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NEWSLETTER

Quarter II - 2010

Policy Networking Session “Mid-Term Evaluation of EU - Viet Nam MUTRAP III”



Workshops “Dissemination of the Free Trade Agreements that Viet Nam Participated”



EU - VIET NAM MUTRAP III AT A GLANCE

Foreign donor

European Community

Executing Authority and Implementing Agency

Ministry of Industry and Trade of Vietnam (MOIT)

Budget

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

Project Duration

4 years, from August 2008 to June 2012

Overall Objective

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

Project Purpose

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

Components

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

IN THIS ISSUE ▼

- Training Courses to Improve Capacity for Associations and Enterprises
- Second Meeting of the Committee on International Trade Policy
- Seminar "Viet Nam and Vienna Convention on Contracts for International Sales of Goods"
- Training Course for Government Officials on E-Commerce Management
- Workshop "Public and Private Cooperation for an Environmental Sustainable International Economic Integration"
- Policy Networking Session "Mid-Term Evaluation of EU - Viet Nam MUTRAP III"
- Workshop "Development of Higher Education Programs on International Trade Law at Foreign Trade University"
- Workshop on "Trade Obstacles for Vietnamese Business Associations and Vietnamese Enterprises"
- Seminar "Vietnamese Wood Exports to EU, US - Regulations and Implementation"
- Workshops "Dissemination of the Free Trade Agreements that Viet Nam Participated"

- Workshop "WTO Commitments in Distribution Services - Emerging Issues for Viet Nam"
- Workshop "International Trade in Service Statistics and Statistical Surveys Developing for Viet Nam"

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

- Workshop for Vietnamese Trade Counselors Accredited to EU
- Third Trade Policy Review of China
- Seminar on Trade Defence Instruments for Third Country Officials
- Study Tour on Regulations of Distribution Services
- Third Meeting of ASEAN - Japan Joint Committee on Comprehensive Economic Partnership

Studies - Commentaries

- Development of Economic and Trade and Environment: Conflicting or Complementary Issues?

Commemoration for Peter Naray

Calendar of events

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Training Courses to Improve Capacity for Associations and Enterprises

Following activities in the first year of the implementation of the IN_TRADE project funded by the European Union in the framework of EU - Viet Nam MUTRAP III, LEFASO Viet Nam jointly with Italian and Belgian Partners organized 2 training courses (in Ho Chi Minh from 15 - 22/4/2010 and in Hanoi from 19 - 24/4/2010) in order to fulfill the following priority objectives of the project: Explaining the key implications, challenges and opportunities of being member of the WTO entails, especially from the private sector perspective; strengthening the capacity of the Vietnamese business associations to put forward the interests of the enterprises they represent in the context of the negotiation of bilateral and regional free trade agreements; Update customs rules and trade & non-trade barriers as tools for market access in order to foster export.

To achieve above targets, the main contents of training course focused on WTO regulations related to international trade issues; Challenges and opportunities for Viet Nam since become member of WTO; Trade (customs duties, trade protection measures, trade remedies) and non-trade barriers (such as TBT, SPS, REACH, trade and environment issues in WTO) in global markets for exporting products; Market approaches (including: Import procedures, Customs-approved treatments/uses, Customs declaration - SAD, Transaction Value, Product Classification in Tariff Nomenclatures); Values in setting up relationship between private and public sectors; building and developing Trademark & Brand.



The short-term training courses are a good opportunity for association staffs to improve capacity to consult, assist members as well as Viet Nam leather & footwear enterprises in order to compete successfully in global market

Participants to the training courses were employers specialized in trade and import/export from many business associations and footwear and leather enterprises. Through training courses, participants had opportunity to exchange and learned experiences of Experts on issues of exported goods, especially export to EU. Besides, information about retail systems and consumption trends in EU helped Viet Nam leather and footwear enterprises in setting up business strategy to access to EU market.

The short-term training courses are a good opportunity for association staffs to improve capacity to consult, assist members as well as Viet Nam leather & footwear enterprises in order to compete successfully in global market.

Second Meeting of The Committee on International Trade Policy

As part of the Activity "Establishing and operating a Joint Committee on International Trade Policies" under the Program "Enterprises and International Trade Policies" in the framework of EU - Viet Nam MUTRAP III, on 15/04/2010 Viet Nam Chamber of Commerce and Industry (VCCI) hold the second meeting of the Committee on International Trade Policies. The meeting aimed to review all activities of the Committee achieved since it was established and outline plan for the next two quarters.

There were 40 participants to the meeting, including the Committee's Members, representatives

from relating State agencies, business associations and universities...

Ms. Dinh Thi My Loan - Vice President of the Committee on International Trade Policies and Ms. Nguyen Thi Thu Trang, Secretary of the Committee made presentation reviewing and reporting activities of the Committee since it was set up. The presentation focused on the main contents: negotiations that the Government is implementing, mainly multilateral and bilateral negotiations between Viet Nam and WTO members, including negotiations in the framework of ASEAN, FTA



Viet Nam - EU, Viet Nam - Chile, Viet Nam - US Bilateral Investment Treaty.

The meeting had discussion on why Viet Nam has not join The United Nations Convention on Contracts for the International Sale of Goods (Vienna Convention). Ms. Nguyen Minh Hang from the Foreign Trade University presented a short introduction on Vienna Convention - advantages and disadvantages and proposed a schedule for Viet Nam to join the Convention. Committee's members then discussed about the benefits of becoming a member of Vienna Convention and what were the risks. Conclusion drawn was that Viet Nam should join this Convention.

After the meeting, the Committee and its Secretariat prepared a workshop in Hanoi about Viet Nam and Vienna Convention in May, 2010.



Seminar "Viet Nam and Vienna Convention on Contracts for International Sales of Goods"

On 11/05/2010, the Viet Nam Chamber of Commerce and Industry (VCCI) held a seminar "Viet Nam and Vienna Convention on Contracts for International Sales of Goods" in Ha Noi. More than 150 participants from State agencies, business associations, companies, press agents and related agencies attended the seminar.

This event is part of VCCI's Program "Enterprises and International Trade Policies" in the framework of EU - Viet Nam MUTRAP III sponsored by European Union.

With 74 member countries including especially significant trade partners such as the United States, France, Canada, Australia, Japan... Vienna Convention on Contracts for International Sales of Goods (CISG) governs about 2/3 business transactions in the world and this is the convention used most commonly. CISG is considered to be a good example of success in an effort to unify laws on contracts in the world and goodwill to negotiate rights and obligations of buyers, sellers in compliance with different laws.

Up to now, Viet Nam has not joined CISG yet although foreign and domestic specialists proposed this for many times. The objective of the seminar is to exchange ideas and discuss about whether Viet Nam should join CISG, its advantages and disadvantages ...

According to Mr. Tran Huu Huynh, Vice General Secretary of VCCI cum President of the Committee on International Trade Policies, due to Viet Nam's non-membership of CISG, Vietnamese enterprises have faced with many difficulties in choosing applicable laws in contracts for international sales of goods and become



Ms. Dinh Thi My Loan, Head of CISG study group and Mr. Tran Huu Huynh, Vice General Secretary of VCCI chaired the seminar



Participants reached an agreement on the necessity for Viet Nam to join CISG and requested the Committee on International Trade Policies, on behalf of the business community to complete the Recommendation proposing Viet Nam to join the Vienna Convention and submit this Recommendation to the Government for early consideration

very passive when not any applicable law is mentioned in contracts, therefore, in case of disputes, they don't know which law will be used and when arbitrators decide to apply CISG, they seem to be embarrassed and passive

due to lack of knowledge of CISG...Therefore it is really useful for Vietnamese enterprises if Viet Nam becomes a member of CISG

Sharing the same opinions with Mr. Huynh, Dr Nguyen Minh Hang from Foreign Trade University - a research specialist of CISG - made a persuasive presentation highlighting advantages of joining CISG for Viet Nam in general and Vietnamese companies in particular in the context of increasing international integration and trade among countries, resulting in more and more international sale contracts. Ms. Hang also proposed a specific timeline for Viet Nam's accession to CISG.

A working group from EPLegal, a law firm with a lot of practical experience in advising companies on contracts for international sales of goods, presented an overall research on CISG members in the world and how they joined CISG, drew lessons for Viet Nam from the case studies of UK, South Africa, Japan and ASEAN: "there are no good reasons for Viet Nam not to join CISG".

Joining CISG, Viet Nam will not have to pay any membership fees nor amend its national law. Moreover, the registration procedures are very simple. Meanwhile, not joining CISG, Viet Nam will not have the chances of accessing to advanced unified law framework on

contracts for international sales of goods recognized by more than 70 states in all continents; chances of expressing and confirming Viet Nam's prestige, experiences and position in building and developing a law on international contracts; chances of acquiring changes, advancement of the whole world (the United Nations) in international contract legislation...This is opinions of Prof. Dr. Nguyen Thi Mo, Foreign Trade University, from the perspective of a research specialist.

From a practical perspective, representatives of business associations and law firms also made speech and referred to many practical cases showing that Viet Nam's non-membership of CISG has been causing so many difficulties for Vietnamese companies in negotiating applicable law and mechanism for dispute settlement when concluding contracts for international sales of goods as well as settling disputes.

Concluding the seminar, participants reached an agreement on the necessity for Viet Nam to join CISG and requested the Committee on International Trade Policies, on behalf of the business community to complete the Recommendation proposing Viet Nam to join the Vienna Convention and submit this Recommendation to the Government for early consideration.

Training Course for Government Officials on E-Commerce Management

With the support and coordination of EU-Viet Nam MUTRAP III, Da Nang Department of Industry and Trade organized a training course for government officials on e-commerce management for two days 27 - 28 May 2010 in Da Nang. This is an useful and practical activity to contribute to strengthen the state management capacity of e-commerce in general, the applications of information technology to the state management activities, in particular, for state officials working in departments, organizations, boards, industries and districts in Da Nang.

The content of the training course focused on the following problems: the situation of e-commerce development in the world in general, and Viet Nam in particular, the state management of e-commerce, the legal framework for e-commerce activities, policies, e-commerce



Dr. Nguyen Trong Dung, Managing Director, Microsoft Innovation Center delivered presentation at the course



Participants to the training course have discussed and agreed that the application of information technology in general, and electronic commerce in particular, as well as building e-government... is an inevitable tendency in the period of international economic integration and digitized economic development



development strategies for Viet Nam in the near future, overview of e-government (goal, meaning, function, criteria of e-government, the stages of e-government development in the world...); the current situation of building e-government, the provision of online public services in Viet Nam; opinions on building e-government in Viet Nam, direction and solutions to overcome difficulties in building e-government in Viet Nam, building and implementing e-government in Da Nang during the last time and direction in the future. In addition, speakers from the Institute of Information Technology, Viet Nam E-Commerce and Information Technology Agency - Ministry of Industry and Trade, Da Nang Department of Information and Communication, and Da Nang Softech offered new and useful information regarding the application of information technology in State management practices, especially in administrative reforms, provision of public services, the application of e-commerce in trust accreditation for websites, domestic and international e-commerce applied models...

Participants to the training course have discussed and agreed that the application of information technology in general, and electronic commerce in particular, as well as building e-government... is an inevitable tendency in the period of international economic integration and digitized economic development. Almost all e-commerce related areas have changed significantly, particularly, the legal environment has been established, basic information technology infrastructure and the Internet is quite good, large

number of consumers and businesses are aware of the benefits of e-commerce, electronic payments have been formed and gradually become popular, e-commerce has penetrated deeply into some sectors.... In fact, many practical benefits have been brought from the above mentioned activities, which are shown in the construction of law and policy, propaganda and training, business support for electronic commerce, international cooperation; especially, renovation and administrative reforms conducted by the State Government and Da Nang's local authority in the context of deeper integration into the international economy.

Some participants still concerned about issues such as State official's awareness, and level of practical application of information technology, especially managing officials' capacities are not high. Participants also proposed some solutions such as making the application of information technology to State management activities compulsory to all civil servants and public administration bodies. State management activities on e-commerce cannot be highly effective without the active participation and initiatives of the State management agencies on e-commerce in local provinces, especially in implementation of strategies, plans and regulations on e-commerce; chairing or coordinating with other relevant units to disseminate information to raise public awareness about e-commerce; to support businesses in e-commerce applications, inspection and examination of compliance to legislations on e-commerce ... Thus, we can ensure the consistent, systematic and effective development and application of e-commerce nationwide.

Workshop "Public and Private Cooperation for an Environmental Sustainable International Economic Integration"

On 4th June 2010, Bureau for Promotion of international Economic Integration – Ministry of Industry and Trade, cooperated with the EU-Vietnam MUTRAP III Project, Hai Phong People's Committee to organize a workshop on "Public and private cooperation for an environmental sustainable international economic integration".

The workshop is a contribution to the implementation of the Instruction No. 29/CT-TU issued by Vietnam Communist Party Central Committee and the Resolution No. 41/NQ-BCT issued by Political Bureau on "environment protection in the process of industrialization and modernization". Participants to the workshop have focused on information on assessing current situation and forecasting issues regarding environmental

protection and sustainable trade development in Viet Nam; identifying the challenges and opportunities for enterprises in coping with technical barriers to trade (TBT) in the integration process; strengthening the mechanism for cooperating between the government and enterprises, especially small and medium enterprises, research institutes and training centers to enhance integration strategy in an effective and sustainable manner.

Participants also requested the Government to support enterprises in enhancing knowledge and capacity of businessmen, so they can be confident in international economic integration, ensuring social

welfare, environmental protection and sustainable development; identify opportunities and challenge of trade obstacle in the integration process and enhance their awareness of the importance of knowledge on this field.

Ms. Nguyen Thi Hoang Thuy - MUTRAP III Project Director stated that: activities to protect environment should be conducted regularly and these activities require detailed instructions from the Central Party, unified management of the Government, as well as the participation of all levels, industries and society. This is an urgent task in the context of pollution and environmental degradation is increasingly serious, directly harmful to people's health, people's living environment and sustainable development of the country. To implement the environmental protection activities effectively, priorities and urgent tasks are needed to be identified.

Many speeches have attracted the interests of the delegates such as "Typical environmental issues and solutions to develop the chemical industry", "Application of International Standard SA 8000:2008 to enhance corporate social responsibility with regard to sustainably develop organizations and social welfare", "Commercial and Industrial Network harmonized with the rural welfare, environmental friendliness in Cau Kien Industrial park (Hai Phong)", "Overcoming technical barriers to trade of GATT / WTO in international economic integration.



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



The workshop is a contribution to the implementation of the Instruction No. 29/CT-TU issued by Vietnam Communist Party Central Committee and the Resolution No. 41/NQ-BCT issued by Political Bureau on "environment protection in the process of industrialization and modernization"

Policy Networking Session "Mid-Term Evaluation of EU - Viet Nam MUTRAP III"

On 15th June, 2010, a policy networking session (PNS) "Mid-term Evaluation of EU - Viet Nam MUTRAP III" was held in the Ministry of Industry and Trade (MOIT). Participants to the PNS were Deputy Minister of Industry and Trade - Mr. Nguyen Thanh Bien, Chairman of the Project Steering Committee, Mr. Antonio Berenguer - Trade Counselor of the EU Delegation to Viet Nam, and representatives from ministries, business associations, research institutes and universities...

After almost 2 years of implementation of the EU-Viet Nam MUTRAP III, the EU appointed a team of independent experts to evaluate the Project, in order to:

- Review of the project progress, and check the results against targets;
- Identify constraints affecting the efficiency of the remaining period of the project.

After two-week working from 31st May to 14th June 2010, (desk review, data gathering, surveys, interviews with beneficiaries, and study project's reports...) the experts completed the evaluation report and presented the findings in the PNS.

The six criteria used for the evaluation were: relevance, efficiency, effectiveness, impact, sustainability, coherence and EC value added. In summary, MUTRAP III is a

very successful project and it has achieved all the set targets.

In the last two years, MUTRAP III has implemented many activities: 12 technical assistance activities completed, 25 ongoing activities, 70 workshops and organized throughout the country with over 8,000 participants from ministries, businesses associations, research institutes and universities, more than 90 government officials have been supported to participate in WTO meetings, FTA negotiation, study tours and international conferences...

The EU - Viet Nam MUTRAP III also supports proactively to the Government's policy making process, carrying out various activities such as supporting Ministry of Planning and Investment in constructing Service Development Strategy up to 2020 with vision to 2025, supporting MOIT in drafting Law on Consumer Protection, drafting Prime Minister's Decision on Issuance of Certificate of Free Sales, supporting MOIT in completing Explaining Report to request other countries to recognize the market economy in Viet Nam, supporting MOIT in reviewing relevant laws and regulations to be compatible with WTO... Many workshops, which have been held by EU - Viet Nam



EU - Viet Nam MUTRAP III Project has important contributions to the strengthening of MOIT's capacity in setting and implementing international economic and trade integration strategies of Viet Nam.

MUTRAP III in cooperation with 4 Leading Offices (Office of Central Party, Office of the National Assembly, Office of the President, and Office of the Government) regarding assessment of Viet Nam's economy after two-year WTO accession, global financial crisis and its impacts on Viet Nam's economy, assessing the effectiveness of Government's stimulus package in supporting enterprises..., have been highly regarded, findings from these conferences have been discussed in regular Government's meetings.

In addition to give supports to government agencies in making policies, EU - Viet Nam MUTRAP III has also been assisting business community for deeper international economic integration. Beside 7 grants for business associations and universities, other activities to support enterprises are highly effective such as designing Viet Nam Foreign Market Information Portal and Viet Nam Export Portal to promptly provide Viet Nam exporters with updated information on policies, and regulations in other countries, as well as to introduce Viet Nam export potentials to foreign enterprises to increase trade flows. Viet Nam Foreign Market Information Portal won Sao Khue Award 2010 for successful electronic Portal in Viet Nam. Public awareness raising campaigns have been held to disseminate information on trade barriers such as TBT, SPS, anti-dumping, anti-subsidy rules of EU and the US, WTO/FTA commitments, as well as FTAs to be participated by Viet Nam... The Project is currently helping Phu Quoc Association of Fish Sauce to register fish sauce's origin in the EU market...

Many project's activities are assessed as very sustainable, for instance, training courses for senior officials,

negotiators in Government's negotiation delegation, training activities for lecturers, students in universities, as well as drafting textbooks for universities like the first Textbook on Competition was officially used by many universities from 2010-2011, or designing a bachelor program for Foreign Trade University...

On behalf of MOIT and PSC, Deputy Minister Nguyen Thanh Bien reaffirmed important contributions of the Project in strengthening MOIT's capacity in setting and implementing international trade/economic integration strategies. In the future, Mr. Bien hoped that MUTRAP III would continue to support policy makers and business communities such as setting Export - Import Strategies during 2011-2020, and researching impacts of economic integration on Viet Nam's balance of payment and trade deficit.

Participants to the PNS also listened to comments, assessments contributed by representatives from business associations from the South, WTO Center in Ho Chi Minh City, Da Nang Department of Industry and Trade, Ho Chi Minh City National University, Central Institute for Economic Management. All delegates were highly appreciated positive impacts of Project's activities on beneficiaries; they also expressed their desires to work more closely with the Project in the future.

In the closing remark, Mr. Antonio Berenguer - Trade Counselor of the EU Delegation to Viet Nam expressed his agreement to the ideas contributed by other participants and affirmed that EU Delegation to Viet Nam would continue to support EU - Viet Nam MUTRAP III, so the Project can implement and fulfill its targets.

Workshop “Development of Higher Education Programs on International Trade Law at Foreign Trade University”



The workshop obtained diversified, multi-faceted ideas to develop a modern, relevant-to-demands and practical training course



Speakers and organisers at the workshop

Within the framework of the EU - Viet Nam MUTRAP III Project, during two days - 14th and 15th June 2010, a workshop with the theme “Development of higher education programs on International Trade Law at Foreign Trade University” was held by Foreign Trade University (FTU) in Hanoi.

This is an important event among activities of the MUTRAP III Project’s grant entitled “Design and development of higher education programs on international trade law at Foreign Trade University to meet the demands of Viet Nam’s integration into the global trading system following the country’s accession to the WTO”. Faculty of Business Administration is in charge of executing this grant.

There were around 50 participants to the workshop, they came from the EU Delegation to Viet Nam, State agencies, law and economics related universities, research institutes and some lawyer’s offices in Viet Nam. Especially, there were two international experts in International Trade Law attending the workshop: Prof. Peter van den Bossche - Maastricht University (the Netherlands) and Prof. Fabrizio Onida - University of Bocconi (Italy).

During the working sessions of the workshop, local and international experts have assessed the training programs on International Trade Law at the Foreign Trade University, including Bachelor programs, Master programs in International Trade Law and short - term two -week training course in WTO related legal issues.

All experts have agreed that the development of

training programs on International Trade Law is necessary to meet urgent demand in human resources in the field of law for Viet Nam economic integration, and implementation of international commitments after WTO accession. Viet Nam became an official member of WTO since early 2007, international trade related lawsuits that Viet Nam has been facing show serious shortage of legal experts and lawyers who understand international trade law and have the capabilities to settle these cases.

According to experts, Foreign Trade University is an experienced, prestigious, and widely recognized university with 50 years of intensive training on international trade, laws, international trade customs and specialized foreign languages. Currently, there are 18 teachers in the Law Department, Faculty of Business, of which 8 teachers are Ph.Ds, Ass. Professors or Professors, the rest of them are mostly Masters trained in overseas universities. With these strengths, the Foreign Trade University is a university full of resources, particularly, the human resource to implement training programs on International Trade Law.

There were many speeches and constructive opinions being delivered by local and international experts at the Workshop. The experts from different organizations have provided diversified, multi-faceted ideas to develop a modern, relevant-to-demands and practical training course. FTU would collect ideas and suggestions from experts to complete above mentioning courses and put them into use in the future.



Workshop on “Trade Obstacles for Vietnamese Business Associations and Vietnamese Enterprises”

In order to implement the the sub-project “Capacity Building on Trade Policy for Vietnamese Business Associations” which funded by the European Union in the framework of the EU - Viet Nam MUTRAP III project, European Chamber of Commerce in Viet Nam (EuroCham) organized the Workshop on “Trade Obstacles for Vietnamese Business Associations and Vietnamese Enterprises” on 23 June 2010 in Ha Noi.

Attending the workshop has Mr. Hans Farnhammer, First Secretary of The Delegation of the European Union to Viet Nam, Prof. Claudio Dordi, TA Team Leader EU - Viet Nam MUTRAP III, partner of EuroCham including Viet Nam Tea Association (VITAS), Viet Nam Leather and Footwear Association (LEFASO), VASEP, Can Tho Business Association, Handicraft and Wood Industry Association (HAWA), Hanoi SME Association, Young Business Association in Ho Chi Minh. Besides, there are other associations including Viet Nam Steel Association, Viet Nam Banking Association, Viet Nam Wood and forestry association, Viet Nam handicraft exporters Association, Viet Nam Electronics Industry Association, Viet Nam Retailers' Association, Traditional villages and handicraft association, Viet Nam Coffee and Cocoa Association, Hanoi Women Entrepreneur Association, Viet Nam Mechanic Association and member enterprises of associations. Total of participants was about 120 people.

The Workshop was contributed by four main speakers: Mr. Hans Farnhammer, First Secretary The Delegation of the European Union to Viet Nam, Prof. Dordi, TA Team Leader EU - Viet Nam MUTRAP III, Mr. Phan The Rue, Former Vice Minister of Commerce Ministry, Former Chairman of Viet Nam-Japan Economic Partnership Agreement Negotiation, and Mr. Tran Huu Huynh General Director of Legal Department - VCCI, Vice Chairman cum General Secretary of Viet Nam International Arbitration Center

Mr. Hans Farnhammer presented on trade obstacles in EU markets. He introduced about technical regulations, obstacles on EU requirement like TBT and SPS, overview of export of Viet Nam to EU market and key regulations in garment and textile sector, leather and footwear sector, wood products, electric and electronic



Speakers and organisers at the workshop



At the end of workshop, EuroCham has signing ceremony with ECOMVIET for activities of European Trade Information Center in the framework of EuroCham Project

products, agricultural and food products, compliance difficulties of Vietnamese exporters and recommendations. He also introduced some secondary EU sources on specific topics like REACH, DG environment and primary source in Viet Nam.

With experiences as former Vice Minister of Commerce Ministry and former Head of Viet Nam -Japan Economic Partnership Agreement Negotiation, Mr. Rue presented on challenges and opportunities for Vietnamese enterprises in implementing Free Trade Agreements. He gave context of Viet Nam with signed FTAs and mentioned challenges and opportunities which Vietnamese enterprise will facing when implementing FTAs. In conclusion, he gave advices to enterprises how to solve challenges and take opportunities.

The sharing experiences are presented by two presentations of Mr. Tran Huu Huynh and Prof. Claudio Dordi on settlement of dispute in international commerce contracts and challenged to access and exporting to EU markets. Mr. Huynh presented types, measure for dispute settlement, arbitration and arbitration agreement. He also gave characteristics of

arbitration and some model clauses on international arbitration organizations. In his presentation, Prof. Dordi presented on main obstacles including tariff barriers and non tariff barriers, comparative advantages and disadvantages and some chart to prove export growth of Viet Nam.

On this occasion, we will also inform about the European Trade Information Center in HCMC that will be officially launched at the end of June. The Center is established to meet the needs for information of enterprises in HCMC and surrounding provinces. This

center belongs to the EuroCentre, the official headquarters of EuroCham, and will provide visitors with a synergy of information and assistance on EU related trade issues. The centre will provide computers and offer access to databases and publications, reports from the CBI, as well as the export helpdesk, Eurostat and E-Commerce Development Centre (ECOMVIET).

At the end of workshop, EuroCham has signing ceremony with ECOMVIET for activities of European Trade Information Center in the framework of EuroCham Project.

Seminar "Vietnamese Wood Exports to EU, US - Regulations and Implementation"



After the seminar, enterprises were equipped with useful knowledge and updated information on the EU and US wood import requirements so that they have a proper strategy when exporting wood products to these countries



On June 25th, 2010, the Viet Nam Chamber of Commerce and Industry (VCCI) cooperated with Miller & Chevalier Chartered to hold a seminar on "Vietnamese wood exports to European Union, the United State: Regulations and Implementation" in Ho Chi Minh city. More than 80 participants from business associations, enterprises, press agents and related agencies attended the seminar.

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

In the opening speech, Mr. Tran Ngoc Liem, Deputy Director of VCCI at Ho Chi Minh city, gave an overview of Viet Nam's wood exports in recent times, emphasized the importance of the two major export markets - EU and U.S. Mr. Liem also warned enterprises of new regulations on wood imports to these countries and the necessity of compliance to mitigate risks.

According to Mr. Nguyen Ton Quyen, General Secretary of Viet Nam Timber and Forest Product Association, in the coming time, Vietnamese enterprises would have to cope with many difficulties relating to rules of origin and compliance requirements for wood

exporting to the EU and the US. While the EU has issued the Drafted FLEGT Action Plan (Forest Law Enforcement, Governance and Trade) which will come into force in January 2012, the U.S Lacey Act - a section of the Farm Bill - was adopted and effective in 2008 and continue to be clarified the implementation.

Main speakers of the Seminar, Mr. Jay Eizenstat and Mr. John Magus from Miller & Chevalier Chartered made a presentation to introduce basic contents of the Amended Lacey Act of the U.S. The Lacey Act was designed to combat trade in illegally-sourced wildlife, fish and some plants, including trees/timber. The 2008 Amendments expanded the Act's application to a wider range of plants and wood products such as paper, flooring, wooden furniture, etc.

The two lawyers also gave specific examples to instruct enterprises how to fill in the declaration form as required by the Lacey Act. Accordingly, importers of all covered products are required to submit a declaration form that provides: i) the accurate scientific name of the plant, ii) the value of the importation, iii) quantity of the plant - wood included in the product, iv) name of the country where the plant was harvested.

Also, according these lawyers, there are two



elements of a Lacey Act violation for inter national shipments: i) illegally-sourced plant; ii) trade of the illegally-sourced plant in U.S. inter-state or foreign commerce. Penalties for violations are: forfeiture of goods, criminal fine and even imprisonment for up to 5 years.

Due to these strict regulations, the lawyers gave some compliance instructions for Vietnamese manufacturers and exporters: i) search for information on scientific name, genus, species and the country of origin of the wood (if purchased from suppliers); ii) use proper recordkeeping for inventory tracking and management; iii) provide importer with list of all possible genus/species and country of origin for all products.

Speakers concluded that in comparison with the EU FLEGT Action, the US Lacey Act is much more complicated and difficult to comply with. Therefore, Vietnamese timber exporters need to understand thoroughly this Act before exporting to the US.

The final part of the seminar was Q&A session with many questions raised by participants and these questions were answered properly by speakers. After the seminar, enterprises were equipped with useful knowledge and updated information on the EU and US wood import requirements so that they have a proper strategy when exporting wood products to these countries.

Workshops “Dissemination of the Free Trade Agreements that Viet Nam Participated”

In order to meet the needs of business community in approaching the content in Nha Trang on 28th and the commitments in the Free Trade Agreements (FTAs) that Viet Nam participated and making opportunities for enterprises from the implementation of commitments, the Ministry of Industry and Trade (MOIT) cooperated with the EU - Viet Nam MUTRAP III Project to organize the Workshops on “Dissemination of the Free Trade Agreements that Viet Nam participated” in Nha Trang on 28th and Ho Chi Minh city on 30th June 2010. The Workshop focused on the Viet Nam - Japan Economic Partnership Agreement (VJEPA) and the ASEAN - Australia - New Zealand Free Trade Agreements (AANZFTA) ASEAN - India Free Trade Agreement (AINFTA).

This series of workshops attracted attention from many enterprises, business associations related to export - import activities, State agencies from Khanh Hoa Province, Ho Chi Minh city and neighboring provinces.

Delivering the opening remark, Ms. Nguyen Thi Hoang Thuy - Project Director of EU - Viet Nam MUTRAP III emphasised that the series of workshops were the effort of MOIT in disseminating the FTAs that Viet Nam participated, so enterprises could take advantage of the commitments and opportunities given by these agreements to boost exports.

Mr Le Quang Lan - Deputy Director General, and Mr Le Trieu Dung, Head of ASEAN Division, Multilateral Trade Policy Department, MOIT presented overview on the ASEAN economic community, trade relations between Viet Nam and other countries such as Japan, Australia, New Zealand, and India, trade policies of these



From left to right: Mr. Vo Thanh Ha (MOIT), Ms. Trinh Thi Thu Hien (MOIT), Dr. Le Quang Lan (MOIT), Ms. Tran Thi Thu Huyen (MOF) chaired the workshop



This series of workshops have provided important and useful information for enterprises, suggested important orientations for them to utilize preferences given by the FTAs participated by Viet Nam, and to quickly make these opportunities become true

countries, commitments in VJEPA, AANZFTA and AINFTA, benefits, and export potential brought about by these agreements.

In the workshop, representatives from Ministry of Finance provided useful information about commitments on tax reduction according to VJEPA,

AANZFTA and AINFTA, Vietnamese legal documents in the process of implementing undertaken tariff reduction. Through commitments implemented by Japan, Australia, New Zealand and India, Vietnamese exporters can find opportunities to access the markets and profit the preferential customs treatments of these countries. Tariff omission would be applied immediately after these agreements come into force for many agricultural products, seafood that Vietnamese exporters are interested in. Presentations for the Rules of Origins in VJEPA, AANZFTA and AINFTA presented by representatives from Export - Import Department, MOIT instructed enterprises in exploiting preferences of the FTAs in goods trade through utilizing rules of origins to enjoy preferential customs treatments, reduce prices when exporting to Japan, Australia, New Zealand and India. These presentations also focused on problems enterprises might encounter, and the way to declare and apply for certificate of origins: accumulation, HS codes...

In addition to previous speeches, representatives from Asia - Pacific Market Department and Western Asia - Southern Asia and Africa market Department, MOIT shared the experience in exporting to

Japan, Australia, New Zealand and India: risks of boosting prices in exporting goods, the complexity of distribution systems and strict requirements of these countries, and the fierce competition of China, Malaysia, Thailand, Indonesia, and the Philippines enterprises.

This series of workshops have provided important and useful information for enterprises, suggested important orientations for them to utilize preferences given by the FTAs participated by Viet Nam, and to quickly make these opportunities become true. This was an opportunity for enterprises to access accurate, updated information on these agreements and to discuss with policy makers about difficulties, challenges and opportunities in approaching the relevant markets.

At the workshops, delegates were provided with a book titled "Necessary information on Viet Nam - Japan Economic Partnership Agreement." This book was compiled by MOIT and supported to establish by EU - Viet Nam MUTRAP III.

Reader can visit the MUTRAP Website (<http://www.muttrap.org.vn>) to download the FTAs that Viet Nam participated.

Workshop "WTO Commitments in Distribution Services - Emerging Issues for Viet Nam"



Mr. Hans Farnhammer, First Secretary of the EU Delegation to Viet Nam made speech at the workshop

On 29th June 2010, the Economic Committee of the National Assembly, Viet Nam University of Commerce and EU - Viet Nam MUTRAP III cooperated to organize a workshop on "WTO commitments in distribution services - emerging issues for Viet Nam". Chairmen of the workshop were Mr. Nguyen Van Phuc, Deputy Head of Economic Committee, National Assembly, Assoc. Prof. Dr. Bui Xuan Nhan, Vice President



Although integration and modern retail market development was a dispensable trend in a market economy, opening the market also put much pressure on domestic producers and distributors

of Viet Nam University of Commerce and Mr. Claudio Dordi, TA Team leader of EU - Viet Nam MUTRAP III. Participants to the workshop were representatives from the EU Delegation to Viet Nam, Economic Committee and other Committees of the National Assembly, National Assembly Office, Office of Central Party, Office of the President, Office of the Government, relevant ministries, research institutes, Viet Nam University of



Commerce and other universities, domestic and foreign distributors, and news agencies.

Main objectives of the workshop were to review WTO commitments in distribution sector, to assess the implementation of those commitments, to reassess the current situations of the distribution service sector in Viet Nam, and to suggest recommendations for improving policy in distribution service sector. Speeches of the workshop emphasized on some main contents: clarifying WTO commitments and international experience from some Asian countries (China, India, Korea...) in the implementation of WTO commitments in distribution services, Vietnamese legislative requirements in distribution services and Vietnamese lessons in implementing those commitments.

Mr. Hans Farnhammer - First Secretary of the EU Delegation to Viet Nam raised question on the Viet Nam's competitive advantage and suggested that policy makers in Viet Nam should improve the competitive advantages of domestic enterprises by building consumers' trusts.

Dr. Dinh Thi My Loan, Standing Vice Chairman, Secretary General, Association of Viet Nam Retailers (AVR) affirmed that retail was an increasingly important consumption channel. However, at the moment, it accounted for only 22% all over the country, as compared to other countries, this rate in Viet Nam was rather low (Thailand: 34%, China: 51%...). She also said that in order

to open the market with fair competition and sustainable development, we needed a long term strategy for distribution service - retailing sector from State Government, business community, so domestic distributors could be facilitated in developing their distribution - retailing system...

According to the evaluation of the authorities, after more than three-year WTO accession and over one year opening the market to allow the establishment of 100% foreign invested companies, the flood of foreign investments have not appeared as expected. However, Viet Nam is still an attractive retail market with the population of 84 million people, young population, and improved purchasing power. Total value of retail sales of goods and services in 2009 was nearly VND1,200 billion, which attracted many big distribution corporations and retailers such as Big C, Metro, Parkson, Lotte...

All participants agreed that although integration and modern retail market development was a dispensable trend in a market economy, opening the market also put much pressure on domestic producers and distributors. They, therefore, concentrated on discussing the WTO commitments in distribution services in Viet Nam; international experience of other Asian countries in implementing WTO commitments in distribution sector; regulations in Vietnamese law in distributions services; lessons learnt in the process of implementing those WTO commitments.

Workshop "International Trade in Service Statistics and Statistical Surveys Developing for Viet Nam"

In the framework of activity SERV-7 of EU - Viet Nam UTRAP III on "Capacity building to improve the statistical system for trade in service benchmark census", on 30th June 2010, in Ha Noi, General Statistics Office (GSO) cooperated with EU - Viet Nam MUTRAP III to organize a workshop on "International Trade in Service Statistics and Statistical Surveys Developing for Viet Nam".

Chairwomen of this workshop were Ms. Tran Thi Hang - Deputy Director General of GSO and Ms. Anita Bany - Director General of International Trade Statistics Department, Central Statistics Office of Hungary. Participants to the workshop were representatives from the EU Delegation to Viet Nam, leaders and officials from relevant authorities: Ministry of Education and Training, Ministry of Transportation, Ministry of Culture, Sports

and Tourism, Ministry of Finance, Ministry of Science and Technology, Ministry of Construction and State Bank of Viet Nam...

At the workshop, first findings of the "National statistical survey program", which has been conducted since 1st July 2007, in 47 provinces/cities, with technical assistance of international experts in designing methodologies, planning, making questionnaires, training, were presented. Surveyed data have been processed and analyzed by officials of GSO, with assistance of two international experts from EU - Viet Nam MUTRAP III, GSO has developed the plan for quarterly surveys, starting from 2011. In the workshop, international experts also shared experience in collecting data on international trade in service from some EU countries, on that basis, the research team gave some

recommendations to implement statistical surveys on trade in service in Viet Nam in the future.

Delegates from relevant organisations also shared their own difficulties in collecting information. There were also many requests for GSO to conduct training courses on calculating methods for their officials because this relates to an important item in Vietnamese current account and also, deficits frequently occurred in



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From left to right: Ms. Anita Bany (Hungary) and Ms. Tran Thi Hang (Viet Nam) chaired the workshop

this area, hence it needed more capacity building. GSO recognized these ideas and opinions would have appropriate improvement according to the actual situations of each sector.

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

Workshop for Vietnamese Trade Counselors Accredited to EU

Continuing the success of the first Workshop for Vietnamese Trade Counselors accredited to EU in 2009, the Ministry of Industry and Trade of Viet Nam (MOIT) and the European Commission (EC) have decided to expand the activities of the Seminar and build up the second Workshop in Brussels, Belgium from 17th - 19th May, 2010.

The Vietnamese Trade official Delegation included the Minister Counselor to the EU and 13 Trade Counselors to 13 member states of the European Union, Director General of Industry and Trade Department in Provinces of Dong Nai, An Giang, Binh Duong, Chief Representative of the departments in the MOIT such as Europe Market Department, Multilateral Trade Policy Department, Export- Import Department and Planning Department.

This was a valuable opportunity for EC to update the Vietnamese Trade Counselors of its new regulations on trade and trade-related fields as well as have discussion with the Vietnamese partners on issues of mutual interest. On this occasion, the Vietnamese Trade Counselors were informed about the newly-ratified MOIT

in Ho Chi Minh City and representatives of various Lisbon Treaty, new EU regulations, EU's FTA strategy, chance for Vietnamese businesses in service and investment in the EU, new developments of EU on SPS, TBT and food safety.

Since the Lisbon Treaty took effect in December 2009, the European Commission has been granted the right to negotiate all contents relating to trade and investment, increased right in external affairs (including the establishment the Common Action Unit in External Affairs to suggest the common recommendation for external affairs). The Lisbon Treaty also gives more power to the European Parliament in the supervision. Therefore, from now on, the procedure to negotiate the trade, investment and economic issues has been reshuffled.

Relating to the new regulations of illegal, unreported and unregulated fishing (IUU) and Forest law enforcement, governance and trade (FLEGT), EC will push up the implementation of the regulations because the IUU took effect since January 2010 and as such in EU's view, all relevant countries has time to prepare the necessary internal procedures (the regulation covers the products under Chapter 3, Sub-Section 1604, 1605 and



does not cover the products listed in the Annex I and the aquatic animals being caught without support of vessel). At the same time, the EC also built up the plan to negotiate the Voluntary Partnership Agreement as regulated in the Due Diligence Regulation of FLEGT to effectively and sustainably manage the forest including request to use the legal logging.

As regards the Generalized System of Preferences, EC has built-up the plan to review the GSP for the period of 2012 – 2014 in the year of 2010 and will take the comments from interest countries. The revised draft will focus on the mature mechanisms, treatment on the big enterprises who export with large ration into the EU, changes of products from sensitive list to non-sensitive lists... The MOIT has made the first and initial comment on the change the products from sensitive list to non-sensitive one.

Regarding to service and investment, being the WTO's member, Viet Nam has wide rights to invest and provide services in EU. In which, Vietnamese enterprises can freely exploit the mode 2 (consumption aboard), mode 3 except for security (commercial presence:

establishment and long-term investment in EU but must satisfy criteria applied in the EU, e.g., in the case of setting up branch of bank or commercial bank in EU, Viet Nam enterprises need to meet the requirement on minimum capital, and qualified professional certification of leader, CEO of bank...); EU is relatively open in mode 1 (trans-border supply of service) e.g., setting up the call-center to provide the services and products through internet order, on-line, telephone... and mode 4 (temporary presence of natural persons supplying a service) e.g. providing project expert or consultants in EU...

On EU's FTA strategy, EC spares no effort to combine the contents of social and environmental standards into the bilateral FTA to implement the so-called "Renewed EU Sustainable Development Strategy" which was adopted by the European Council in June 2006 under the orientation of "An overarching strategy for all EU policies which sets out how we can meet the needs of present generations without compromising the ability of future generations to meet their needs. The Sustainable Development Strategy deals in an integrated way with economic, environmental and social issues...". The newly ratified Lisbon Treaty has hammered out the strategy toward 2020 of "Social Market Economy" with 3 pillar of smart growth (fostering knowledge, innovation, education and digital society), "sustainable growth" (making our production more resource efficient while boosting our competitiveness) and, "inclusive growth" (raising participation in the labour market, the acquisition of skills and the fight against poverty. The method to implement: expedite the consultation and cooperate through trade, effectively application of the related-regulation in its domestic market for import and domestic products, cooperate in international arena and with international and regional organizations and facilitate the participation of civil society.

Third Trade Policy Review of China

Under the financial support of EU – Viet Nam MUTRAP III Project, a delegation of MOIT officials attended the Third Trade Policy Review of China, which was held in Geneva between May 31 and June 2 2010.

There were two aspects that draw WTO Members' attention, namely macroeconomic environment and trade development and economic policies prospects.

Regarding the Macroeconomic Environment, since the previous TPR, even being suffered from natural disasters and global crisis, China still managed to make progress on energy conservation and emission reduction.

Domestic demand, at present, plays a stronger role in driving China's economic growth. China has managed to register a GDP growth of 8.7% in 2009.

Relating to the trade policies and latest development, despite the huge impact of financial crisis on its economy, China has maintained its import growth. China is the only major economy that registered increase in import during the crisis. China maintained an import growth of 2.8% and became the second largest importer in the world with over one trillion US dollars imports. China has become a major export destination for many countries. While the world automobile market shrank

sharply in 2009, China's auto imports grew by 2.8%, making it the largest auto market in the world. On trade in services, although China's services exports decreased by 12% in 2009, its services imports achieved additional increase, making it the 4th largest services importer.

Many countries commended China for its impressive economic performance and its active role in the WTO. Members also highly sharply in 2009, China's auto imports grew by 2.8%, making it the largest auto market in the world. On trade in services, although China's services exports decreased by 12% in 2009, its services imports achieved additional increase, making it the 4th largest services importer.

Many countries commended China for its impressive economic performance and its active role in the WTO. Members also highly appreciated China's efforts to enhance public transparency and welcomed China's ongoing efforts to review, revise and amend its trade law. However, many WTO Members expressed their concerns about China's trade policies. Among the covered issues were: more restrictive use of export quotas and export duties on a large number of raw material inputs; the importance of China accelerating its accession to the WTO Agreement on Government Procurement, given the increasingly important role that government procurement will play in China's economy; the need for the Government to continue reducing regulatory and other barriers to trade, especially customs procedures, technical regulations and standards (including SPS measures) and certification practices, import licensing, and export restrictions; accelerating progress towards China's goal of comparatively high standards for intellectual property rights by 2020.



This third review has been very useful in providing all WTO Members with a better understanding and an update of China's trade policies and practices. While many countries expressed their impression on China's economic performance especially, in the time of global downturn and financial crisis, China still managed to become the world's largest exporter and the second largest importer, some are of the view that China should increase its efforts in areas such as intellectual properties, competition and transparency.

Attending a trade policy review (TPR) in WTO equips participants with a clear picture of the current trade policy of a WTO member. It not only helps obtain a better understanding of a country's trade policy formulation, but also provides the background and guidance for conducting a TPR. This activity is of great importance especially when Viet Nam is making necessary preparations for its first TPR in WTO which expected to take place in 2011 or early 2012.

Seminar on Trade Defence Instruments for Third Country Officials

The EU - Viet Nam Mutrap III Project supported a delegation of officials from Viet Nam Competition Authority, Ministry of Industry and Trade to attend the Seminar on Trade Defence Instruments in Brussels from 7th to 11th June 2010. The seminar was organized by Directorate - General for Trade of EC for third country officials.

The seminar aimed to provide general understanding of the trade defence investigations against imports from third countries under WTO's rule and EC's law, to give the third country official insights into specific aspects of EU's organization, legal framework and investigation process which are pertained to three main trade defence instruments and to generate discussions and exchange views or practices between seminar

participants and speakers and between participants themselves.

The 5-day seminar introduced principal contents for EU trade defence instruments (TDI), comprising of TDIs regulatory framework, investigation process, dumping and injury calculation and causation, community interest, rights of interested parties. Besides, the speakers provided theory of the TDIs instruments: anti-dumping, anti-subsidy, safeguards and some relevant contents of TDIs investigation such as: rights of interest parties, community interests...

Participants to the seminar were delegates from 8 developing countries such as Brazil, Indonesia, Panama, Albania... and Viet Nam. They were given lectures by

senior experts from the Directorate - General for Trade of EC.

At the seminar, the Vietnamese delegation contributed an introduction to the organisation and

trade defence mechanism of Viet Nam as well as related law system. Delegation of other countries also had presentations and experience sharing on their trade defense instruments.

Study Tour on Regulations of Distribution Services

Within the framework of the activity SERV- 4&5 of the EU - Viet Nam MUTRAP III (Comparative Studies on the regulations of distribution services in selected countries in view of supporting MOIT in drafting a decree on distribution and recommendations for an efficient and WTO – consistent discipline on distribution), a delegation of five officials from Ministry of Industry and Trade and Trade Research Institute have conducted a study visit to Seoul and Tokyo from 6 to 16 June, 2010 on international practices in the area of WTO consistent distribution service regulations to draw lessons for Viet Nam's sector liberalization.

In Korea, the delegation had meetings with leaders of several distributors with small to large scaled operation in Korea, including CJO Shopping, Shinsegae Co., Ltd, and Lotte. Valuable experiences in retailing as well as issues and obstacles to business set-up in Viet Nam have been openly shared with the delegation. The Delegation also had in-depth discussion with Director of Distribution & Logistics Division, Ministry of Knowledge Economy, in which the two sides exchanged views covering restrictions applied on investment or goods, limitations on ownership, location and size of the storage and operating hours.

In Japan, an overview of Japan's distribution sector was presented by representatives of Trade Policy Bureau, Ministry of Economy, Trade and Industry (METI)



Discussion between Vietnamese delegation and Korean colleagues

focusing on the foreign investment and business registration which includes equity-related prohibition, restrictions on foreign direct investment in retailing, mercantile restrictions (audio visual products, tobacco, foods, pharmaceuticals, cosmetics etc.). A separate meeting arranged by Asia and Pacific Division, METI, focused on possible regulatory/legislative changes that could have been put in place to support for an environment conducive to business development. The study tour was truly an excellent opportunity for MOIT officials to directly obtain valuable insights from the practice of national domestic trade development policy in Korea and Japan, and linking it to the particular context of Viet Nam.

Third Meeting of ASEAN - Japan Joint Committee on Comprehensive Economic Partnership

Within the framework of activity FTA-8, MUTRAP III supported two officials from the Ministry of

Industry and Trade to attend the Third Meeting of ASEAN-Joint Committee on Comprehensive Economic

Partnership held in Tokyo, Japan from 7-10 June 2010.

This Meeting aims to supervise the implementation of the ASEAN- Japan Agreement on Comprehensive Economic Partnership. More importantly, it also looks at opportunities to conduct negotiation of the remaining issues which were not discussed previously. Trade in services is a crucial area at the meeting this time.

Before deciding to launch negotiation on services, ASEAN and Japan exchanged views on current situation of trade in services. Japan expressed interest in the regime and latest development in ASEAN with respect to the following six sectors: computer-related services, telecommunication, construction, distribution, financial and maritime transport services whereas each individual ASEAN member state briefly highlighted their respective situation in these sectors.

The two parties also noted general briefing on the progress of services FTA with other partners. Japan stated that negative list approach is preferred. In return,

ASEAN replied to Japan's inquiries on the approach taken in various ASEAN FTAs such as on the use of positive versus negative list, scheduling commitments as well as the differences between bilateral and regional FTAs.

In order to provide more updated information, ASEAN and Japan decided to prepare a brief matrix highlighting the characteristics and situations of all services FTAs that they have concluded with their respective trading partners.

In summary, Japan is open to negotiate trade in services regionally with ASEAN subject to the common position of ASEAN on this matter. Japan viewed that a regional FTA in services would benefit broader regional economic integration, and to cover ASEAN members that have not had bilateral Economic Partnership Agreement with Japan yet. In response, ASEAN took note of Japan's position and requested to consult internally on how to proceed with the regional negotiation vis-à-vis the instruction of SEOM-METI on the assessment of benefits and costs.

Studies - Commentaries

Development of Economy and Trade and Environment: Conflicting or Complementary Issues?

What is the relationship between economic growth and the quality of environment? And, what are the effects of trade liberalization on the environment?

The economic literature showed that economic growth has both harmful and beneficial effects on environmental quality. The issue is particularly relevant for developing countries: indeed, for some important environmental measures, the relationship between economic development and quality of environment is described by a U-shaped relationship (the well known Kuznets curve): at relatively low levels of income per capita growth leads to a greater environmental damage, until a certain level where the relationship is reversed, i.e. further growth leads to improvements of the environment. According to a number of economic researches, most developing countries have not yet reached this threshold.

What is behind the Kuznet Curve? Two main explanations are available.

The first is that, although growth is detrimental to the quality of environment at the initial stage of industrialization, later stages of development allow a

sufficient accumulation of capital for acquiring the needed technology to clean up the environment. Of course, this does not happen automatically: there must be effective Government regulations, which usually requires institutions able to translate the will of the population into action, as well as the rule of law and mechanisms of regulation. Appropriate good environmental Governance is therefore necessary to support adequately the improvement of the quality of environment.

According to the second hypothesis the reduction of the pollution after a certain level of development correspond to the normal pattern of development of all the countries, from an agrarian economy to manufacturing (increasing of pollution) and then from manufacturing to services (decreasing of pollution as services, in general, tend to generate less pollution than heavy manufacturing).

Trade liberalization, on the other side, influences the quality of environment through the promotion of economic growth and the following increase of the income of the country. In both cases the effects can be



either beneficial or detrimental, depending on the level of development of the country, as explained by the above mentioned Kuznet curve. However, there are effects which are not connected to the economic growth promoted by the liberalization of trade.

The first one, which is thought to be negative, is related to the so called "race to the bottom" hypothesis. As industries and trade unions whose members are employed in industry are concerned about the competition from foreign industries and they often exercise political pressure on their governments to minimize the burden of regulation. Especially in developed countries, industries and trade unions are concerned about the lower environmental standard applied by developing countries; this would allow to produce goods at a lower costs than those in high-environmental standard developed countries. As a consequence, the risk is a general lowering of the national environmental standard applied by countries. This, combined with the initial negative environmental effects of the industrialization boosted even by the liberalization of trade, could bring about a real risk of the lowering of environmental standard applied by each state.

The second effects, which is, on the contrary, positive, is linked to the possibility that with trade liberalization countries may attain more of what they really want, which includes, among the others, the so called "environmental goods". Indeed, trade liberalization encourages innovation and promotes, among the others, the transfer of technology. Among the different categories of innovation, the liberalization of trade promotes innovation which is beneficial to environmental improvement as well as economic progress. Another, interesting positive consequence of trade liberalization to the environment is the so called "California effect": it has been observed that the larger States setting high standards for goods pollution control equipment influence positively the standard set in other

countries. A clear example is the standard for automotive applied by Vietnam, which is based on the European standards (Euro 1, Euro 2 etc.). These effects are often the results of the activity of Multinational corporations, which tend to bring the high-level production techniques (which are less polluting than the outdated ones) from host countries to other (normally low-level standard) countries, therefore raising the general level of environmental protection.

All the above mentioned effects brought to the quality of environment of a country can be managed through appropriate regulations to achieve the desired level of environmental protection as well as a strong cooperation between the public and the private sector that, at the end, is the real enforcement of State regulations.

However, the design of an appropriate strategy requires that each country analyzes the effects of trade liberalization and economic growth on the quality of the environment at domestic level. For this reason, the Multilateral Trade Assistance Project phase III: EU – Viet Nam MUTRAP III supports all the initiatives aimed to analyze the possible interaction between trade, economic growth and protection of the environment. MUTRAP III has supported the Trade and Environment Bulletin, the Ministry of Industry and Trade to organize a workshop on: "Public and private cooperation for an environmental sustainable international economic integration" on 4th June, 2010 in Hai Phong. Moreover, in 2011 MUTRAP III will support an activity aimed to study the effects of trade liberalization on the quality of environment in Vietnam with the final objective to provide recommendations to the Government on the best strategies to be adopted for improving the ability of managing the relationships existing between liberalization of trade and protection of the environment. MUTRAP III supports the opinion that there is an appropriate policy to conciliate the exigencies, which can be conflicting, between the protection of the environment and the promotion of trade and economic development.

Commemoration for Peter Naray

Dr. Peter Naray, former MUTRAP II team leader and short term expert on a number of activities on MUTRAP III (inception phase, WTO-4 and WTO-8) died on the 20th of June, aged 68 in Bad Salzhausen, Germany. Hungarian, married with three children, Peter dedicated his working life to international trade; after a brief experience in a Hungarian company, he served his country and the international organizations system for more than

thirty years. He has been Ambassador and permanent representative of the United Nations and other international organizations in Geneva for Hungary, counselor of the GATT and then senior counselor of the WTO and senior advisor of the International Trade Centre (UNCTAD/WTO).

After his retirement, he made available his experience to a number of trade-related technical assistance projects, especially in Asia. His contribution to

the design and realization of MUTRAP has been massive: he has been team leader of MUTRAP II and short term expert for three activities in MUTRAP III. For MUTRAP PTF and international experts, Peter was more than an expert and a colleague; his availability to provide advices to all MUTRAP people, his ability to take the heat out of the most complicated issues and his irony made him irreplaceable. For his technical and personal ability he had been appointed as short term expert, in early 2010, for another activity of MUTRAP III, to be implemented in July: MUTRAP will miss him a lot, especially his humanity and his sarcasm.



Peter Naray 1942 - 2010

CALENDAR OF EVENTS QUARTER II - 2010

Date	Activity Code	Event	Co-organiser
15 - 22 April (HCMC) 19 - 24 April (Ha Noi)	CB-7	Training courses to improve capacity for associations and enterprises	LEFASO
15 April (Ha Noi)	CB-7	Second Meeting of the Committee on International Trade Policy	VCCI
11 May (Ha Noi)	CB-7	Seminar "Viet Nam and Vienna Convention on Contracts for International Sales of Goods"	VCCI
17 -19 May (Belgium)		Workshop for Vietnamese Trade Counselors Accredited to EU	
27 - 28 May (Da Nang)	CB-7	Training Course for Government Officials on E-Commerce Management	Department of Industry and Trade of Da Nang
31 May - 02 June (Switzerland)	WTO-3	Third Trade Policy Review of China	
04 June (Hai Phong)	CB-1	Workshop "Public and Private Cooperation for an Environmental Sustainable International Economic Integration"	Bureau for Promotion of International Economic Integration, MOIT
06 -16 June (Japan, Korea)	SERV-4&5	Study Tour on Regulations of Distribution Services	
06 - 10 June (Japan)	FTA-8	Third Meeting of ASEAN - Japan Joint Committee on Comprehensive Economic Partnership	
07 - 11 June (Belgium)	COMP-2	Seminar on Trade Defence Instruments for Third Country Officials	



15 June (Ha Noi)		Policy Networking Session "Mid-Term Evaluation of EU - Viet Nam MUTRAP III"	
14 - 15 June (Ha Noi)	CB-7	Workshop "Development of Higher Education Programs on International Trade Law at Foreign Trade University"	Foreign Trade University
23 June (Ha Noi)	CB-7	Workshop on "Trade Obstacles for Vietnamese Business Associations and Vietnamese Enterprises"	EuroCham
25 June (HCMC)	CB-7	Seminar "Vietnamese Wood Exports to EU, US - Regulations and Implementation"	VCCI
28 June (Nha Trang) 30 June (HCMC)	CB-1	Workshops "Dissemination of the Free Trade Agreements that Viet Nam Participated"	Multilateral Trade Policy Department, MOIT
29 June (Ha Noi)	CB-1	Workshop "WTO Commitments in Distribution Services - Emerging Issues for Viet Nam"	Economic Committee of the National Assembly, Viet Nam University of Commerce
30 June (Ha Noi)	SERV-7	Workshop "International Trade in Service Statistics and Statistical Surveys Developing for Viet Nam"	GSO

UP COMING EVENTS

Date	Activity Code	Event	Co-organiser
01 July (Ha Noi)	FTA-HOR	Policy Networking Session: Preliminary Considerations for Impact Assessment of ASEAN FTAs on Viet Nam's Economy	
08 - 09 July (Quang Ninh)	SERV-4&5	Round Table "State Management Practices in Distribution Services: International Experience and Viet Nam's Current Situations"	Domestic Market Department, MOIT
14 July (Ha Noi)	SERV-4&5	Workshop "State Management Practices in Distribution Services: International Experience and Legal Improvement of Viet Nam"	Domestic Market Department, MOIT
14 July (Can Tho)	CB-7	Workshop "External Relations Management for Vietnamese Enterprises and Business Association"	EuroCham
21 July (Ha Noi) 23 July (HCMC)	CB-1	Workshop "Disseminating EU Regulations on REACH"	Viet Nam Chemicals Agency
28 July (Ha Noi) 30 July (HCMC)		Workshop "Trade Remedies for Vietnamese Enterprises"	Viet Nam Competition Administration Department, MOIT
29/7 (HCMC) 08/9 (Ha Noi) 10/9 (Da Nang)	CB-1	Workshop "Improving Skill of Online Trade Information Exploitation"	Viet Nam E-Commerce and Information Technology Agency, MOIT
02 August (Ha Noi) 04 August (HCMC) 06 August (Da Nang)	CB-1	Workshop "Comments on Modification of the Decree No. 59/2006/NĐCP"	Domestic Market Department, MOIT
05 August (Da Nang)	CB-1	Impact of Market Opening on Distribution Network in Post-WTO Period	Department of Industry and Trade of Da Nang