

EU Green Deal, Opportunities and Challenges for Vietnam's Exports to the EU Market

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Abstract

By synthesizing, analyzing and commenting, the article clarifies the regulations in the EU green agreement. Thereby, the article predicts the channels through which this agreement can affect Vietnam's export activities to the EU. The result shows that EGD will affect Vietnam's key export product groups such as electricity and electronics; Agricultural and aquatic products; Textiles, garments, footwear;... At the same time, based on the assessment of the current export situation between Vietnam and EU countries, the article also points out the main opportunities and challenges for Vietnamese exports in the context of implementation of the EU green deal.

Keywords: European Green Deal, EU, export, Vietnam

1. INTRODUCTION

The European Union's (EU) long-term and comprehensive plan to address global climate emergencies until 2050 is known as the European Green Deal (EGD). The EU's plan to reach net zero greenhouse gas emissions and develop into the least resource-intensive economic zone by 2050 is shaped by the EU Green Growth Deal, which was approved on January 15, 2020. It serves as a development plan as well. Businesses will need to adapt their production activities to meet the new sustainability requirements. Additionally, the approach will open up new avenues for conducting business inside and outside of the EU.

Therefore, the EU Green Growth Deal is a topic that many scholars are interested in and analyzing. Typical examples include the studies of Deal (2020) and Fetting (2020) on regulations in the European green agreement; Kougiyas, Taylor, Kakoulaki & Jäger-Waldau (2021) on the role of renewable energy in the European Green Deal; Leonard, Pisani-Ferry, Shapiro, Tagliapietra & Wolff (2021) on the grand politics of the European green Deal; Szpilko & Ejdys (2022) on research directions in the European green Deal; Claeys, Tagliapietra & Zachmann (2019) discuss how to implement the EU green agreement; or Eckert & Kovalevska (2021) analyze the role of green contracts in the EU's sustainable development,...

A bilateral free trade agreement EVFTA between Vietnam and the European Union (EU) was signed and will go into effect on August 1, 2020. The objective of fostering bilateral trade between Vietnam and the EU is being greatly advanced by the agreement's implementation. Vietnam shouldn't be complacent, though, as the EU market continues to present hurdles. The European Green Deal and other policy-making initiatives in the EU region have the potential to somewhat offset the benefits of the EVFTA. Meeting green criteria is a need for export businesses in order to continue taking advantage of EVFTA in the future, and many significant export businesses

have been getting ready for this procedure. The author of this study will explain the EU green agreement's regulations, examine Vietnam's export situation both before and after the EU implemented the green agreement, and use this information to highlight Vietnam's opportunities and obstacles when promoting exports to EU markets.

2. LITERATURE REVIEW

The EU's aim to reach net zero greenhouse gas emissions (emissions neutrality) and transform into an economy that utilizes the fewest natural resources by 2050 is essentially shaped by the Green Deal policy package. Since every economic activity has an impact on environmental degradation and/or contributes to climate change, the EU Green Deal is intended to address all areas. The EU economy includes cross-sector policy elements to produce cooperative outcomes in the realization of the ultimate objective of carbon neutrality by 2050.

In other words, the EGD's policies have varied degrees of impact on every area and facet of the EU economy. However, the EGD focuses on a number of economic sectors—agriculture, industry, services, energy, finance, transportation, and construction—to speed up the process of becoming emission neutral due to the significant impact on the environment and climate change. The EU Green Deal, being an internal policy package of the European Union, is limited in scope to EU subjects and objects (goods, services, economic activities) that are sold on EU territory.

Therefore, there are many studies on the impact of the EU green agreement on the trade of each country and different regions in different industries. Typically, we can mention the research of Boix-Fayos & de Vente (2023) on opportunities and challenges in sustainable agricultural development with the EU green deal; Siddi (2020) research on the current status and prospects of implementing the EU green deal; Research on opportunities and challenges for the South Mediterranean region in implementing the EU green deal by Sandri, Hussein, Alshyab & Sagatowski (2023). Or studies on the impact of the EU green deal on some specific industries, such as the electronics industry in the study of Şahin, Taksim & Yitgin (2021), mechanical goods industry gas in the study of Thormann, Neuling & Kaltschmitt (2023).

Lee-Makiyama (2021) demonstrates that the EU Green Deal (EGD) is a crucial framework for the modernization and decarbonization of European industry, fostering innovation and investment in green technologies to enhance the global competitiveness of EU industries. Similarly, Kuci and Fogarassy (2021) emphasize that the EGD promotes the adoption of circular economy principles, leading to more sustainable resource use and waste reduction, and providing opportunities for innovation in product design, recycling technologies, and sustainable business models. However, they note that the EGD's focus on the circular economy presents substantial benefits as well as challenges that require coordinated efforts, investment, and policy support. Wolf et al. (2021) highlight that while the EGD aims for climate neutrality by 2050, its scope also includes promoting economic growth, social inclusion, and environmental sustainability by integrating various policy areas such as energy, transport, agriculture, industry, and biodiversity. They regard the EGD as a transformative agenda necessitating significant commitment and collaboration to achieve its ambitious goals. Paleari (2022) points out that the EGD has resulted in stricter regulations and more ambitious targets for emissions reductions within the EU, influencing the revision of existing policies and the introduction of new environmental initiatives.

In certain circumstances, however, the EU Green Deal's policies will also affect economic actors outside the EU but linked to EU economic activity, in particular:

Policies and regulations that are mandatory for goods and services circulating, trading, using, consuming and/or generating emissions in the EU: Because the target group of these measures includes some types of goods imported from outside (third countries) into the EU market and

used and consumed here, foreign manufacturers and exporters supplying these goods and services to the EU will also must comply with relevant policies;

Policies and regulations that apply directly to goods and services imported from outside the EU: Compared to the above case, this group is smaller and is used by the EU in some situations to promote implementation. the EU's climate and environmental goals in a thorough and comprehensive way, avoiding the situation where the EU consumes imported goods that indirectly invalidate the EU's climate goals or promote economic production activities. business that harms the environment in the exporting country. In these cases, the EU importer and correspondingly the foreign manufacturers and exporters of the products concerned will be subject to these measures.

Thus, although it is an internal document of the EU, in a number of specific policies and implementation measures, the Green Agreement will apply to goods and services imported from outside the EU as well as importers. related foreign production and export. From here, the Green Deal is expected to affect both directly and indirectly many trade flows of goods and services from all parts of the world into the EU, the region with the second largest import turnover. globally (behind only the United States). Therefore, the EU's implementation of the Green Deal will inevitably affect a significant portion of Vietnam's exports.

3-METHODOLOGY

The article uses statistical and descriptive methods based on analysis of import and export data between Vietnam and EU countries. The article will evaluate changes in international trade between Vietnam and other countries. EU. At the same time, by applying the SWOT model, the article will also point out opportunities and challenges for Vietnam's import and export activities with the EU in the coming time.

4-RESULTS

Although not popular, some policies and actions within the framework of the Green Deal require Vietnamese manufacturers and exporters to bear additional amounts of money (directly or indirectly in different forms) to can export goods into the EU, for example: Amounts payable under the Extended Producer Responsibility Regulation (EPR): Manufacturers of manufactured products (except for certain types of products) product) may have to pay the importing country a certain fee to treat waste arising from the use of the exported product; Amounts payable to purchase CBAM certificates for each ton of CO₂ emitted under the Border Carbon Adjustment Mechanism.

A number of new requirements under the policies and plans in the EU Green Deal will force Vietnamese manufacturers and exporters to carry out declaration procedures, provide information and documents to prove green responsibility. , for example: Procedures for reporting the level of CO₂ emissions of imported goods under the Border Carbon Adjustment Mechanism - CBAM; Request to provide documents and evidence proving that the goods are not raised, grown or originated on land acquired through deforestation or from forest degradation according to the Anti-Deforestation Regulations - EUDR; Procedures for proving, confirming/recognizing equivalence for organic products according to the Regulations on Organic Production and Organic Product Labeling...

Theoretically, the Green Deal covers all economic sectors in the EU, so in the long term, all Vietnamese export products to this market may be affected by EU green policy At different levels, according to roadmaps and in different forms. In the early stages of implementation, the policies and measures of the Green Deal focus on priority areas that the EU considers to be the main

contributors to environmental degradation, climate change and/or inflation. use natural resources. Specifically:

In manufacturing: Iron and Steel, Aluminum, Cement, Fertilizers, Electricity and Hydrogen are listed as generating the majority of industrial emissions in the EU (94%); There are also high-risk products related to many industries (such as chemicals, batteries, accumulators...)

In consumption: Food, Housing, Textiles and Transport are respectively the groups that have adverse impacts on the EU environment (and respectively the agriculture, forestry and fishery industries, food processing, wood and wood production, construction materials, vehicles...).

With the above priority aspects and the reality of green programs and strategies identified to date in the EU Green Deal, Vietnam's export products in the following fields are being targeted. Symbols of many EU green standards: Electricity, electronics, information technology products, related equipment and components; Agricultural products (especially coffee, cashew, pepper, cocoa, meat,...), aquatic products, wood and wood products; Foods of all kinds (especially organic foods); Textiles, footwear; Chemicals, fertilizers, batteries, accumulators; Iron, steel, aluminum, cement; Packaging of all types of products (especially food packaging, chemicals...).

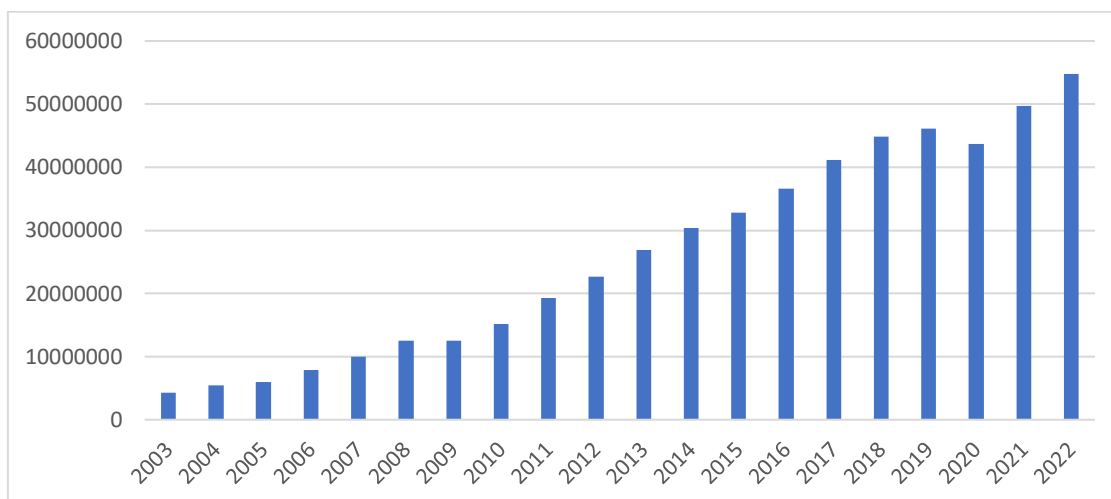


Figure 1. Vietnam's export turnover to the EU market

Source: trademap.org

Diagram 1 shows that Vietnam's total export turnover to the EU market basically maintains a steady upward trend for 20 years from 2003 to 2022. However, in 2020 it decreased slightly. The slight decrease in export turnover to the EU in 2020 partly shows the impact of the EU green agreement on Vietnam's export turnover. The implementation of the EU green agreement somewhat causes difficulties for export businesses in terms of procedures and costs, so in 2020 export turnover shows signs of decreasing slightly. However, soon after, from 2021 export turnover began to slowly increase again. This shows that businesses have begun to get used to the regulations in the EU green agreement. In addition, at the end of 2020, Vietnam will officially enjoy incentives in the EVFTA Agreement, which partly offsets costs for businesses when exporting to the EU market.

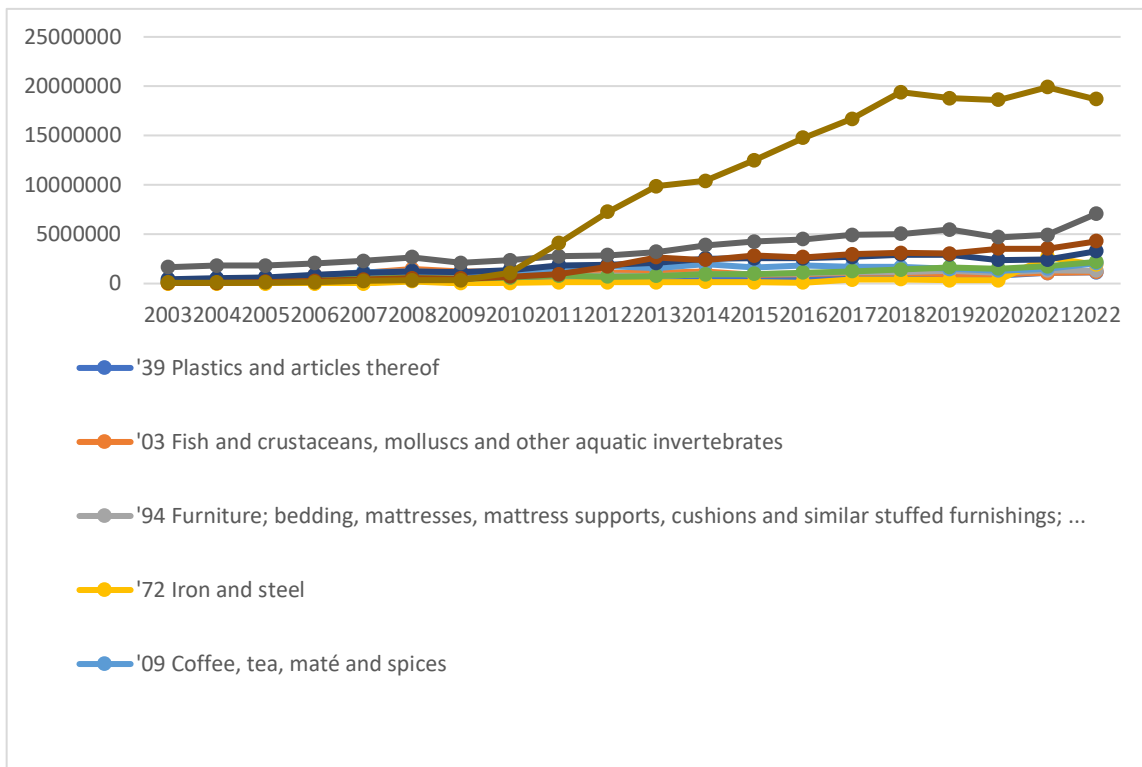


Figure 2. Export turnover of some main products of Vietnam to the EU

Source: trademap.org

The diagram 2 shows that Vietnam's main export products to the EU in recent times are mainly electronic equipment, shoes, mechanical equipment, textiles, agricultural products, and seafood. These are also products affected by the EU green agreement. However, the graph also shows that from 2020 to now, the export turnover of these products does not tend to decrease but still maintains an increase throughout this period. Meanwhile, 2020 is considered the year the EU green agreement is officially applied and is also the year the European Union - Vietnam Free Trade Agreement (EVFTA) takes effect. This shows that Vietnam's main export products to the EU market are still not much affected by the EU green agreement as well as with the implementation of EVFTA, the incentives that the Agreement brings have partly compensated. Barriers imposed by the EU green agreement on Vietnam's export goods to the EU market. The tariff reduction in EVFTA really has an impact on the volume and price of Vietnam's export products to Europe. In fact, reducing tariffs will partly offset transportation costs as well as costs to ensure the implementation of the EU green agreement.

5-DISCUSSION AND CONCLUSION

The challenge that the Green Deal poses to Vietnamese exports lies first of all in changing and raising awareness of businesses, associations and related entities. As a comprehensive policy package with a very long roadmap, the Green Agreement and the policies and measures to implement this Agreement are not only numerous in number and complex in nature, but also continuously evolving. through time. There is no common set of green standards, no unified green transition roadmap for all types of goods exported to the EU.

Going deeper into the requirements of green policies, the challenge for Vietnamese manufacturers and exporters lies in the ability to comply with these requirements. Meeting the

EU's usual technical standards (TBT), food hygiene and safety and quarantine (SPS) is already not easy for many businesses, the challenge will of course be even greater. many with new green standards or upgrades from current TBT and SPS in a higher, stricter and more difficult direction. Depending on each business, that challenge may be in the capacity to transform technology, in supply chain control, in labor skills or in the ability to explain, declare and store information. Behind all these technical challenges is the affordability or investment required for transformation. With the majority of businesses being small and micro-scale, with limited capital, technology and management capacity, and currently in a volatile business period, responding to challenges from The Green Deal is a very difficult task.

There are many challenges, however, if there is early preparation, meeting the EU's green requirements can in fact still be feasible for the majority of Vietnamese businesses that have been exporting to the EU.

On the one hand, all EU green policies are publicly drafted and consulted for a very long period of time before being decided on adoption. Even when effective, these policies have a step-by-step implementation roadmap, with difficult requirements that must only be fully implemented after a long period of time. On the other hand, not all green standards require high compliance costs but may require changes in the way of action (for example, requirements on emission declaration, product information...).

At the same time, in some cases, EU green standards are legislated from previous voluntary standards that businesses have implemented at the request of customers, so it may not require too big changes to the system. enterprise.

Although in the immediate future, the EU's green policies pose great challenges for Vietnamese exports, in the long term, proactively implementing green transformation in a synchronous and comprehensive manner can bring the most opportunities. set for businesses.

From a market perspective, this is the best way for businesses to be one step ahead and gain early access to the EU's potential green products market with a rapidly increasing number of customers conscious of green consumption. strength of this area. At the same time, early adaptation to green requirements in the EU also provides certain guarantees for businesses' ability to export to other developed markets that are also promoting actions to realize the goals. The climate is similar to the EU (like the US, UK, Japan, Australia...).

From an efficiency perspective, although green transformation may require high initial investment, it can be a factor that helps reduce costs and improve business efficiency for businesses in the long term. Not only that, on a macro level, each enterprise's participation in green transformation will make an important contribution to promoting the green transformation process in the domestic economy, thereby making a meaningful contribution to sustainable development. stability of Vietnam itself.

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