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**THE IMPACT OF THE EU - VIETNAM FREE TRADE  
AGREEMENT (EVFTA) ON VIETNAM'S  
AGRICULTURAL EXPORTS**

**Major: Commercial**

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- National Library of vietnam;
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## PREFACE

### 1. The urgency of the topic

Regional and international integration has played an important role in transforming the economies of countries around the world. This process takes place on the basis of trade liberalization, manifested through the fact that bilateral and multilateral free trade agreements are negotiated, signed and implemented. These arguments have been proven through the theory of trade liberalization and free trade agreements. Participation in free trade agreements provides a new space for development among member countries, helping to promote diversification, rationalization and modernization of import-export structure, production structure and economic structure. Through the free trade agreement, the space of production and consumption market are expanded. It is not only limited to the intra-regional scope of the agreement, but the space is also expanded to the partnering countries who are members of the free trade agreement. In addition, world trade is growing along with the development of production and consumption, closely associated with the process of production cooperation and production association. The world manufacturing industry forms supply chains, while countries and businesses, depending on their conditions and capabilities, can participate in segments in the global value supply chain. In another aspect, the advantages and benefits brought by trade liberalization are only necessary conditions for goods and products to have the opportunity to participate in the global supply chain. The problem is how can these products and goods take advantage of the free trade agreement, meet specific requirements, and be accepted by the market. This is a difficult problem that needs to be solved, furthermore, it is also a sufficient condition to increase the export value of commodities in the current context.

EU is a particular market, considered a “super country” with exceptionally high requirements on technical barriers, especially in terms of regulations for origins, plants and animals quarantine, quality check, food safety and hygiene; prevention of illegal, undeclared and unregulated (IUU) fishing; sustainable trade issue, social responsibilities of enterprises,... Sustainable trade issues, corporate social responsibility... It can be affirmed that EVFTA is an opportunity for Vietnam to increase the turnover of agricultural exports, especially products with strong competitive benefits, such as: seafood, vegetables, rice, cashew, coffee, pepper,..., to improve trade value and access potential markets like the EU. The signing and implementation of EVFTA not only brings opportunities for export growth, but also helps accelerate the restructuring of our country's agricultural sector, focusing on improving competitiveness through quality improvement, product quality, origin traceability, packaging protocols,... This would contribute to bringing agricultural products in particular and Vietnam's goods in general to penetrate more deeply into global supply chains. However, Vietnamese agricultural products need to meet strict standards on product origins, quality, food safety and other standards on labor and environment.

From the analysis of the necessity in both theoretical and practical aspects mentioned above, the PhD student has selected the research topic as “*The Impact Of The EU*

- *Vietnam Free Trade Agreement (Evfta) On Vietnam's Agricultural Exports*" for the doctoral thesis.

## 2. Research goals and tasks

The overall research objective is to clarify the scientific bases on both theoretical and practical aspects for impact assessment and proposing solutions to take advantage of opportunities and curb challenges of EVFTA to export Vietnam's agricultural products to the EU market..

Base on the abovementioned goals, the tasks of this research include:

- First, systematize the theoretical issues related to the impact of a free trade agreement on a country's agricultural exports..
- Second, assess the impact of the EVFTA on Vietnam's agricultural exports, in particular, the 03 export items: coffee, vegetables and rice.
- Third, propose solutions to promote the positive effects and minimize the negative impacts of the EVFTA on agricultural products to the EU market from now to 2030.

## 3. Object and scope of the research

### 3.1. Research object

The research object of the thesis is the theoretical and practical issues about the impact of EVFTA on Vietnam's agricultural exports to the EU market.

### 3.2. Research scope

#### 3.2.1. Content-wise

The thesis focuses on assessing the impact of EVFTA on 03 agricultural export products of Vietnam, namely rice, coffee and vegetables, thereby identifying opportunities and challenges.

#### 3.2.2. Space-wise

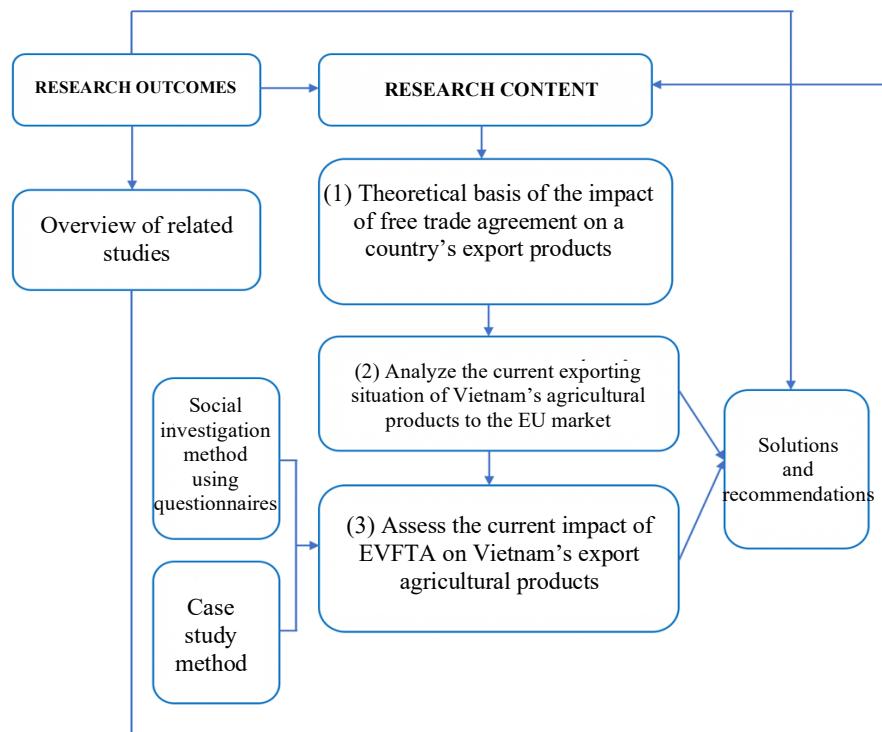
Exporting Vietnam's agricultural products to the EU market. Consider the EU market as a single market unit, without going into deep analysis for each country market in the union.

#### 3.2.3. Time-wise

For situational analysis, secondary data were collected for the period 2015-2021; primary data is collected & investigated in the period 2021 - 2022. Therein, comparison was done between the period before the agreement comes into force (2016-7/2020) and the period after the agreement comes into force force (August 2020 - August 2022). Proposing and presenting solutions up to 2030.

## 4. Research method

### 4.1. Proposed research framework



**Figure 0.1. Research model of the thesis**

*Source: Postgraduate's proposal*

#### 4.2. Research method

The topic uses a combination of different research methods to obtain aggregated, objective and multidimensional data on the impact of the EVFTA on Vietnam's agricultural exports to the EU market. Specifically:

- Desk research method: based on secondary data to analyze and research the impact of the free trade agreement in general and the EVFTA in particular on Vietnam's agricultural exports.

- The method of sociological investigation using questionnaires aims to collect primary data.

- Case study method: the topic uses a case study method with a number of successful agricultural exports of Vietnam such as coffee, vegetables and rice, right after EVFTA came into force.

#### 5. New contributions of the thesis

- Theoretically, the thesis has constructively summarized and systematized the theoretical basis on the impact of free trade agreements on the agricultural exports of a country. Therein, the theoretical basis of the thesis is compiled from: (i) theory of trade liberalization and free trade agreements; (ii) marketing theory of export agricultural products and the supply chain of exported agricultural products. The thesis has shown that trade liberalization and the implementation of free trade agreements are favorable opportunities (necessary condition) for goods in general and agricultural exports in particular to become

advantaged in the importing country's market. However, in order to exploit the opportunities brought by the free trade agreement, the exported agricultural products need to satisfy the specific requirements of the market (sufficient condition), agricultural products must provide added value to the market and customers.

- Practically, The thesis has overviewed the reality of the production and exportation of Vietnam's agricultural products to the EU market both before and after EVFTA was implemented. The thesis analyzes and assesses the impact of EVFTA on Vietnam's agricultural exports on multi dimensions, in which included in-depth analysis and evaluation three commodities: coffee; vegetables and rice. On that basis, the thesis proposes groups of solutions with scientific basis to enhance the ability to utilize the opportunities brought by EVFTA for Vietnam's agricultural exports.

## 6. Thesis structure

In addition to the acknowledgements, the table of contents, list of tables, list of diagrams and figures, list of acronyms, references, appendixes; introduction, conclusion and the thesis will be presented with the structure of 4 chapters. Specifically:

Chapter 1. Overview of studies published domestically and internationally related to the research topic of the thesis.

Chapter 2. Theoretical basis of the impact of free trade agreements (FTA) on national agricultural exports.

Chapter 3. The current impacts of the EU-Vietnam FTA on agricultural exports of Vietnam.

Chapter 4. Solutions to utilize opportunities and curb challenges from the EU-Vietnam Free Trade Agreement for Vietnam's agricultural exports to the EU market in the period to 2030.

## CHAPTER 1

### OVERVIEW OF STUDIES PUBLISHED DOMESTICALLY AND INTERNATIONALLY RELATED TO THE RESEARCH TOPIC OF THE THESIS

#### 1.1. Studies overview

##### 1.1.1. *Studies related to assessing the impact of free trade agreements on the Vietnamese economy*

Some outstanding authors are: Stefano Inama et al. (2011) in the study *Assessing the impact of origin regulations in Vietnam's free trade agreements*; Vu Thanh Huong and Nguyen Thi Minh Phuong (2016), in the study *Sectoral Impact Assessment of the EU - Vietnam Free Trade Agreement: The use of trade indicators*; Nguyen Dinh Cung và Tran Toan Thang (2017) in the study *EU - Vietnam Free Trade Agreement: institutional impact and policy adjustment in Vietnam*; Bui Quy Thuan (2020), in the study *Theories and methods of assessing the impact of free trade agreements on trading*; Phan The Cong và Nguyen Doan Trang (2020), in the study *Model of assessing the impact of tariffs on import and export of goods*.

##### 1.1.2. *Studies related to the export of agricultural products and factors affecting the export of agricultural products*

Roger et al. (2006), with the study *The influence of internal and external firm factors on international product adaptation strategy and export performance: A three-country comparison*; Ngo Thi Tuyet Mai (2007) in the *Improving the competitiveness of Vietnam's agricultural products in the context of international economic integration*; Atici et al. (2011), in the study *Does Turkey's Integration into European Union boost its agriculture exports*; Tran Thanh Hai (2013), in the study *Solutions to diversify export markets to improve the export efficiency of Vietnam's agricultural products*, Nguyen Thu Quynh (2013) in the study *Developing market strategies for exporting agricultural products of Vietnamese enterprises*; Tran Tuan Anh (2018), with the study *Scientific arguments for the development of Vietnam's import-export market in the context of implementing new-generation free trade agreements*; Ha Van Su (2016) with the study *Strengthening the capacity and efficiency of participating in the global value chain for agricultural exports of Vietnam*; Ngo Thi My (2016), in the doctoral thesis *Research on factors affecting the export of some agricultural products of Vietnam*; Ministry of Industry and Trade (2020), *Import-Export situation of Vietnam in the context of trade liberalization and trade protectionism*.

##### 1.1.3. *Studies related to assessing the impact of EVFTA on export goods in general and agricultural exports of Vietnam in particular*

###### 1.1.3.1. *Studies assessing the impact of the implementation of EVFTA on export goods in general*

Studies assessing the impact of implementing EVFTA include: Lehman et al. (2007) in the study *The impact of a custom union between Turkey and the EU on Turkey's Export to the EU*; Le Thi Hoai (2020) in the study *EU – Vietnam Free Trade Agreement (EVFTA) –*

*opportunities to promote the export of goods via e-commerce channels for Vietnamese businesses.*

#### *1.1.3.2. Studies assessing the impact of the implementation of EVFTA on Vietnam's agricultural exports*

Studies assessing the impact of EVFTA implementation on Vietnam's agricultural exports include: Do Thi Hoa Nha and Ma Thi Huyen Nga (2016), in the study *Exploiting the advantages of EVFTA in order to boost the export of Vietnamese agricultural products to the EU market*; Do Thi Hoa Nha (2017), with the study *Factors affecting agricultural products exported to the EU market – An approach from gravity model*. Dinh Van Son (2019), in the monograph *Research on the supply chain of agricultural products for export of the Northwest region*; Vu Thi Thanh Huyen and Nguyen Thi Thu Hien (2020), in the study *Sustainable export of Vietnamese agricultural products in the context of joining a new-generation free trade agreement between Vietnam and the EU*; Doan Nguyen Minh, Tran Thu Thuy (2020), in the study *The impact of the EU – Vietnam Free Trade Agreement (EVFTA) on Vietnam's vegetable exports*; Vu Anh Tuan (2020), with the study *Overcoming technical barriers to export Vietnamese fruits to the EU in the context of EVFTA*; Mai The Cuong and Trinh Mai Chi (2020) with the study *EVFTA with the export of Vietnam's fresh lychee*; Ha Xuan Binh (2020) with a study *Solutions for sustainable development of Vietnam's rice exports to the EU market in the context of EVFTA implementation*; Vu Thi Thu Huong (2020) with the study *Analyzing the comparative advantage of Vietnamese agricultural products exported to the EU market*; - Dinh Van Son (2021), with a state-level project, code: 02/20-DTDL.XH-XNT, *Sustainable development of Vietnamese agricultural exports in the context of trade protectionism*.

## **1.2. Research gaps in theory and in practice**

The PhD student conducted an overview of the research situation on topics related to the thesis topic, specifically studies on the impact of EVFTA on the Vietnamese economy; studies related to export of agricultural products and factors affecting export of agricultural products; studies related to assessing opportunities and challenges of the implementation of EVFTA to Vietnam's agricultural exports.

After assessing these contents, the researchers draw some conclusions as follows:

- Firstly, there have been many studies both at domestically and internationally which focused on analyzing the factors affecting the export of agricultural products from developing countries to the EU market. Besides the obtained results, the studies have pointed out the shortcomings and limitations. Currently, the EVFTA has been in effect for 2 years, many studies have also pointed out the opportunities and challenges for Vietnam's agricultural products when being exported to the EU market. The reviewed studies have provided quite sufficient information on the negotiation process and the content of EVFTA. Studies have also assessed the opportunities and challenges, as well as the impact of EVFTA on the general Vietnamese economy and some economic sectors. The identified opportunities are: access to large markets, diversification of imports, improvement of service quality and production

inputs. Besides, the challenges are pointed out related to the regulations of origin of Vietnamese goods, commodity prices, etc...

- Second, the previous studies, have only focused on assessing the impact of the free trade agreement on export activities, assessing the impact of the Vietnam-EU free trade agreement on the export of goods. Vietnamese agricultural products to the EU market, but there are few in-depth studies on agricultural exports in general and agricultural products exported under the impact of the EU-Vietnam free trade agreement to the EU market.- Third, the studies to assess the impact of the EVFTA has only stopped at the macro level, and haven't had the in-depth analysis about the impact on specific products, especially agricultural products.

- Fourth, in the context of the Covid-19 pandemic, which was extremely complicated, the purchasing power of several markets declined. The problems related to the transportation of goods encounter many obstacles, therefore, it poses the need for a research that has specific solutions associated with the current context, and at the same time deep analysis is needed to develop long-term solutions.

Thus, until now, it is necessary to have a specific study related to assessing the impact of EVFTA on Vietnam's agricultural exports, this is a research gap that will need to be completed.

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## **CHAPTER 2**

### **THEORETICAL BASIS OF THE IMPACT OF FREE TRADE AGREEMENTS (FTA) ON NATIONAL AGRICULTURAL EXPORTS**

#### **2.1. The theory of trade liberalization and free trade agreements**

##### **2.1.1. The concept of trade liberalization and free trade agreements**

2.1.1.1. International economic integration

2.1.1.2. Trade liberalization

Trade liberalization is the elimination of tariffs and non-tariffs in order to expand the export markets among countries around the world, and is the process of boosting the economy and improving the efficiency of using resources, which enables consumers to choose better goods and services at a more reasonable price. In other words, trade liberalization is the loosening of state or government interference in the field of international exchange and trade (Ministry of Industry and Trade, 2020b).

2.1.1.3. Free trade agreements

Free trade agreements are a form of international association between countries and through these agreements, tariff and non-tariff barriers will be reduced or eliminated. Thanks to free trade agreements, countries around the world can gradually form an integrated trading market for goods and services.

### 2.1.2. Contents of the free trade agreement

Usually, any free trade agreement would include the main points, such as regulations on the reduction of tariff and non-tariff barriers; stipulating a list of goods categorized into tariff reduction; stipulating a roadmap for tariff reduction; rules of origin. Specifically:

- The provisions on the removal or reduction of tariff barriers.
- The provisions on reducing non-tariff barriers.
- The timing regulation to cut down on import-export tax.
- The rule of origin.
- The content of trade facilitation and customs.
- The contents of anti-dumping, safeguard and anti-subsidy measures.
- The content of trading services and investment.
- The content of government procurement.

In addition, the new generation FTAs also include issues such as intellectual property, competition policy, labor and environment, e-commerce, sustainable development and provisions related to settlement mechanism. dispute settlement, which sets out the procedures and mechanisms for handling disputes arising during the implementation of the agreement as well as the scope of application. Thus, it can be seen that a free trade agreement can include diverse contents, not just limited to tariff reduction and removal of trade barriers (Bui Quy Thuan, 2020).

## 2.2. Theory of exported agricultural products and the supply chain of exported agricultural products

### 2.2.1. The concept and structure of exported agricultural products

#### 2.2.1.1. *The concept of exported agricultural product*

The concept of agricultural exports can be defined as a mixed agricultural product (or a part of a mixed agricultural product) that meets specified quality and value requirements that can be offered to the target market in a specified export manner, which is intended to satisfy export customers and overseas end consumers (Dinh Van Son, 2019).

#### 2.2.1.2. *The structure of exported agricultural product*

A commercial good for export is understood as a mixed combination of products that was selected, identified and prepared for sale at the commercial enterprise's facilities to a targeted market (the importing country's market) for certain key customer groups (Nguyen Bach Khoa et al., 2005). The structure of exported agricultural products includes::

- Mixed combination of products;
- Reasonable prices;
- Target communication;
- Access to compatible distribution.

## 2.2.2. Characteristics of exported agricultural products

### 2.2.2.1. Overall characteristics

- Agricultural products are seasonal products and are heavily influenced by environmental factors such as weather, climate, diseases;
- Agricultural products are dispersed and localized;
- Agricultural products are essential commodities with large consumption but with strict standards because they are directly related to human health;

### 2.2.2.2. Characteristics of coffee, fruits & vegetables and rice products

#### a. Coffee

Coffee is a major export product: it ranks the first among many other agricultural exports in many countries and is one of the largest legal agricultural exports in the world. It is also the most valuable commodity exported by developing countries. Green (unroasted) coffee is also one of the most traded agricultural commodities in the world. Coffee trees are exported from Africa to countries around the world and are now grown in a total of more than 70 countries, mainly in areas located near the equator in the Americas, Southeast Asia, India, and Africa.

#### b. Fruits & vegetables

Fruits & vegetables are very diverse in types, in which they can be divided into large groups: fresh, dried and processed. The group of exported fruits and vegetables is the entire list of fresh and processed vegetables, tubers and fruits that the country/enterprise export to foreign markets, ensuring to meet the quality - time - cost requirements upon the demand of the target export market. In the current import-export trade, vegetables and fruits are classified according to the HS system of WCO (International Customs Organization), including 3 groups: edible vegetables, some roots and tubers (HS 07); edible fruits and nuts (HS 08); products derived from vegetables, fruits or other parts of plants (HS 20). Then, it can continue to be divided into small groups to HS 4, 6, 8, ...

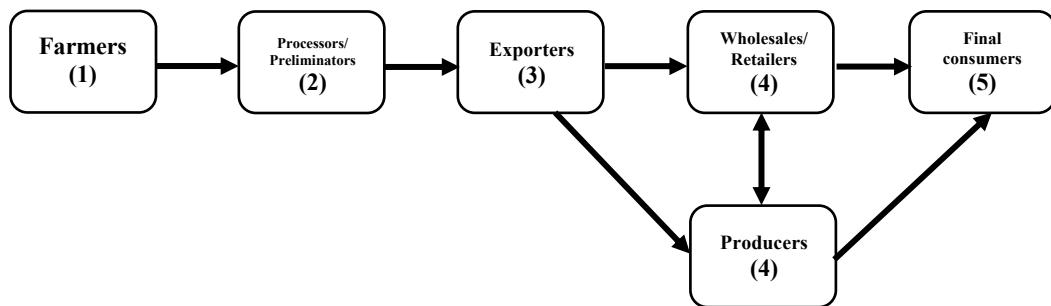
#### c. Rice

Rice grains are usually white, brown or crimson in color and contain many nutrients. The rice kernel is the center of the rice that has been milled to remove the husk. The rice grain after milling is called brown rice. If it continues to be milled to separate the bran, it is called milled rice or white rice. If it is mildly milled to keep most of the nutritious bran, it is called mild rice or whole grain rice. Rice is a staple food for nearly half of the world's population. In trade statistics, different types of rice are not distinguished. Trading codes are mainly based on different processed rice products: unprocessed (paddy), brown rice (hulled), white rice (milled) and broken rice. Understanding how rice and related products are classified will help determine applicable tariff rates and non-tariff measures to be applied to your products..

## 2.2.3. Supply chain of exported agricultural products

In the current context of strong economic integration, the target market of enterprises is not only confined to the domestic market but also expanded to the international market. In order

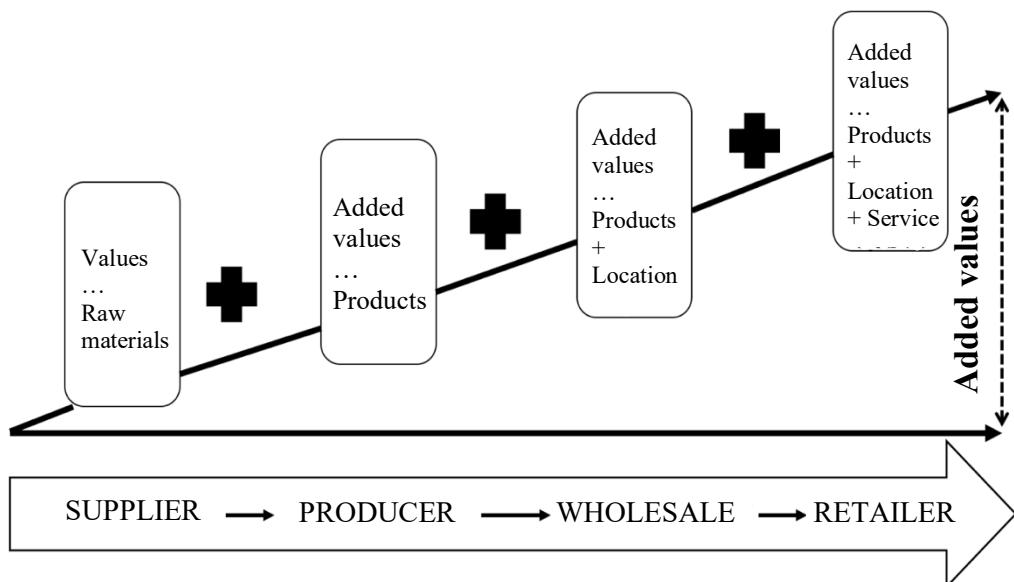
for commercial enterprises to compete in the international market, enterprises must participate in the supply chains of goods.



**Figure 2.3: Supply chain of exported agricultural products**

(Source: An Thi Thanh Nhan, 2020)

From the modern point of view, the supply chain is viewed in terms of added value through the values that form the product and the values related to the business relationships in the supply chain. Value-based supply chains consider market demand as a measure of supply chain success. In a value-based supply chain structure, the market is the most important factor, but it is not a member of the chain, but this is the goal to form supply chains, the object of supply chain service and the basis for decisions made in supply chain management. Everything the supply chain does comes from needs and wants from the market.



**Figure 2.4: Illustration of the stages of generating added values in the supply chain**

(Source: An Thi Thanh Nhan et al., 2021)

The supply chain of agricultural products for export includes enterprises, organizations, and households engaged in agricultural production and trading and are connected, thereby adding value to the source. The input flows are transferred from the first original point to the final product upon the request of individuals or organizations in the

importing country. From the perspective of the created supply chain, the supply chain can be considered as a value chain because it is also created from many stages and these stages contribute to add values to the product (An Thi Thanh Nhan et al., 2021).

From a market perspective, in order for exported agricultural products to have a competitive position in the market, especially in the import market, products must be supplied to the market with added value from the value chain. Therefore, the parameters of the products must reach the desired threshold (from the 3rd level and above in the 5-level structure of an item). Agreeing with the above point of view, according to M. Porter, the value added by production activities creates a useful form of the product, marketing activities create ownership benefits and logistics time and location benefits for the product. Services in the logistics service chain such as payment, delivery, product support services, customer service, etc..., need to be optimized to create feasible time and location benefits for the agricultural products distributed by enterprises in the market. Accordingly, the location benefit is the value added to the product, making it possible for the product to be exchanged or consumed in the right location. Time benefit is the value which is created so that the product is available at the right time and meets the delivery time expected by the customer. The services in the logistics chain create the benefits of time and place, enabling products to arrive at the right place and time. The added value of the product benefits both the customer and the business.

The above-mentioned logistics services help improve the value of products and goods, increase customer satisfaction, and make the market accept and consume those items and products. Especially, in the current trend of globalization when the consumption market and supply source are geographically different, the benefits of time and location brought by logistics are increasingly large due to the increasing demand for goods and services. connecting supply and demand and product consumption in the global supply chain (An Thi Thanh Nhan et al., 2018). Through the supply of products, logistics will bring to customers the benefits: the right customer, the right product, the right quantity, the right conditions, the right place, the right time and the right cost.

In short, for agricultural products of the exporting country to be available in the market of the importing country, two conditions are required, specifically as follows:

+ The first is a necessary condition, that agricultural products must be accepted by the importing country and allowed to be imported.

+ The second is a sufficient condition, the item not only meets the quality standards according to the regulations of the importing country, but also has to meet other requirements such as packaging, branding, and customer service ...

### **2.3. Contents of the impact of the free trade agreement on the country's exports**

#### **2.3.1. Contents of impact of the free trade agreement**

- Increase in export volume and turnover
- Shifting the export structure by commodity groups and items
- Restructuring according to markets and partners

### 2.3.2. The impact of the free trade agreement

#### 2.3.2.1 Commercial impact

- Trade creation: Trade creation is the replacement of high-cost, domestically produced goods of one member country, with cheaper imports from another member country as a result of trade liberalization within the bloc. Due to the reduction and removal of tariff barriers, the price of imported goods is lower than the cost of producing such goods in the country. The impact of trade creation will promote the restructuring production and trade in general. In particular, it promotes the structure of import and export goods by commodities and items. It is a result of the adjustment of production structure, reduction of inefficient sectors, using more resources to increase investment in industries based on comparative advantage.

- Trade diversion: Trade diversion occurs when imports from a non-tariffs union (but with more efficient production) country are replaced by higher-priced imports from another country. members due to the impact of incentives within the bloc. The effect of trade diversion does not create new trade relations in a country, but only changes its trading partners. Therefore, the impact of trade diversion changes the structure of import and export goods depending on the markets and partners (Nguyen Van Lich et al., 2020).

#### 2.3.2.2 Promoting impact

The main promoting impacts of the FTA include: Increasing productivity by exploiting macro economics; competitiveness, production specialization and efficiency; investment promotion; promoting growth, creating jobs and sustainable development; create opportunities to harmonize macro-economic policies; pressure to reform and complete the legal system. Specifically, the promotion impact of FTA manifests itself in three aspects: changes in the institutional & legal system; market expansion; promoting competition.

### 2.3.3. Impact assessment method

- Qualitative method
- Quantitative methods

### 2.4. Impact factors of a free trade agreement on a country's agricultural exports

- Trade impacts are influenced by the following factors: scope, extent and forms of national association with the FTA; comparative advantage and trade structure.

- The promotion impacts are influenced by the following factors: the relationship and trade among FTA members; trading policies among countries in the FTA; In addition, there are distinguished characteristics and commitments in each FTA.



## CHAPTER 3

### THE CURRENT IMPACTS OF THE EU-VIETNAM FTA ON AGRICULTURAL EXPORTS OF VIETNAM

#### 3.1. Overview of Vietnam - EU trade relations and EVFTA

##### 3.1.1. Vietnam - EU trade relations

*3.1.1.1. Introduction of the European Union*

*3.1.1.2. Vietnam - EU trade relations*

##### 3.1.2. Overview of EVFTA

*3.1.2.1. Negotiation and signing process*

*3.1.2.2. Summary of the content of the EU-Vietnam Free Trade Agreement*

*3.1.2.3. Areas of commitment in EVFTA*

##### 3.1.3. The characteristics of the Agreement

*3.1.3.1. Type of Free Trade Agreement*

*3.1.3.2. Scope and integration extent of the agreement*

*3.1.3.3. Number and members size of the agreement*

#### 3.2. Overview of the production and export status of Vietnam's agricultural products to the EU

##### 3.2.1. The producing and processing situations of agricultural products in Vietnam in 2015-2022

*3.2.1.1. Production situation*

*3.2.1.2. Processing situation*

##### 3.2.2. The situation of Vietnam's export agricultural products to the EU in the period 2015 - 2022

###### 3.2.2.1. 2015-2020

In the period 2015-2020, the EU market has always been one of the three Vietnam's main export markets, after China and the US. However, compared with the two markets of the US and China, the rate of growth of Vietnam's exports to the EU market is relatively stable, even slightly decreasing in the 2018-2020 period.

Among agricultural products, a number of items have a strong and steady increase in export turnover over the years, such as cashew nuts, vegetables and fruits, coffee and rubber. Rice, in particular, witness a negative growth in the period of 2012 -2016 and increased again in 2016 - 2018.

In terms of export agricultural products values, the export price of many agricultural products increased sharply in 2017 and tended to decrease in 2018. This demonstrates the unsustainability in the value of export agricultural products of Vietnam. Three commodities with increased export prices were rice (average export price was 501.0 USD/ton, increasing

by 10.7%), tea (average export price was 1,710.7 USD/ton, increasing by 5.0%). %), cassava and cassava products (average export price reached 394.9 USD/ton, increasing by 49.8%).

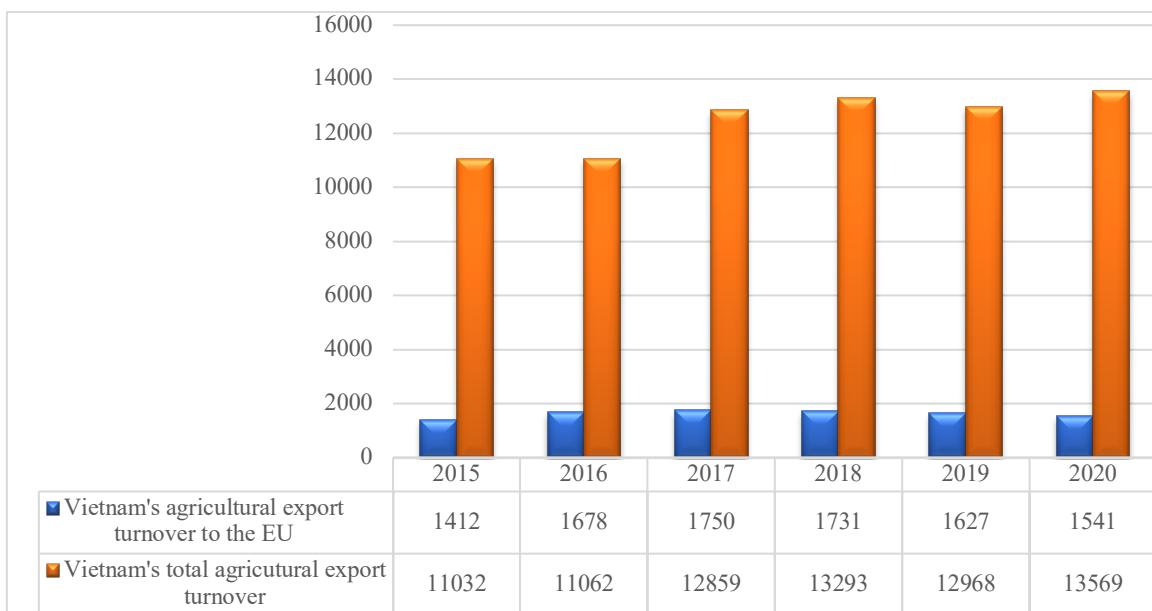


Figure 3.1: Vietnam's agricultural export turnover to the EU and Vietnam's total agricultural product export turnover in the period 2015 - 2020

(*Nguồn: ITC*)

Among the 27 EU countries, there is a relatively big difference in the export value of agricultural products among member countries, in which the largest agricultural product import partners of Vietnam are Germany, the Netherlands, Italy, Spain, Belgium, France, Poland, Portugal, Sweden.

### 3.2.2.2. From August 2020 to July 2022

The EVFTA comes into effect in a very special context, when both Vietnam and EU countries are facing the outbreak of the global Covid-19 pandemic. Disruptions in the supply chain due to countries temporarily closing to prevent the spread of the disease caused trade between Vietnam and the EU to be negatively affected.

The EU is one of the largest export markets for Vietnam's agricultural products, accounting for 13.7% of the total export turnover of major agricultural products. The top EU agricultural products imported from Vietnam are tropical fruits, nuts, fresh and dried spices worth 869 million ERU (39%); unroasted coffee and dates worth EUR 868 million (38%); The remaining agricultural products are coffee, tea, rice, noodles, cakes and biscuits. Regarding the structure of export products, the proportion of Vietnam's main exports to the EU is addressed as follows: coffee (accounting for 42.2% of the total major export agricultural products turnover to the EU), seeds cashew (33%), rubber (7.9%), vegetables (7.8%), pepper (7.4%), rice (1.7%) and tea (0.1 %).

### 3.2.3. Product competitiveness and export supply capacity of Vietnam's agricultural products

*3.2.3.1. Enterprises that purchase and process agricultural products*

*3.2.3.2. Enterprises that export agricultural products*

- *The level of awareness among agricultural product exporters*
- *The level of impact of protectionist barriers on agricultural export activities*
- *The ability to research and forecast export markets*
- *The capacity of marketing, finding customers and partners in the EU*
- *The ability to build product and pricing strategy*
- *The capacity to implement agricultural export contracts*
- *The capacity to develop the sources for export goods*

**3.3. The current impacts of the EU - Vietnam Free Trade Agreement on some of Vietnam's agricultural export products**

**3.3.1. Coffee**

a. Positive impacts brought by EVFTA

(i) With the commitment to eliminate tariffs under EVFTA, coffee exports to the EU had a 93% tariff lines reduction to 0% as soon as the agreement comes into effect. Accordingly, the EU will immediately remove the tax rate of 7.5% - 9.0% for green coffee (roasted, ground). For some coffee bean preparations including instant coffee and coffee essence, the tax rate of 9.0% - 11.5% will be eliminated within 3 years. This is a good opportunity for Vietnamese coffee to expand its market in the EU as it is the largest coffee consuming market in the world..

(ii) EVFTA is an opportunity to access and expand a large market for Vietnamese coffee into the EU. Products benefiting from EVFTA are processed coffee products. Before EVFTA, the tax rate applied to processed coffee was in the range of 7.5 - 11.5%, therefore, the fact that the tax of these items are immediately reduced to 0% will be a huge competitive advantage in terms of pricing for business. In order to increase coffee exports to this market in the near future, businesses need to promote the segment of ready-to-drink and packaged coffee products for one-time consumption, as this segment is forecasted to continue growing in the near future besides the specialty coffee and certified coffee segments.

(iii) Vietnam has a major competitor, Brazil. However, each supplying country plays a different role, targeting distinguished segments of the EU coffee industry. Brazil is a major supplier of both Robusta and Arabica varieties, in which 71% is Arabica. Meanwhile, Vietnam focuses on producing and exporting Robusta coffee. Currently, the EU market's demand for processed coffee and high-quality coffee is on the rise. Therefore, the potential for coffee exports to the EU is still substantial, if market demand is well exploited and product quality requirements are met.

b. Challenges brought by EVFTA

(i) Vietnam exports are mainly raw. The proportion of roasted, ground coffee products currently accounts for less than 10% of Vietnam's total coffee exports. This fact requires

coffee production and processing enterprises to invest in deep processing, increase the exporting proportion of processed coffee to be able to benefit from tax reductions under the EVFTA. Meanwhile, several Vietnamese enterprises that are exporting to the EU are small and medium-sized with limited resources, unqualified production processes upon the EU standards, and in adequate investment in R&D. Farm households produce mainly on a small scale and have not been closely associated with processing and exporting enterprises; The domestic distribution system lacks connection, domestic logistics services and services for agricultural development are still limited.

(ii) Like many other agricultural products of Vietnam, coffee also faces difficulties in accessing the EU market because it has not fully met the EU's high requirements of SPS, TBT standards, technical standards, traceability, environmental and social issues, sustainable development... EU regulations are constantly reviewed and adjusted, making businesses not being able to adapt. At the same time, the EU currently tends to increase the application of non-tariff measures, trade remedies and new protectionism barriers. For the coffee industry, the big challenge is to secure a certificate of sustainable development.

(iii) The ability of Vietnam's coffee industry in general to adapt to EVFTA is still limited, especially in meeting localization requirements, and quality and environmental standards. For the enterprises, the competitiveness and the ability to participate in international trade of Vietnam's small and medium enterprises are still limited, and at the same time, they have yet to focus on building a methodical, sustainable business strategy. As a result, it affects ability to take full advantage of the opportunities brought by the Agreement. Another challenge is that many businesses have actively done their research about the market and the FTA benefits.

(iv) EU consumers have various preferences in coffee consumption, which requires the Vietnamese coffee industry to thoroughly investigate the market and adapt accordingly. Vietnamese coffee needs a shift in the structure of export categories, increasing exports of processed coffee in line with the high-end segment of the market. Besides, understanding consumer psychology in the target market will help businesses constantly expand export opportunities.

(v) Vietnam will continue to compete with other exporting countries, especially Brazil. With a sharp increase in crops area, the coffee production of Brazil - the world's largest coffee producer, will also pose certain challenges for Vietnam's coffee exports. Vietnam and Brazil both have Free Trade Agreements with the EU. Therefore, both countries benefit from tax reduction on coffee exports to the EU. In addition, difficulties in logistics such as renting containers or recordingly high freight rates, also affect commodity exports in general and Vietnamese coffee exports in particular to the EU market.

(vi) In the first phase after signing EVFTA, the utilization of EVFTA ceased to meet expectations as the coffee market had been experiencing double difficulties. The coffee price was still in the mid of a 4-year crisis, along with the severe impact from the Covid-19 pandemic on global trade and supply. However, in the second year, containers shortage and

high logistics costs in 2022 were less stressful than in 2021, creating favorable conditions for customs clearance.

### 3.3.2. Fruits and vegetables

#### a. Positive impacts brought by EVFTA

(i) Export of vegetables and fruits to the EU market has a relatively strong growth.

Before the EVFTA came into effect, Vietnam's vegetables and fruits exported to the EU enjoyed a preferential GSP tax rate (from January 1, 2014), but rather still at a relatively high level of 10% - 20%. Thus, the implementation of EVFTA has created a huge competitive advantage in terms of prices for Vietnam's vegetables and fruits. It is particularly crucial regarding the fierce competition in exporting to the EU market with Vietnam's direct competitor: China, Thailand, Indonesia and Malaysia, who have not signed FTA.

(ii) The EU is committed to opening up very strongly for Vietnamese fruits and vegetables by eliminating 94% of the 547 tax lines on fruits and vegetables, and vegetable products as the agreement officially came into effect. This places a significant positive impact on the export of key fruit and vegetable products of Vietnam to the EU such as lychee, longan, rambutan, dragon fruit, pineapple, melon... Besides, Vietnamese enterprises can access the EU market with frozen and canned fruit and vegetable products. Regarding the fact that fruit juice and frozen juice products are popular in the EU, as people in this region tend to be prone to green consumption and have a high demand for nutritious and healthy foods, plant products over animal products.

(iii) Up to now, 39 sets of geographical indications (Gis) including 20 geographical indications for fruits and vegetables have been recognized for automatic protectionism in the EU, bringing great opportunities for businesses and farmers. The rights of Vietnamese agricultural products are guaranteed and opportunities are open for other agricultural products to access this market. Thus, the opportunity for Vietnamese vegetables and fruits to increase export value and expand market share, is a driving force for the domestic agriculture to improve internal production capacity, increase competitiveness, and gain access to tough markets.

(iv) EVFTA strongly promotes direct investment from the EU and technology transfer during the process. As the result, it contributes to increase the added value and quality of Vietnamese agricultural products in general and Vietnam's fruits vegetables in particular, to be able to meet international standards and regulations. At the same time, Vietnamese businesses will gain many opportunities to partner with European businesses to participate in the global value chain.

#### b. Challenges brought by EVFTA

(i) Vietnam's fruit and vegetable products are still facing difficulties in accessing the EU market as they have not fully met the EU's high requirements, such as: SPS & TBT regulations, technical standards, traceability and environmental issues, sustainable development... Besides, EU regulations are also continuously reviewed and adjusted, making

it difficult for businesses to grasp and adapt . In addition, the EU still tends to increase the application of non-tariff measures, trade remedies and new protectionist barriers.

(ii) Meanwhile, the competitiveness and the ability to participate in international trade of Vietnam's small and medium enterprises are still limited, and at the same time, they have yet to focus on building a methodical, sustainable business strategy. As a result, it affects ability to take full advantage of the opportunities brought by the Agreement. Another challenge is that many businesses have actively done their research about the market and the FTA benefits.

(iii) Vietnam is lacking an overall strategy for exporting vegetables and fruits to the EU market due to the seasonal mindset of farmers, the mercenary mindset of entrepreneurs and the tenure mindset of the government.

### 3.3.3. Rice

#### a. Positive impacts brought by EVFTA

(i) Creating opportunities to expand Vietnam's rice export market: in fact, rice exports to the EU account for only 1% of Vietnam's rice export share. Therefore EU is a market with a large potential for rice exports. There are opportunities to penetrate deeper and wider into the EU market with a higher selling price, thereby reducing dependence on the Chinese market.

(ii) Enhancing competitive advantages for Vietnam's rice products: the EU quota for Vietnam up was to 80,000 tons of rice/year and the tax rate on Vietnam's rice products will be reduced to 0%. After 3-5 years, it would create a competitive advantage compared to Thailand, India and Cambodia when exporting to the EU market. In particular, with a commitment of complete trade freedom for broken rice, Vietnam has the opportunity to export an estimated 100,000 tons to the EU annually.

(iii) Transparency of procedures and technical barriers for Vietnam's rice exports: implementing the contents of the EVFTA will help better the institutional issues, policies and laws and the business environment. As a result, it would improve and change Vietnamese laws towards a more transparent, convenient and conforming direction with international practices.

(iv) Improving the quality of Vietnam's rice products: The EU is considered a difficult market with high quality standards for imported products. From there, Vietnamese enterprises will have to adapt to these standards in order to export to the EU, which means to improve production processes, limit or restrict the use of pesticides and chemical fertilizers, and to avoid the abuse of agricultural materials in rice production in particular and agricultural products in general. Since then, it is possible to change the mindset of agricultural production towards clean agriculture, minimizing adverse impacts on the environment.

#### b. Challenges brought by EVFTA

(i) The increase of technical barriers, regulations of origin, and food safety and environmental standards. Despite benefiting a lot from tariffs reduction, Vietnamese exporters will also have to make great efforts to improve product quality to overcome these barriers.

(ii) The risk of measures related to trade remedies: when tariff barriers are no longer considered as effective tools to protect businesses, businesses will have a tendency to strengthen anti-dumping, anti-subsidy or safeguard measures to protect the domestic industry.

(iii) Vietnam's commitment to opening up forces Vietnamese enterprises to transform and restructure to meet the requirements of reality. This can be done by restructuring their management and operating methods to increase productive competitiveness over enterprises from other countries.

(iv) Employment is affected as enterprises apply modern science and technology to the production process. The application of science and technology to the production, processing and export of rice will result in a large number of workers being unemployed. In particular, it's those in rural areas, as they are unable to adapt to the requirements of modern scientific and technical progress.

(v) The sole focus on increasing production scale for export can lead to depletion of land, water and other natural resources due to overexploitation. The scenario is highly likely if we overlook on increasing productivity, yield growth, or improving breeds and rice quality.

(vi) In 2021, Vietnam can only export 60,000 tons of rice to the EU market. Thus, Vietnam has not been able to make full use of the 80,000 tons/year rice export quota with a tax rate of 0% under EVFTA. This leads to the challenge of rice production in order to make full use of scale advantage, since we haven't satisfied the quantity for the large orders from supermarkets in the EU.

### **3.4. Actual situation of impact of EVFTA on some specific agricultural products of Vietnam by case study method**

#### **3.4.1. Vai thieu products**

#### **3.4.2. Fragrant rice products like Jasmine 85**

#### **3.4.3. General comment**

### **3.5. The current situation of factors affecting the impact of EVFTA on Vietnam's agricultural exports**

#### **3.5.1. Factors affecting the trade impact of EVFTA**

- Scope, extent and form of association in EVFTA
- Comparative advantage and commercial structure

#### **3.5.2. Factors affecting the promotion impact of EVFTA**

- Economic and trade relations between EVFTA member countries
- Trade policies of countries in the FTA

### **3.6. General assessment of the impact of the FTA on Vietnam's agricultural exports**

### 3.6.1. Results and causes

- Creating opportunities to promote domestic institutional reform and economic development
- Creating opportunities to increase the turnover of agricultural products exported to the EU
- Creating opportunities for Vietnamese agricultural products to participate more deeply in the global value chain

### 3.6.2. Limitations and causes

#### 3.6.2.1. Limitations and objective causes

- The EU is a fastidious market with high requirements for the standards of imported goods;
- The EU always updates and increases SPS measures;
- The EU market was heavily affected by Covid-19;

#### 3.6.2.2. Limitations and subjective causes

- No national brand has been established for Vietnamese agricultural products;
- Trade promotion and branding activities are generally not methodical and synchronous in terms of finding customers, marketing products, penetrating into markets and building long-term business relationships with import partners;
- Enterprises that export Vietnamese agricultural products have not met the requirements of scale;
- Enterprises that export Vietnamese agricultural products have not met the product quality standards, most businesses still prioritize quantity over quality;
- The knowledge of law, especially international business law of Vietnamese enterprises is still inadequate;
- High transportation costs;
- The packaging process and design for exported agricultural products has not met the requirements;
- The application of technology and farming techniques which can meet EU requirements still face several obstacles.

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## CHAPTER 4

### SOLUTIONS TO UTILIZE OPPORTUNITIES AND CURB CHALLENGES FROM THE EU-VIETNAM FREE TRADE AGREEMENT FOR VIETNAM'S AGRICULTURAL EXPORTS TO THE EU MARKET IN THE PERIOD TO 2030

#### 4.1. Domestic and international contexts affecting the impact of the EVFTA on Vietnam's agricultural exports to the EU until 2030

**4.1.1. Domestic context:** National socio-economic development strategy for the period of 2021 - 2030 with the common goal of becoming a developing country with modern industry, high middle income; modern, competitive, effective and efficient management institutions. The goal for economic development to be dynamic, fast and sustainable, independent and self-reliant with the foundation science, technology, and innovation, while improving foreign affairs and international integration. The next goal is to create sustainable import-export development with a balanced and harmonious structure, promoting competitive and comparative advantages, promoting Vietnamese goods, enhancing the country's position in the global value chain, which will be a momentum for rapid and sustainable economic growth.

**4.1.2. International context:** Globalization and international integration continue to progress, however, many obstacles and challenges arised. Populism and protectionism tend to increase. The adjustment of policies and foreign relations of big countries in the region and the world are unpredictable. World economic growth, as well as international trade and investment tend to decrease. Glocal public debt, as well as risks in international financial markets and currency increased. In particular, the Covid-19 pandemic has been complicated and hard to control, resulting in a serious recession and a global economic crisis, which can likely last in the long term.

## **4.2. Opportunities and challenges for Vietnam's agricultural exports to the EU in the near future**

**4.2.1. Opportunities:** In the period of 2021 - 2030, the government has been issuing and implementing crucial policies, which are expected to bring huge success for agricultural exports. Vietnam's agricultural exports has been benefiting from EVFTA. Vietnam is traveling on a “highway”, with the main accelerator being the key agricultural products, with the common goal of increasing added value for the product; The perception and investment of enterprises and farmers in the production and distribution of agricultural products have witness several positive changes.

**4.2.2. Challenges:** Manufacturing enterprises are required to quickly change their production process in alignment with protecting the environment, helping to seize opportunities not only in the export market but also in the domestic market. Businesses need to comply with market mandates as well as meeting additional demands. Along with that, businesses must demonstrate accurate labeling, build brands, tell stories about their products, and implement products research and development upon consumer trends..

## **4.3. Market demand and EU's potential of importing agricultural products**

### **4.3.1. Quantity demand**

### **4.3.2. Requirements on quality and food safety in the EU market**

### **4.3.3. Supply capacity within the EU**

### **4.3.4. Competitiveness of the EU market**

#### **4.4. Solutions to utilize opportunities and limit challenges from EVFTA to increase the export of Vietnamese agricultural products to the EU market**

##### **4.4.1. Solutions for enterprises**

###### **4.4.1.1. For enterprises that export agricultural products**

###### **4.4.1.2. For enterprises that purchase and process agricultural products**

- Innovating the technology to improve the quality of exported agricultural products;
- Shift to the group of agricultural products that are suitable for the EU market;
- Increase the value of exported agricultural products

##### **4.4.2. Solutions to increase the value of exported agricultural products**

###### **4.4.2.1. General solution:**

*Continue to improve the trading policy for agricultural products that is in line with domestic conditions and avoid conflicts with the commitments within the EVFTA, as Vietnam has committed towards the direction of effective exploitation to boost the export of agricultural products. Research and develop appropriate trade remedies to actively deal with trade disputes (anti-dumping, anti-subsidy, countervailing duty) and technical barriers (quality, environment, protection of processed products, etc...),*

###### **4.4.2.2. Solutions for each agricultural product exported from Vietnam**

- For coffee: increase calls for investment into the processing industry, connecting processing procedures with consumption through joint ventures, securing consumption channels through deeper participation in the EU coffee supply chain; attracting investment, joint venture and association to develop coffee processing in Vietnam in order to meet different needs in the importing country; promote cooperative marketing program to promote Vietnamese coffee branding and culture in the EU market; building a system of information about the products, technical standards, bridging the information from the land of production to the final markets consuming countries (labeling, packaging...).

- For fruits and vegetables: the government needs more supporting policies to increase the presence of Vietnamese vegetables, fruits and spices in the European market, by enhancing export capacity of vegetable-exporting businesses. Thereby, it contributes to enhance Vietnam's position in the global value chain. In addition, Vietnamese exporters need to pay attention to the regulations of the EU market and strictly comply. They should focus on meeting the requirements of quality, food hygiene and safety (e.g. certificates of Global GAP, VietGAP, GFSI), and commit to not do harm to consumers' health. Vietnamese enterprises need to improve the development of processed vegetables and fruits to export to EU countries.

- For rice: building a local Vietnamese rice brand, processing high-quality rice products, ensuring to satisfy food safety standards and regulations of the import market; strengthen linkages in investment and production among Vietnam's specialized farming areas to diversify the products, meeting the needs of individual market and ensuring the benefits of different parties.

#### 4.4.3. Other solutions

- Create and strengthen linkages among members in the supply chain of exported agricultural products
- Establish a system of shared information on the supply chain of exported agricultural products
- Promotion of trade, development of exporting agricultural markets alongside the EU market
- Develop measures to boost investment in the production of agricultural products
- Develop and implement quality standards for exported agricultural products

### 4.5. Macro-level recommendations

#### 4.5.1. For the Government

- Review and evaluate institutions and policies
- Completing institutions and policies

#### 4.5.2. For Ministries and Departments

- For the Ministry of Industry and Trade
- For the Ministry of Agriculture and Rural Development
- For the Ministry of Science and Technology

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### CONCLUSION

The EVFTA is an opportunity and a challenge for Vietnam's exports in general and agricultural exports in particular. Strong commitments on tariffs reduction from the EU are the biggest opportunity to help Vietnam easily gain access into the EU market. In contrast, Vietnam's commitment to cut tariffs is a condition for Vietnam to attract investment, as well as purchase machinaries and technology from the EU for domestic agricultural production. However, the EU is a large market, thus, the standards on food safety, origin, intellectual property, and environmental protection are all strict, and the needs of customers are diverse with high requirements for product quality from packaging, labeling and convenience. With the aforementioned objectives and tasks, the thesis has focused on clarifying the following theoretical and practical issues:

In theory, the thesis has contributed to the summary and systemization of the theoretical basis about the impact of a FTA on a country's agricultural exports. Therein, the theoretical basis of the thesis is inferred from two theories (i) the theory of trade liberalization and free trade agreement; (ii) the theory of exported agricultural products and the supply chain of exported agricultural products. The thesis has shown that trade liberalization and the implementation of FTA are favorable opportunities (necessary conditions) for goods in general and agricultural exports in particular to gain advantages in the importing country's market. However, in order to exploit the opportunities brought by the FTA, the exported

agricultural products need to satisfy the specific requirements of the market (sufficient conditions). The agricultural products must provide added value to the market and customers.

In practice, the thesis contributes to a general view of Vietnam's production and export of agricultural products to the EU market before and after EVFTA. The thesis has analyzed and evaluated the impact of EVFTA on Vietnam's agricultural exports, on multi dimensions. Therein, three items that were deeply investigated were rice, coffee, and fruits and vegetables. On that basis, groups of solutions with scientific basis were proposed to enhance the ability to exploit opportunities brought by EVFTA. 3 groups of solutions were include, namely: (i) The group of solutions for businesses; (ii) The group of solutions to increase the value of Vietnam's agricultural exports; (iii) The group of other solutions. In addition, recommendations are also proposed to authorities such as the Government, the Ministry of Industry and Trade, the Ministry of Agriculture and Rural Development, and the Ministry of Science and Technology.

Although the thesis has tried to evaluate the impact of EVFTA on some agricultural export products of Vietnam, namely: rice, coffee, and fruits vegetables, the assessment results would be more convincing if the thesis evaluated the items corresponding to each specific market and a quantitative analysis model was used. The cause of thesesse limitations is due to the difficulty in accessing and collecting data, as well as limited funding and resources. This is a issue sugested to be completed by other PhD students in future research.

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