to protect their benefits. However, even such a mechanism is created, Vietnamese enterprises need to improve their capacity to have effective recommendations to the Government, according to the economic specialist Pham Chi Lan.

The meeting also drew up the Committee action plan for the year 2011, in which continue 2010 activities with extension to some new issues, as well as carry out some other activities such as training courses and publishing reference books...

Studies - Commentaries

Free Trade’s Future impact on Viet Nam’s Outlook

Recent MUTRAP research analyzed trade liberalization’s potential impact on Viet Nam’s economy by the ASEAN Free Trade Agreements. The main objective of each FTA is to promote the elimination and/or the reduction of customs tariffs among members within a certain period of time at a deeper level

compared to those applied towards other WTO members.

Each agreement has its own specific features and deadlines for liberalization, which have been agreed during the negotiations and is reflected in the text. For example, the trade among ASEAN members will be

completely liberalized from 2018 (even if at least 99 per cent of trade has already been liberalized since 2010).

Indeed, since January 1, 2010, the six first ASEAN members (Brunei, Indonesia, Malaysia, Philippines, Singapore and Thailand, the so-called ASEAN-6) have applied 0 per cent customs duties for 99.7 per cent of products originating in other ASEAN members. Viet Nam applied from 2010 0% customs tariffs on 98.6 per cent of the products originating from other ASEAN members.

Besides the reduction in tariffs these agreements provide for a progressive liberalization of trade in services, promote investment and lay down the basis for further negotiations to facilitate trade among the members.

The ASEAN+ FTA will create the biggest free trade community in the world, with more than 3.3 billion consumers.

The impact of ASEAN FTA in the next few years

ASEAN members, taken together, are the third trading partners for Viet Nam, after the US and the EU, followed by Japan, China and Korea. A look to the export growth rate in the first nine months of 2010 shows astonishing results (ASEAN, +19.7 per cent, Japan, +24.4 per cent, China +46.8 per cent and Korea +31.5 per cent). It is apparent that China will be in a few years the most important market for Vietnamese exported products.

This result, at least in part, is likely due to the huge trade liberalization implemented by China since January 2010 in the framework of the ASEAN-China FTA.

MUTRAP research, based on the most recent mathematical and statistical methodology, showed that the impact of ASEAN trade liberalization for Viet Nam will be largely positive, especially for the huge reduction of tariffs faced by Vietnamese products exported to FTA partners, with huge opportunities to export to Korea and India.

However, the liberalization also of China and AFTA should not under-estimated, as both partners applied, at least until 2009, high tariff peak to some products of high interest for Vietnamese exporters (e.g. footwear, garments and some electronics).

Export data are even more interesting. Indeed, ASEAN FTAs (taken together) will promote an average yearly increase of export of around 9 per cent in 2012 and more than 16 per cent in 2018.

Again, the most important contribution will come to exports to China in 2018 (6 per cent). An analysis of ASEAN FTA's impacts to the yearly export trend on specific sectors is even more illustrative, at least for the reported partners. The impact of exports to New Zealand and Australia will be limited, as these countries already apply very low tariffs to Vietnamese products.

Table 1. Export: the 11 most performing sectors (%)

	ALL	CHN	AFTA	JPN	KOR
Rice	5.98	-1.64	26.38	-2.06	-15.43
Vegetables, fruit and nuts	163.30	4.86	-4.51	-2.01	164.07
Textiles	26.61	8.08	5.15	8.59	7.78
Leather	23.85	10.73	3.27	7.59	3.98
Wearing apparel	37.91	11.27	2.94	16.30	8.06
Chemicals	12.42	7.57	6.46	0.91	-0.15
Metal manufactures	9.62	2.38	8.17	2.66	-0.94
Motor vehicles and other transport equipment	11.98	-0.44	8.20	12.42	-3.56
Mineral products	9.88	2.46	7.13	0.79	1.70
Manufactures	22.85	8.08	9.93	4.82	1.57
Electronics	16.55	6.19	3.26	2.60	2.65

Table 1 shows the huge positive impact of ASEAN FTA on the exports of some of the most important products for Viet Nam (vegetables, textiles, leather including footwear, wearing apparel, chemicals, motor vehicles, manufactures and electronics). Again, for almost all products, China will be the most profitable

market. Besides export considerations, ASEAN FTAs will bring positive changes in every sector of the economy.

Almost all the sectors (except rice, other crops, motor vehicles and other processed agricultural products) will benefit from trade liberalization. What is relevant is that the most positively impacted are the



sectors of great importance for Viet Nam (footwear and leather, garments, manufactures, electronics and vegetables).

The positive impact of the ASEAN FTA will be spread across the economy. Indeed, it has been estimated that the overall total impact on economic welfare (a measure of national income) of all current FTAs by 2018 will be of around 2.6 per cent. Estimated gains in the short period (2012) are largest for the FTAs with Korea and Japan, and AFTA while the China FTA contributes

significantly in the long term to 2018. Gains from FTAs with India, Australia and New Zealand are limited, consistent with the relatively low current levels of trade.

**Cheaper imports for manufacturers and consumers
Viet Nam’s commitments in the framework of ASEAN**

FTAs will make available a number of cheaper products for Vietnamese manufacturers and consumers, contributing to the country’s increasing welfare.

	AFTA	CHN	JPN	KOR	ALL
Vegetables, fruit and nuts	2	8	2	12	26
Livestock	1	3	3	13	23
Petroleum and products	12	11	2	5	19
Meats	8	9	6	14	56
Other processed agriculture	18	2	3	2	28
Textiles	4	10	10	9	32
Leather	5	20	7	7	37
Wearing apparel	3	34	20	19	63
Motor vehicles and other transport equipment	7	3	12	2	22
Manufactures	14	7	5	3	29

Imports will increase roughly with the same trend as exports. This will increase the trade deficit with the ASEAN FTA members in absolute terms. However, there will be even some positive impact on exports, as the liberalization of imports from ASEAN members will allow Vietnamese producers to be more competitive in EU and US markets. Indeed, it is well known that most of the manufactures export into EU and US (especially garments, footwear and electronics) are produced with raw materials and components imported especially from Korea, Japan and China.

Trade policy for the future: what other FTAs to be negotiated and concluded?

The research developed a methodology to identify what are the most profitable countries for future FTA agreements. The analysis showed that the EU and US will be the most profitable targets in terms of trade and welfare for Viet Nam, while gains from an FTA with Chile will be negligible. More information will be provided once a MUTRAP activity aimed to assess the impact of the future Viet Nam - EU FTA will be completed.

However, they have to set up a strategy to take into consideration that the competition, especially from Chinese products will be tougher, as tariffs on most products imported in Viet Nam from China are going to progressively decrease to 0 per cent in 2015. Each domestic producer should have an in-depth look to the complex schedules of tariff liberalization in order to set up an adequate strategy.

The trade balance is likely to worsen in absolute terms, as the most important export sectors import most of the components of their manufactures. However, as the unanimity of economists repeats, trade deficit problems must not be addressed through trade policy measures, which create distortions and huge damages to national producers, exporters and consumers.

Tariff revenues should not be a problem, as potential loss brought about by the reduction of tariffs will partially compensated by the increase of imports (and more than partially compensated by indirect taxes on imported products). ASEAN FTA will benefit Viet Nam’s economy, with a welfare increase of around 2.8 per cent annually and with an increase of unskilled employment and skilled real wage.

Conclusion

The impact of ASEAN FTA will be largely positive for Viet Nam economy, especially for those sectors, which are export oriented. In the short term, national producers will likely not suffer from the most competitive imports from the region.

These positive results showed that trade liberalization has positive impact on Viet Nam. For these reasons, while WTO Doha Round Negotiations are still stuck, it will be important to improve the trade liberalization at a bilateral level, at least with the most important trading partners such as EU and US.

Claudio Dordi & Lupo Pasini, EU-Viet Nam MUTRAP III

New Publications

■ Doha Round Bulletin, Vol. 3 - 2010

1. Doha News

- The latest updates on the Doha round
- Lamy sees end-October stocktaking for Doha round to prepare for G-200
- Free trade talks must clarify future rules
- WTO urges us to show leadership in doha talks

2. WTO News

- China says U.S. yuan bill violates WTO
- Key provisions of US house currency bill
- China criticizes weak U.S. dollar policy
- China says US yuan pressure will 'severely damage' ties
- China Ministry: Hope US removes Discriminative Limits On China Chicken
- All limitations on Rusia's joining WTO should not be applied not

- Laos Verges on WTO Membership
- Belarus calls for easing WTO accession regulations

3. Doha and comments

Doha Development Round: What impact for Vietnam?

4. Updates on WTO DSU

- Sweet and sour chicken revenge
- US chicken industry denies dumping meat in China
- Sino-US trade disputes pile up
- Updates on Dispute Settlement Bodies

5. Glossary of International Trade Terms

■ Doha Round Bulletin, Vol. 4 - 2010

1. Doha news

- Farm talks to aim for 'modalities' in first quarter of 2011
- Geographical indications talks gear up for 2011 endgame

2. WTO news

- Armenia to accede to the WTO Government Procurement Agreement
- Taiwan says EU price-fixing fines will hurt industry Chinese exports jump unexpectedly amid inflation fears
- WTO: U.S. can slap duties on Chinese tires Boeing awaits WTO verdict on U.S. government support
- EU court reinstates ban on import of seal products

- Lamy calls on global co-operation for the smooth flow of trade
- ECB tells leaders they must solve euro crisis

3. Updates on WTO DSU

- WTO Secretariat reports drop in anti-dumping investigations and measures India-EU generic drug row 'resolved' at Brussels summit
- WTO rules against China over tire exports to US
- Vietnam shrimp exporters hope WTO will overturn US tariffs

4. News cases

5. Glossary of international trade terms



CALENDAR OF EVENT - QUATER IV - 2010

Date	Activity code	Event	Co-organiser
02 - 07 October (Paris)	SERV-7	OECD meetings	
05 - 13 October (Spain, UK)	WTO-10	Study Tour on Practice in The Fight Against Counterfeiting, Piracy and IP Infringement	
06 October (Ha Noi)	CB-7	Workshop "Final Evaluation of Higher Education Programs on International Trade law at Foreign trade University Designed by EU Experts"	Foreign Trade University
13 October (Ha Noi)	COMP-4	Workshop "Capacity Building on Consumers' Complaint Handling for VINASTAS"	VINASTAS
20 - 22 October (Ha Noi)	CB-7	Workshop "Follow up Nucleus Group Counsellor Training"	VINASME & SEQUA
22 October (Ha Noi)	WTO-3	Second Policy Networking Session "Preparing for The WTO Trade Policy Review Process"	
22 October (Hue)	CB-1	Workshop "Opportunities to Access and Expand the EU Market for Vietnamese Exporters"	Thua Thien - Hue's Management Board of industrial zones
26 - 28 October (Ha Noi)	CB-7	Workshop "Capacity Building on Doing Business with the EU"	VINASME & SEQUA
29 October (HCMC)	SERV-4&5	Workshop "International Economic Integration – Opportunities and Challenges for the Development of Milk Industry in Viet Nam"	Domestic Market Department - MOIT
02 November (Hai Phong)	CB-1	Workshop "Opportunities to Access and Expand the EU Market for Vietnamese Exporters"	VCCI - Hai Phong Branch
04 Nov (Ha Noi) 05 Nov (HCMC)	CB-7	Conference "The Trans-pacific Partnership Negotiations – Opportunities and Challenges for Viet Nam"	VCCI
09 - 10 Nov (Da Nang) 11 - 12 Nov (HCMC) 17 - 18 Nov (Ha Noi)	CB-5	Training courses on "Instruments and Methodology for Trade Policy Analysis"	
16 - 18 November (Geneva)	WTO-4	16th regular meeting of the Committee on Agriculture	
16 - 21 November (Ha Noi)	CB-7	Training Course "Innovation of Design Method for Successful Development of a New Collection"	LEFASO
17 November (Ha Noi)	SERV-2	Policy Networking Session "Securities Market Liberalisation in Viet Nam – What Comes Next?"	State Securities Commission, Ministry of Finance
19 November (Ha Noi)	COMP-6	Workshop "The Role of Women in Consumer Protection"	
23 - 26 November (Australia)	FTA-8	Second Meeting of the ASEAN-Australia, New Zealand FTA Joint Committee	

23 - 24 November (Ha Noi)	CB- 5	Training courses on "Instruments and Methodology for Trade Policy Analysis"	
24 November (Da Lat)	SERV-4&5	PNS: "Some issues relating to the improvement of state management in the retailing Sector"	Domestic Market Department - MOIT
26 November (HCMC)	SERV-4&5	Workshops "The Retailing Sector: An Update of The State Management Policy in Viet Nam"	Domestic Market Department - MOIT
29 November (Ha Noi)	FTA	Workshop "Viet Nam – EU Relations: Achievements and Prospects"	Ministry of Foreign Affaires
29 November - 03 December (Geneva)	WTO-4	Regular meeting of the Negotiating Group on Trade Facilitation	
08 December (Dong Nai)	CB-7	Workshop "Information Management for Vietnamese Business Associations and Enterprises"	EuroCham
10 December (Ha Noi)	CB-1	Workshop "A 10 - Year Review of Implementation Strategy and Action Plan for The Advancement of MOIT's Women Up To 2010"	MOIT
10 December (Ha Noi)		The Third Meeting of The Project Steering Committee of EU – Viet Nam MUTRAP III	
13-14 December (Singapore)	FTA-8	Special Meeting of The Trade Negotiation Committee ASEAN - India	
15 Dec (Pleiku) 17 Dec (Quy Nhon)	CB-1	Workshops Disseminating Commitments in Free Trade Agreements Participated by Viet Nam	
24 December (Ha Noi)	CB-7	Third Meeting – The Committee on International Trade Policies	VCCI
28 December (HCMC)	COMP-1	Workshop "5-Year Implementation of Competition Law in Controlling Anti-Competitive Behaviors in Viet Nam"	Viet Nam Competition Council - MOIT
29 December (HCMC)	CB-1	Workshop "Opportunities and Ways to Exploit the Japanese Market"	Asia - Pacific Market Department - MOIT
30 December (Ha Noi)		Classroom Facility Awarding Ceremony for Foreign Trade University	

UP COMING EVENTS

Date	Activity code	Event	Co-organiser
11 January (Ha Noi)	WTO	Opening Ceremony of The WTO Reference Center and WTO Technical Assistance and Training Program	Viet Nam Institute for Trade - MOIT
Quarter I (Ha noi)	WTO-9	Workshop on The Monitoring of Policies Related to Economics and Trade	
March (HCMC)	CB-1	Workshop "Bilateral FTA between Viet Nam and EU: Benefits and challenges for foreign invested enterprises in Viet Nam"	Viet Nam's Association of Foreign Invested Enterprises (VAFIE)
March (Quy Nhon)	CB-1	Workshop "Trade in timber and forest products"	Vietnam Association of timber & forest products (VIFORES)