

# **How new generation of trade agreements may help Vietnam in attracting more international investment and trade, and recovering faster after COVID-19**

By examining actions taken by Ministry of Industry and Trade and other government agencies of Vietnam relating to trade and trade-related issues during COVID-19, this working paper will, firstly, point out the macro-economics and international trade policies, timely implemented trade measures; and several trade-related policy documents issued during this time; secondly, it will analyze the challenges (supply and demand, dependence on some export markets), and created opportunities (export, and some successful situations) for Vietnam related to trade during COVID-19; thirdly, the paper will demonstrate why Vietnam should be destination of international investment and trade, in comparison with several countries through considering new generation of FTAs (EVFTA, CPTPP and EVIPA) as drivers and conditions of international investment and trade, before and after the pandemic. Then, the paper will provide recommendations of measures and provisions to be considered in future trade-related agreements as a result.

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## Introduction

Since its emergence, the Covid-19 pandemic has brought severe impacts and disruption to people's lives and normality over the world, triggering the deepest global recession because of the actions taken by countries to deal with it.

How a middle income and developing ASEAN country like Vietnam deal with COVID-19 in fighting for its population well-being, protecting its economy and implementing policies to recover from the pandemic? While the country is actively integrating into the world economy, it is facing real challenges brought by the pandemic: affected all socio-economic activities, disrupting supply chains and international trade and reduction of inflow foreign investment, damages to varieties of industries... According to World Bank's estimation, Vietnam is among the few countries, together with Cambodia, Lao PDR, Mongolia, and Myanmar, to have projected growth in all scenarios, however, at much lower rate than in 2019.<sup>1</sup>

What are the action taken by Vietnamese government agencies, especially, ministry of Industry and Trade in response to this dangerous pandemic?

### 1. Identified actions taken

Since the first case in January until the end of July 2020, when the second wave of COVID-19 came up, Vietnam has had around 450 cases, 369 recovered cases and 0 death, with numerous of infected people returning from oversea, no detected community transmission cases in 3 months.<sup>2</sup> The 97 million population country had lifted social isolation and allowed the domestic economic activities back to normal state after early success of dealing with the pandemic, before ordering several cities for second quarantine in late July 2020.

Experts have analyzed Vietnam's success thanks to some key attributed factors such as: well-organised and developed health-care system, decisive and effective central government, and proactive dealing with pandemic through measures such as: comprehensive and aggressive testing, tracing, quarantining, effective public communicating and campaigning, quickly and sufficiently developing testing kits...<sup>3 4</sup>

According to IMF's forecast, Vietnam may still enjoy 2.7% GDP growth rate while many other countries in the world and in the region may suffer negative growth.

<b>Real GDP growth (Annual percent change)</b>	<b>2018</b>	<b>2019</b>	<b>2020 (projected)</b>	<b>2021 (projected)</b>
Vietnam	7.1	7	2.7	7
ASEAN-5 <sup>5</sup>	5.3	4.8	-0.6	7.8
Emerging and Developing Asia	6.3	5.5	1	8.5
Advanced economies	2.2	1.7	-6.1	4.5
World	3.6	2.9	-3	5.8

Source: Author extracted from data of IMF Data Mapper<sup>6</sup>

<sup>1</sup> Ergys Islamaj, Aaditya Mattoo, and Ekaterine T Vashakmadze, "World Bank East Asia and Pacific Economic Update, April 2020: East Asia and Pacific in the Time of Covid-19," (The World Bank, 2020).

<sup>2</sup> MOH, "Dòng Thời Gian," (Ministry of Health, 2020).

<sup>3</sup> Pollack Todd et al., "Emerging Covid-19 Success Story: Vietnam's Commitment to Containment," (Our World in Data: Global Change Data Lab, 2020).

<sup>4</sup> Fages Véronique Maeva, "Here Are Four Ways Vietnam Has Managed to Control Covid-19," (Gavi - The Vaccine Alliance, 2020).

<sup>5</sup> ASEAN-5 includes: Indonesia, Malaysia, Philippines, Thailand, Vietnam

<sup>6</sup> IMF, "Real Gdp Growth - Annual Percent Change," (IMF DataMapper: IMF, 2020).

Also, the report suggests high projected GDP of Vietnam, compared to other countries in the region, in 2020 and 2021 are 4.8% and 6.8% respectively, to be one of the fastest-growing and recovering economies in the Southeast Asia after the outbreak.<sup>7</sup> July 2020 World Bank report forecasts that Vietnam will have growth rate of 2.8% and 6.8% in 2020 and 2021, respectively, based on scenario that the country will rebound in the second half of 2020.<sup>8</sup>

These positive forecasted figures are based on consistent and stable control of the pandemic domestically. Nevertheless, what kinds of economic policies and reactions were taken by Vietnamese government at the same time to maintain the balance of economic purposes and its people's security?

### ***Macro-economic policies:***

The government quickly adopted public fiscal and monetary instruments to help the people and businesses are most at risk through tax breaks, tax reduction, credit supports. Thanks to the accumulation of significant reserve funds due to careful pre-crisis fiscal management, the authorities were able to respond immediately at the central and local levels without having to increase domestic or foreign debt. In early March 2020, the package of support worth over VND 300 trillion (VND 285 trillion bank credit support and 30 trillion tax support) was unprecedented.<sup>9</sup> One of government incentives is the extension of tax deadlines including VAT, CIT, PIT and land rent under *Decree 41/2020/ND-CP* on April 8.<sup>10</sup>

The State Bank of Vietnam (SBV) has actively and flexibly operated monetary policies, closely coordinated with fiscal and other macroeconomic policies to stabilizing inflation, contributing to macroeconomic stability, ensuring liquidity of credit institutions, stabilizing exchange rates and foreign exchange markets, maintaining interest rates, stabilizing money market, expanding healthy credit according to the set orientation, focusing on improving credit quality.<sup>11</sup> Thereby, the available capital is adjusted appropriately, maintaining a stable system for credit institutions in the context of a pandemic, supporting credit institutions to adjust lending interest rates for customers. On the other hand, the SBV has made several reductions in operating interest rates. The trend of lowering interest rates and reducing operating costs continued to be promoted by many credit institutions right from the beginning of the third quarter to further reduce lending rates. In credit administration, right from the beginning of 2020, in order to promptly deploy urgent solutions to remove difficulties for the economy, the SBV has issued Circular 01 with many breakthrough mechanisms, creating a broadly legal corridor for credit institutions to overcome difficulties in lending to customers (restructuring principal and interest, not transferring bad debts, not being subject to interest and penalty, exemption and reduction of interest and fees, and continuing to borrow capital for production and business). The State Bank has also issued Directive 02 requiring credit institutions to promote the effectiveness of customer support solutions; reduce operating costs to facilitate maximum interest rate reduction, sharing difficulties with customers.<sup>12</sup>

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<sup>7</sup> Ibid.

<sup>8</sup> Jacques; Morisset et al., "Taking Stock : What Will Be the New Normal for Vietnam? - the Economic Impact of Covid-19 (English)." (Washington, D.C.: World Bank Group, 2020).

<sup>9</sup> Dinh Anh Vu, "Chính Sách Tiền Tệ Tín Dụng Ứng Phó Với Dịch Covid-19," *Tạp chí Nghiên cứu Ngân hàng*, no. Số 7/2020 (2020).

<sup>10</sup> Samuel Pritesh, "Covid-19 and the Effects on Supply Chains in Vietnam," in *Vietnam Briefing* (Dezan Shira & Associates, 2020).

<sup>11</sup> Falak Ayman, "Vietnam Issues Incentives to Counter Covid-19 Impact," ed. *Vietnam Briefing* (Dezan Shira & Associates, 2020).

<sup>12</sup> Ibid.

The Ministry of Finance has implemented many supportive measures such as: extending tax, reducing many fees and charges, as well as many solutions to balance the State budget, coordinated with other sectors to review the reduction and exemption of many types of fees and charges<sup>13 14</sup>; proactively balance the state budget, ensuring the response to epidemic prevention<sup>15</sup>. Besides, the Ministry of Finance has also submitted to the Government and settled according to its competence the import tax exemption for medical equipment and devices in service of epidemic prevention and control. At the same time, the Ministry of Finance has submitted to the Government Proposal No.93/TTr-BTC to propose to the National Assembly at the next meeting on deciding the level of implementation of enterprise income tax policies for small and micro enterprises.

***International Trade Policies and best practices:***

- Protection of domestic and international market from fake and low quality medical goods  
The General Department of Market Management, Ministry of Industry and Trade (MOIT) requested the local Market Management Sub-Departments to intensify checking and reviewing the business situation of anti-epidemic products on the market, promptly handling frauds, trading of goods with no proof of origins...<sup>1617</sup>

- International trade is supported during COVID-19 through:  
Collaborating between countries' agencies on international trade flow, specific products...<sup>18</sup>.  
Cross-border trade is facilitated during the pandemic through: (1) updated, public and transparent information to be available on the website of ministry of industry and trade, (2) strict collaboration between local government, ministry and businesses to promptly inform exporters and importers of trade situation at all borders <sup>19</sup>(3) close coordinating with other countries' customs authorities for fast restoration of normal customs clearance time to avoid skyrocket number of goods stuck at the border gates, (4) reducing difficulties for businesses by requesting of simplifying inspection procedures for export goods (5) finding other ways of delivery of goods during COVID-19 to avoid human contact by increasing railway transportation<sup>20</sup>.

- Conducting discussion between ministry and businesses and industry associations to learn about the situation of production, business, exchange and find solutions to solve difficulties and problems of enterprises affected by COVID-19<sup>21</sup>

- Issuance of authorities documents supporting trade activities and production of products for export during COVID-19

The Ministry of Industry and Trade (MOIT) has been actively responding to the situation of the pandemic. Supporting the mentioned reactions of the MOIT during COVID-19 is a series of

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<sup>13</sup>Ministry of Finance, "Tiếp Tục Miễn Giảm Giá 15 Dịch Vụ Chứng Khoán Đến Hết Ngày 30/6/2021," (MOF Portal: Vietnamese Ministry of Finance, 2020).

<sup>14</sup>Ibid

<sup>15</sup> Tue Anh, "Xây Dựng Dự Toán Thu Nsnn Năm 2021 Sẽ Tính Toán Cụ Thể Các Yếu Tố Tăng, Giảm Và Dịch Chuyển Nguồn Thu," (MOF Portal,Hanoi: Vietnam Ministry of Finance, 2020).

<sup>16</sup> Anh Minh, "Thêm Gần Một Triệu Khẩu Trang Y Tế Không Nguồn Gốc Xuất Xứ," in *VNExpress* (2020).

<sup>17</sup> Tổng cục Quản lý thị trường, "Hành Động Bộ Công Thương: Thu Giữ Hàng Trăm Nghìn Khẩu Trang 3m Giá," news release, [\(http://hanhdong.moit.gov.vn/default.aspx?page=news&do=detail&id=5c7b7a93-a844-4c10-8747-74436cc89432\)](http://hanhdong.moit.gov.vn/default.aspx?page=news&do=detail&id=5c7b7a93-a844-4c10-8747-74436cc89432).(2020)

<sup>18</sup> MOIT, " Tình Hình Hoạt Động Của Một Số Cơ Quan, Đơn Vị Argentina Trong Bối Cảnh Dịch Covid 19," in *ĐÁNH GIÁ TÁC ĐỘNG CỦA DỊCH* (Vietnam Ministry of Industry and Trade, 2020).

<sup>19</sup> "Tình Hình Giao Nhận Hàng Hóa Tại Một Số Cửa Khẩu Biên Giới Đất Liền Ngày 7/5/2020 Và Lượng Hàng Hóa Còn Tồn Tại Ở Các Cửa Khẩu,"ibid.

<sup>20</sup> Anh Minh, "China Border Gate Trade Set for Return to Normal," in *Economy* (VnExpress International, 2020).

<sup>21</sup> MOIT, "Các Doanh Nghiệp Dệt May, Da Giày Nỗ Lực Sản Xuất Kinh Doanh Trong Bối Cảnh Bệnh Viêm Phổi Cấp," in *ĐÁNH GIÁ TÁC ĐỘNG CỦA DỊCH* (Vietnam Ministry of Industry and Trade, 2020).

legal documents. These documents are very important as they are consistent with the effort of the whole country to fight COVID-19, contributing to protection of human life and health while making sure undisruptive economic developments. Furthermore, they have played crucial role in maintaining the orderly functioning of the market and trading system of the country during the pandemic, supporting the effective collaboration among stakeholders, especially between Vietnam and trade partners.

***Several trade-related documents to assist trade during COVID-19 with their primary focus<sup>22</sup>:***

*Official dispatch No. 149/TCQLTT-CNV, and No. 155/TCQLTT-CNV of the MOIT dated on 31 January 2020: to strengthen management by geographical areas in order to detect and promptly handle acts of taking advantage of scarcity of goods in the market to buy, gather goods or take advantage of epidemics to set unreasonable prices of items such as masks, antiseptic water and medical gloves. This document is important not only for Vietnam market but also for International market because it ensures the quality of products made in Vietnam to be used inside and outside Vietnam.*

*Official dispatch No. 156/TCQLTT-CNV dated on 01 February 2020 of MOIT on fighting COVID-19 on: market management regarding medical goods and devices, stop and prevent illegal transportation and trade of wildlife as a source of disease. This document is also necessary when scientists and research team have been investigating the link between China's wildlife trade and the COVID-19 pandemic's origin<sup>23</sup>.*

*Official dispatch No. 708/BCT-XNK of MOIT to request Ministry of Health to establish a process of disease and pandemic controlling for people and vehicles participating in cross-border import and export, this process to be discussed with trading partner country to implement uniformly at all border gates, not to interrupt the operation of international trade.*

*Official dispatch No. 0114/XNK-NS dated on 10 February 2020 of Import-Export Department, MOIT regarding several issues (1) close collaboration among government agencies to maintain disease control and fast clearance of goods (2) coordination between Vietnam and trading partner on clearance procedure and diseases prevention (3) timely update of trade situation at border gates (4) request local Industry and Trade Departments, business associations and relevant stakeholders to closely follow the activities of exporting agricultural and aquatic products proactively plan for production, packaging, delivery, export of goods through border gates, avoiding congestion and other adverse impacts.*

*Decision No. 435/QĐ-BCT dated on 11 February 2020 of the MOIT regarding the establishment of a Ministerial Steering Committee for COVID prevention with responsibilities include but not limited to comprehensively direct the effective prevention and control of epidemics under the direction of the government, the National Steering Committee, a thorough review of the impact of COVID-19 on each field, industry, identify specific solutions to support production and business, ensure the accomplishment of economic development and development objectives*

*Official dispatch No. 0135/XNK-NS dated on 13 February 2020 of the MOIT, regarding (1) request of a process to review and assess the situation and direct the Departments of Agriculture and Rural Development across the country to have plan to adjust production in accordance with the pandemics, (2) calling logistics enterprises (with cold storage) to prioritize the preservation of fruits and agriculture products, reduction of storage, warehousing, transportation and handling fees*

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<sup>22</sup> See more documents at <http://hanhdong.moit.gov.vn/default.aspx?page=legal>

<sup>23</sup> Smriti Mallapaty, "Scientists Call for Pandemic Investigations to Focus on Wildlife Trade," *Nature* 583, no. 7816 (2020).

(3) request the Vietnamese trading system in foreign countries to find and introduce new customers, boosting agricultural product trading diversion to avoid congestion at border gates with China...

*Direction No. 05/CT-BCT* dated 26 February 2020 of the MOIT regarding implementing solutions in the context of COVID-19 (1) trading activity development, (2) finding the supply sources for raw materials for production (2) finding capable companies to supply medical products for import and export, information of newly developed materials for production of medical equipment and supplies. *This document is vital for short-term and long-term fight against COVID-19, and keep the normal operation of the supply chain of industries of Vietnam.*

*Direction No. 06/CT-BCT* dated 11 March 2020 of the MOIT regarding implementing solutions, fighting against epidemics and removing difficulties for production and business of industry and trade sector in the face of new developments of COVID-19. *This document with supportive measures for labor and enterprises is relevant in the context that companies and manufacturers have been facing significant difficulties, and challenges created by COVID-19, many of them have gone bankrupt since the emerge of the pandemic and its negative impacts.*

The issuance of these documents is essential for Vietnam's trading activities, supporting the fighting against COVID-19. Nevertheless, the mentioned documents also important and relevant for regional and international trade since they assure the quality of medical products to be exported to other market and the ongoing operation of supply chains.

## **2. Challenges and opportunities for Vietnam related to trade during COVID-19**

Vietnam have shared various challenges identified by researchers and policy makers around the world. However, we can see also positive points during the pandemic.

Firstly, Vietnam's trade and participation in global supply chain face the difficulties in reduction in both global demand and supply. Recent World Bank report on COVID-19 suggested some countries like Vietnam, Cambodia, Malaysia and Thailand are exposed to the risk of shrinking external demand for their manufacturing exports and integrated supply chains.<sup>24</sup> Both export turnover of processed industrial goods is estimated at US \$ 101.6 billion, down 0.7% compared to the same period in 2019.<sup>25</sup> Vietnam's exports are currently facing a demand breakdown as the COVID-19 pandemic has spread to European countries and the United States, Vietnam's major export partners: In the first 6 months, (1) for textile and garment: the export of fiber and textile fiber decreases by 21.2%; fabric blinds, technical fabrics down 39.6%; textiles and garments fell by 15.5%; (2) For footwear: footwear exports of all types have decreased by 6.7%; bags, suitcases, umbrella umbrellas down 15.1%; (3) Materials, textiles, leather and shoes decreased by 17.3% (4) Iron and steel of all kinds decreased by 11.7%; (5) Telephones and accessories decreased by 8.4%; (6) Cameras, camcorders and components decreased by 51.2%.<sup>26</sup> However, a number of commodity groups still maintained growth momentum over the same period in 2019: wood and wood products increased by 2.4%; computers, electronic products and components increased sharply by 24.2%; machinery, equipment, tools and spare parts increased by 25.2%.<sup>27</sup> Thanks to its impressive growth, computers, electronic products and components have surpassed textiles and garments to become the second largest export group of Vietnam after the first 6 months of 2020.<sup>28</sup> In the first 6 months of 2020, Vietnam's exports to ASEAN decreased by

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<sup>24</sup> Islamaj, Mattoo, and Vashakmadze, "World Bank East Asia and Pacific Economic Update, April 2020: East Asia and Pacific in the Time of Covid-19."p19

<sup>25</sup> MOIT. Báo cáo tình hình sản xuất công nghiệp và hoạt động thương mại 6 tháng đầu năm, giải pháp thực hiện trong thời gian tới. Vietnam. (2020)

<sup>26</sup> Ibid.

<sup>27</sup> Ibid.

<sup>28</sup> Ibid.

14% over the same period of 2019; exports to the EU market decreased by 8.8%; export to Japan decreased by 2.3%.<sup>29</sup> Nonetheless, the two main export markets of Vietnam, China and the United States, exports to China reached 19.5 billion USD, up 17.4% over the same period last year; to the US reached 30.3 billion USD, up 10.3% over the same period last year. Besides, exports to CPTPP member countries' markets have positive growth such as exports to Australia increased by 2.3%; Chile increased by 1.6%; Mexico increased by 2.6%.<sup>30</sup> Furthermore, the production has been shut down in many parts of global supply chains, Vietnamese businesses face difficulties in finding the alternative sources for imported inputs, to serve export purposes. Since Vietnam is integrated into global value chain, countries like Cambodia and Vietnam, having high-backward linkages including dependence on imported input sources for exports, are highly sensitive to supply shocks, in addition to demand shocks.<sup>31</sup> After phase 1, for processed industrial goods, raw material supply serving production and export has encountered many difficulties due to heavy dependence on Chinese raw materials. So far, the basic supply disruption has been resolved. In the context of the global economic downturn due to the negative impact of the Covid-19 pandemic, Vietnam's import and export of goods in the first half of 2020 is estimated to decrease by 2.1% over the same period last year, reaching 238.39 billion USD.<sup>32</sup> In particular, export turnover recorded the first decline since the global economic and financial crisis in 2008/2009, with a decrease of 1.1%, estimated at 121.21 billion USD and, import turnover decreased by 3% compared to the same period in 2019, estimated at 117.17 billion USD.<sup>33</sup> Being one of the most active countries in international trade, the situation suggests Vietnam face the serious problems of vulnerabilities and dependence on international economies and the global supply chains.

Secondly, domestic production and businesses in export and import sectors in Vietnam are negatively influenced by the disruptions of the pandemic.

The major partner countries of Vietnam are seriously affected and the recovery will need certain time and capital resources. Contraction in countries' GDP, reduction in income, closing businesses, and unemployment also affect economies' operation and economic behaviors of people, country and its people are saving for long-term in case of the persistence of the pandemic. According to results of a survey of nearly 130,000 enterprises about the export situation in May 2020 recently announced by the Ministry of Industry and Trade, 57.7% of the businesses affected said that the consumption market has dropped sharply, 47.2% of enterprises with export activities affirmed that goods produced could not be exported.<sup>34</sup> Some automobile manufacturing plants in Vietnam belonged to Honda, Toyota, Nissan and Ford have been suspended production, especially during the time of social distancing.<sup>35</sup> Importing raw materials and materials is difficult, affecting production and implementation progress of projects in Vietnam. The implementation of strict measures to prevent the spread of disease such as: restrictions on travel, the closure of restaurants, the closure of borders and airports ... in many countries have caused damages to companies' global trade and investment. Enterprises who have been employing foreign labors also face difficulties in having them back to the country due to the travel ban and cancelled flight among countries.

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<sup>29</sup> Ibid.

<sup>30</sup> Ibid

<sup>31</sup> Islamaj, E., A. Mattoo and E. T. Vashakmadze. World Bank East Asia and Pacific Economic Update, April 2020: East Asia and Pacific in the Time of COVID-19, The World Bank: xvi.(2020)

<sup>32</sup> MOIT. Báo cáo tình hình sản xuất công nghiệp và hoạt động thương mại 6 tháng đầu năm, giải pháp thực hiện trong thời gian tới. Vietnam. (2020)

<sup>33</sup> Ibid.

<sup>34</sup> Tran, V. N. Gần 50% doanh nghiệp chưa xuất khẩu được hàng vì COVID-19, TuổiTre Online.(2020)

<sup>35</sup> Ibid.

Particularly, many foreign direct investment (FDI) enterprises also suffer from a shortage of foreign experts and technicians. According to report of the Ministry of Labor, War Invalids and Social Affairs, the number of foreign workers working in Vietnam is nearly 70,000, came from more than 100 countries and territories around the world (Chinese workers account for 22.4%; Korean workers account for 34.4%; workers from other countries and territories accounted for 43.2%), over 25,000 foreign workers have not returned to Vietnam.<sup>36</sup> Particularly, the foreign labor positions require high professional and technical qualifications, management experience, foreign languages and in a short time, Vietnamese labor force cannot meet the needed requirement in short term and without training and conversion scheme. The import of consumer goods, light industrial goods such as textiles, footwear, bags, suitcases, umbrellas ...also dropped sharply when domestic market still have unsold goods and stock.<sup>37</sup> Trade, transport, customs clearance for import and export of goods through land border gates also face many difficulties due to anti-pandemic measures.

Even though industries and businesses in Vietnam are going under great difficulties, there are still opportunities for trade and investment development. While suffering from huge pressure from the pandemic, garment industry is having the chance to become the world's face mark factory with million dollar export orders from international market. Companies like Garment 10, TNG received export orders up to 400 million medical face masks, 20 million cloth masks from US partners, and millions of anti-bacterial cloth masks to be shipped to the European Union.<sup>38</sup> Recently Prime Minister Nguyễn Xuân Phúc has allowed the export of medical face masks without any export volume caps, therefore the country would not miss out the opportunity of becoming the world's face mask factory amid the COVID-19 pandemic. Resolution No 60/NQ-CP of the Government dated on April 29 2020 replaced Resolution No 20 related to request of licenses for export of medical face masks. This is a timely action of the government since they realized that opening to trade will continue to make Vietnam achieve its development goals, helping the trade border open and other countries through difficult time of being lack of medical supplies, while supporting the faster recovery of Vietnam's economy from the pandemic.

### **3. New generation of FTAs supports Vietnam faster economic recovery**

Vietnam has been actively integrated into the world economy. Recently, the country completed the negotiation of new generation of trade agreements, the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) and the European Union – Vietnam Free Trade Agreement (EVFTA) with many of its main trading partners. CPTPP and EVFTA have officially come into effect in Vietnam since January 2019 and August 2020, respectively. These comprehensive and new generation of trade agreements with much wider and deeper commitments on trade and trade-related aspects than multilateral WTO commitments. With these documents, the country and businesses have the hope of economic developments and quickly recover from the damages due to the pandemic.

#### **Attraction of international investment, especially FDI:**

The COVID-19 pandemic has disrupted the production and global supply chain, especially in several world's biggest manufacturers.

The early success in controlling the situation domestically and the incentive conditions for international trade and investment have made Vietnam a bright spot for FDI inflows. Other than

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<sup>36</sup> MOLISA, Kiến nghị cho chuyên gia nước ngoài tại dự án trọng điểm nhập cảnh trong mùa dịch Covid-19. (2020)

<sup>37</sup> MOIT, Báo cáo tình hình sản xuất công nghiệp và hoạt động thương mại 6 tháng đầu năm, giải pháp thực hiện trong thời gian tới. Vietnam.(2020)

<sup>38</sup> Viet Nam News, VN could become world's face mask factory amid COVID-19, Viet Nam News.(2020)

that, signing the new generation of FTAs like CPTPP or EVFTA has made Vietnam a favorable place for international investment, according to several reasons listed below:

Firstly, Vietnam with 97 million population as an alluring and booming market and its new generation of FTAs are significant drivers for investment from these FTAs' signing members such as: Australia, Brunei, Canada, Chile, Japan, Malaysia, Mexico, New Zealand, Peru, Singapore (CPTPP) and 27 countries of EU market. Furthermore, it is also attracting foreign investment from third party countries planning to invest for export to market of these FTAs' partner, to take advantages of the tariff cut and favorable conditions. Furthermore, Vietnam is part of ASEAN Economic Community, and ASEAN is currently having FTAs with Australia, New Zealand, China, Hong Kong, India, Japan, South Korea<sup>39</sup>.... Therefore, foreign investment from EVFTA and CPTPP's signing partners will have opportunities to approach this dynamic 650 million population<sup>40</sup> market of ASEAN and markets of ASEAN's FTA partners. This situation is demonstrated by the FDI growth rate over the years and since the negotiation of these new FTAs. These mentioned conditions has opened the door for Vietnam's golden opportunity to receive the international investment flow into the country. Some technology giants and multinational corporations such as LG Electronics, Panasonic, Foxconn, Apple... has transferred the production line, expanded investment to Vietnam.<sup>41</sup> Also, there are countries, companies having plan to moving their production out of locations heavily affected by the pandemic and the trade tension, such as China. For example, Japan has reserved US\$2 billion inside its recovery package to help its businesses shift production out of China, an a survey conducted by Tokyo Shoko Research Ltd revealed that 37 percent of above 2,600 firms responded were diversifying their suppliers other than China.<sup>42</sup> According to a report by the Nikkei Asian Review in February 2020, Google and Microsoft are also shifting some of their production lines to Vietnam and Thailand from China.<sup>43</sup> At the same time, Vietnam satisfies the location diversification desire of corporations with ongoing investments in China.

Secondly, a positive effect of these newly implemented FTAs on Vietnam's economic and political situation, in recent year, the whole country has been preparing itself for investment opportunities and advantages created by the newly signed and implemented trade agreements. The improved situation inside the country is signaling a stable, credible and fast growing destination and trusted government for international investors. Identified improvements to be accomplished by the country include a wide range of issues: (1) Institutional reforms, healthy competitive business environment; (2) upgraded competitiveness of the Vietnamese economy and enterprises, products and services; (3) reduction of heavy dependence on traditional markets or market diversification<sup>44</sup>, (4) participation in global supply chain and global value chain (5) Completing and strengthening legal system, especially issues under the cover of the FTAs (intellectual properties, investment, state-owned enterprises, environment, labor... ;(6) accessing to international standards and

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<sup>39</sup> See more FTAs at <https://wtocenter.vn/fta>

<sup>40</sup> ASEAN, Investing in ASEAN 2019|2020, available online:

[https://asean.org/storage/2019/10/Investing\\_in\\_ASEAN\\_2019\\_2020.pdf](https://asean.org/storage/2019/10/Investing_in_ASEAN_2019_2020.pdf) (2020)

<sup>41</sup> Anh Minh, "Foreign Tech Giants Eye Vietnam Shift," in *Companies* (VNExpress, 2020).

<sup>42</sup> Pritesh, S. COVID-19 and the Effects on Supply Chains in Vietnam. *Vietnam Briefing*, Dezan Shira & Associates. (2020)

and Isabel Reynolds and Emi Urabe, "Japan to Fund Firms to Shift Production out of China," *Bloomberg News* (2020).

<sup>43</sup> Alberti Francesco, "Japan Switching Manufacturing to Asean," *The Asean Post* (2020).

<sup>44</sup> Quang Thuan Le, "Các Hiệp Định Thương Mại Tự Do Thế Hệ Mới Và Tác Động Đối Với Kinh Tế Việt Nam," [New generation free trade agreements and impacts on Vietnam's economy.] *Tạp chí điện tử Tài chính* (2020).

practices to improve market management and governance capacity<sup>45</sup>. For example, to prepare for the stricter requirement of rules of origins, Vietnam, with the government's political will, has been diversifying its sources of manufacturing, investing in supporting industries and domestic suppliers, discussing with FDI enterprises on improving capacity of domestic suppliers and supporting small and medium-sized enterprises (SMEs) not relied on a particular country such as China like before. Thus, the enhanced overall situation supported from its participation in these new generation of trade agreements helps stimulating more international investment into the country. The growing investments from multinational corporations also contribute to the economic development of the country in general, and the services, manufacturing... industries in particular. Therefore, it continues to support the attraction of foreign investment into Vietnam.

Thirdly, during this difficult time of Covid-19, and the protectionism waves and attitudes of countries around the world, the new generation of FTAs such as EVFTA and CPTPP that Vietnam is participating in will keep the gates open for international trade and investment flows. As a result, countries including Vietnam will have a chance to recover faster from the pandemic. In addition, countries can collaborate on technology solutions and technical cooperation to fight against the pandemic. Global mechanisms should play a role during all dilemma periods such as wars, diseases outbreaks, and economic crisis to keep countries from falling deeper into the chaos. It is to remember that there are researches and assessments on the need of global structures and explanation for the performance of global economic governance, as it had actually worked to reverse situation to the before-crisis state.<sup>46</sup> And regional schemes generated by such deep and comprehensive generation of economic agreements such as CPTPP and EVFTA also provide hope for countries for better economic relations and cooperation.

In short, according to the mentioned reasons, new generation of trade agreement such as CPTPP and EVFTA provides the conditions for a developing country like Vietnam to promote and encourage more international trade and investment into the country, helping it and its trading partners to recover quicker from the pandemic.

#### **4. Recommendations on future trade-related agreements**

The EVFTA and CPTPP both include articles on cooperation and capacity building on issues such as: promoting and facilitating trade and investment, industrial and services sectors, disaster risk management....Additionally, there is committee on Cooperation and Capacity Building, or Specialized Committees. However, these agreements have not included any articles on cooperation and enforcement of the agreements during crisis time such as economic downturn, financial crisis and pandemic. Future negotiations of trade-related agreements may consider to put similar issues in their agreements to ensure the continuous and reliable implementation such agreements. Moreover, as discussed in earlier part of this research, articles on requirement of parties to safeguard the quality of medical supplies during pandemic are considered to be extremely important and should be included, as in the legal documents issued and executed by Vietnamese authorities.

#### **5. Conclusions**

The pandemic has posed challenges to policy makers, businesses, citizens in many parts of the world. International and regional regimes may provide some solutions to the situation. The new

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<sup>45</sup> Nhu Thang Vu and Thi Thu Huyen Tran, "Thực Thi Các Fta Thế Hệ Mới Trong Bối Cảnh Đẩy Mạnh Hội Nhập, Liên Kết Kinh Tế Quốc Tế," [Implement new-generation FTAs in the context of accelerating international economic integration and integration.] *Tap chí điện tử Tài chính* (2019).

<sup>46</sup> Daniel W Drezner, "The System Worked: Global Economic Governance During the Great Recession," *World Pol.* 66 (2014).

generation of trade agreements such as CPTPP and EVFTA indeed have brought opportunities to Vietnam. In particular, this research addresses international investment attraction is among of the positive effects of these agreements.

In order to fully take advantage of EVFTA and CPTPP, experts have suggested that Vietnam should continue to implement decisive reforms.<sup>47</sup> Furthermore, the country may need to identify solutions for addresses challenges and provide the favorable conditions for opportunities created by the new generation of FTAs in the context of post COVID-19 for faster recovery from the pandemic, keep on opening the market for international trade and investment, cooperate with other trade partners for supporting the fast recovery of countries after the pandemic.

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<sup>47</sup> World Bank, "Vietnam : Deepening International Integration and Implementing the Evfta," (Washington, D.C.: World Bank Group, 2020).pp 11-12

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