

**THE TRANS-PACIFIC PARTNERSHIP NEGOTIATIONS (TPP)
OPPORTUNITIES AND CHALLENGES FOR
VIETNAMESE ENTERPRISES**

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Content

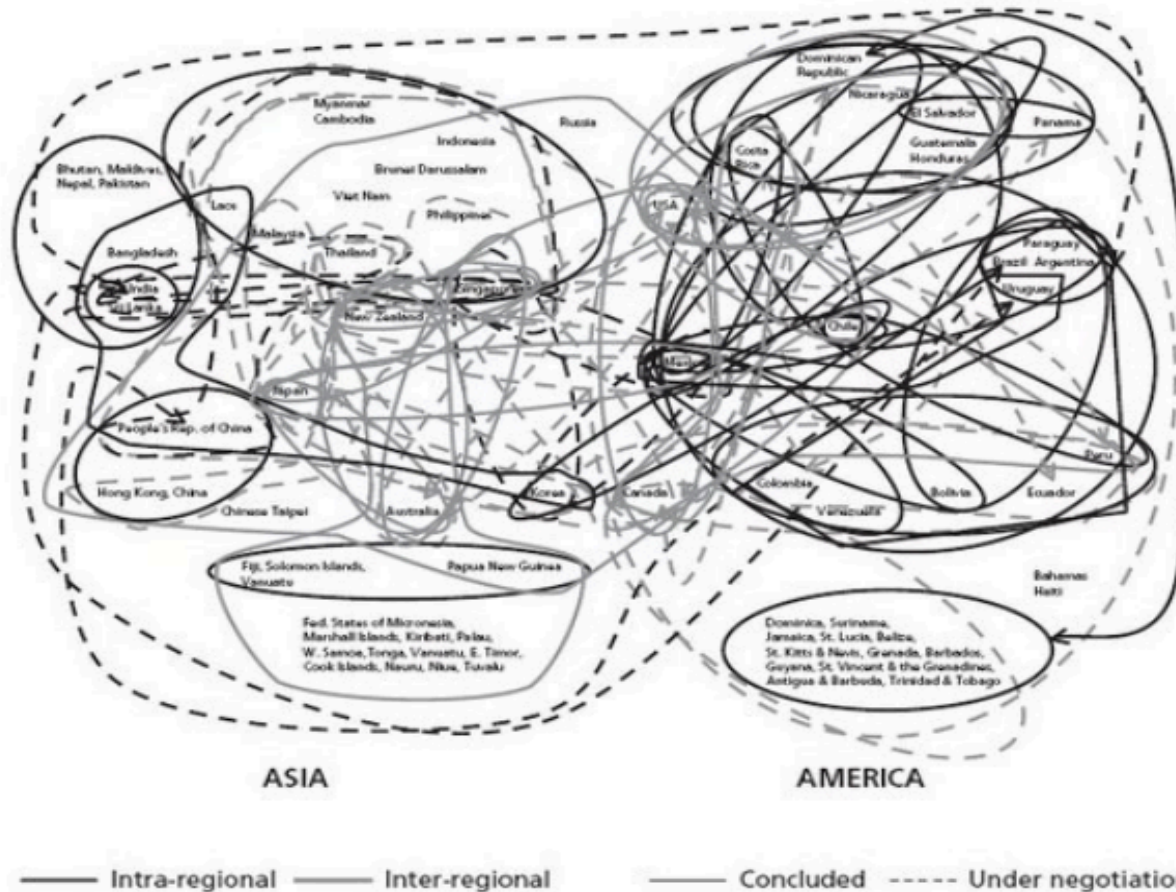
1. Context and preferences
2. Content negotiations and notes about the TPP
3. Opportunities and challenges
4. Some recommendations

Context and preferences

- The WTO Doha Round impasse → strengthen bilateral and regional FTAs
- The dynamic development of the Asia – Pacific
- The development/evolution of APEC; Role of ASEAN increasingly important and substantive
- Redirecting the U.S attention to Asia

Free Trade Agreements between Asia countries and Americas countries

Noodle Bowl of Trade Agreements



Source:
www.coha.org

Negotiating process between the two largest commercial institutions

RCEP (ASEAN+6)

TPP

CHINA

India

Japan

South Korea

Indonesia, Myanmar,

Thailand, Cambodia,

Philippine, Laos

Australia
New Zealand

Vietnam
Singapore
Malaysia
Brunei

USA

Canada

Mexico

Chile

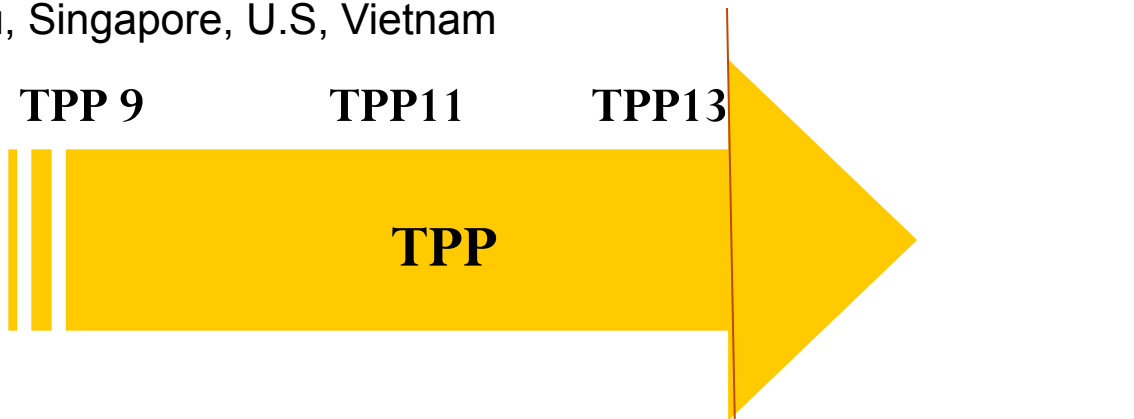
Peru

ASEAN

Preferences

Australia, Brunei, Chile, Canada, Malaysia, Mexico, New Zealand, Peru, Singapore, U.S, Vietnam

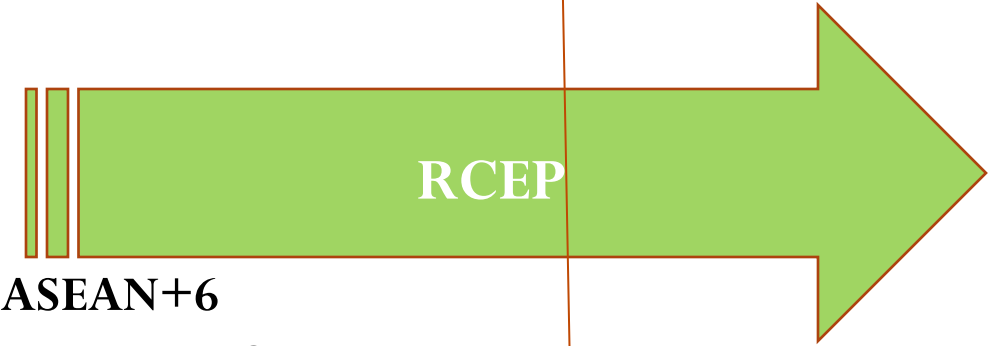
- TPP 9 TPP11 TPP13



- 2009 2011 2013 2015

Free Trade Area Asia - Pacific (FTAAP)

- ASEAN+6
China, India, Japan, Australia, Korea, New Zealand



Preferences

- Together towards a target for free trade in the Asia Pacific region:
 - Trans-Pacific - TPP: Comprehensive, opportunities and challenges, influence of the U.S.
 - Or East Asia (Asian Regional Comprehensive Economic Partnership Agreement - RCEP): focusing on trade; ASEAN is central, but China's influence.
- Vietnam attended both, but preferred choice in which direction?

NOTES ON TPP

- **Comprehensiveness:** including many fields, not only commerce but also sensitive areas
- **Modernity:** applying international standards towards the 21st Century template
- **Openness:** opening for all countries
- **Point of view of the United States:** not lower than FTAs of U.S
- **Opening investment and services by "negative approach"** (more opened and transparent)
- **Problem:** Why the main content cannot be transparent in the negotiation process?

Content of TPP negotiating

- The main contents: 22 group issues
- Some featured content, sensitive, controversial:
 - Commodity trade: Tax cuts almost entire, but Rules of Origin strict
 - Investment problem: by negative approach, but opening the possibility of settling disputes between investors and the government → increased costs
 - Intellectual Property: TRIPS+ or ++? → Controversial in a some industries: pharmaceutical, information...
 - Government Procurement: Vietnam is a new WTO observer → opportunities to use capital efficiently or challenge the state-owned enterprises?

- State-owned enterprises: still heavy, even greater proportion
 - Labor, unions: rights and interests of workers and wider; or competition issues
 - Technical Barriers (TBT, SPS): consumer benefits, but may lead to disguised protectionism
 - Anti-corruption, environmental protection and other issues.
- → Many new problems, need to control issues arise during execution
 - → Essentially the issue of competition, how to balance the benefits?

OPPORTUNITIES AND CHALLENGES

Income gains by country

(gains from trade and FDI)

	GDP (\$bill)	Income gain (\$bill)		% GDP	
	2025	TPP	FTAAP	TPP	FTAAP
Australia	1,426	5	13	0.4	0.9
Brunei	22	0	0	0.9	1.8
Canada	1,982	7	12	0.4	0.6
Chile	289	4	7	1.5	2.9
Japan	5,332	53	115	1.0	2.2
Korea	2,063	19	71	0.9	3.4
Malaysia	422	12	25	2.7	6.0
Mexico	1,999	12	42	0.6	2.1
New Zealand	206	2	3	1.0	1.4
Peru	311	8	9	2.5	2.9
Singapore	386	2	6	0.6	1.6
United States	20,337	39	143	0.2	0.7
Vietnam	235	36	66	15.5	28.0
TPP Economies	35,010	200	512	0.6	1.5
Others	66,957	-27	687	0.0	1.0
World	101,967	173	1,199	0.2	1.2

Smaller economies get largest % gains

Source: Pro. Peter A. Petri, Brandeis University, America 2012

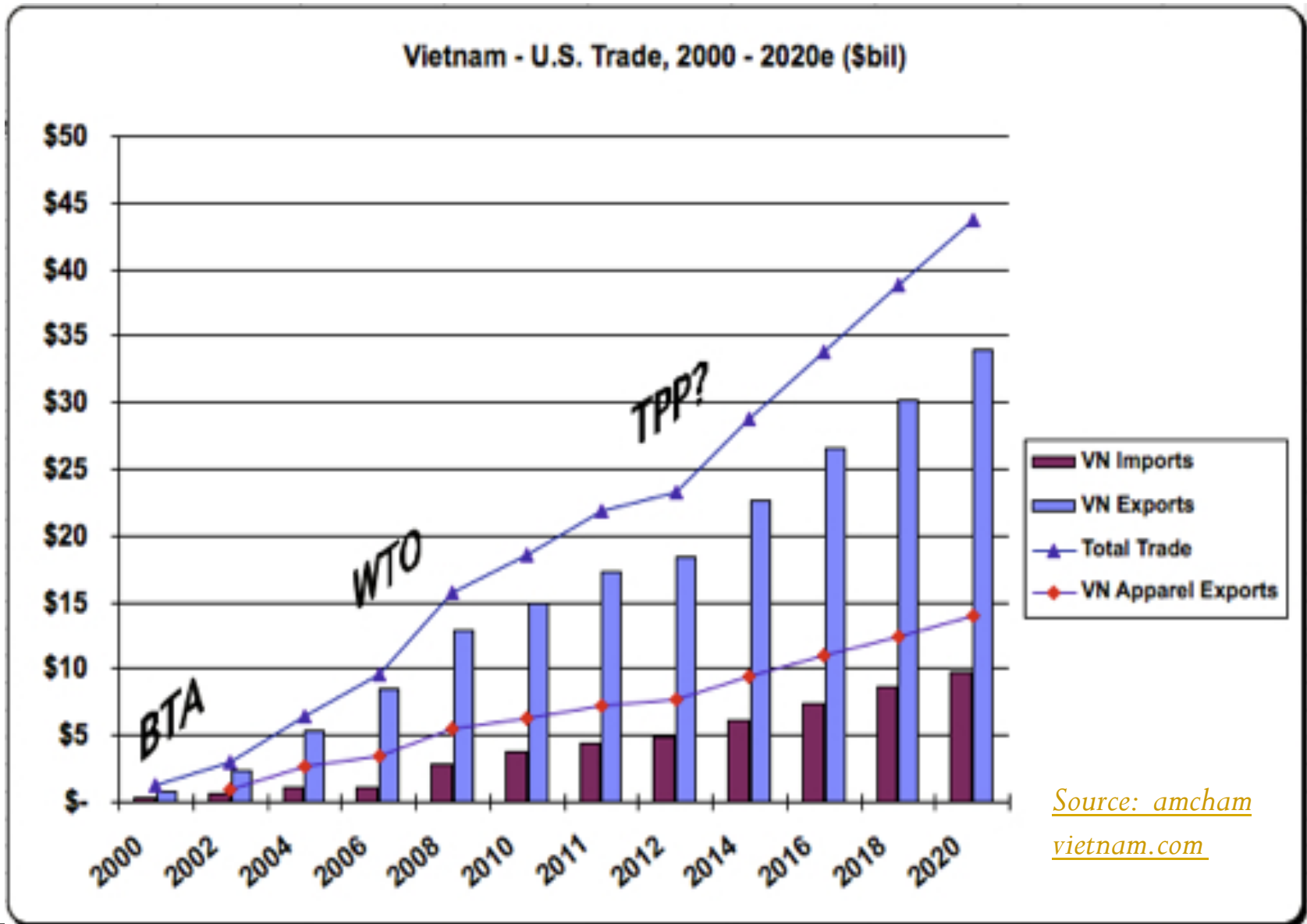
Export changes

	Baseline 2025	Change in exports \$bill.			
		TPP	Asian track	Two tracks	FTAAP
Primary products	17.5	-1.6	0.3	-0.9	-2.1
Rice	2.1	-0.3	0.1	-0.1	-0.1
Wheat	0.0	0.0	0.0	0.0	0.0
Other agriculture	4.4	-0.5	0.2	-0.2	-0.5
Mining	11.1	-0.8	0.0	-0.5	-1.5
Manufactures	241.1	70.6	34.7	85.2	117.1
Food, beverages	21.7	-2.6	-0.4	-1.6	-4.8
Textiles	28.5	14.3	5.5	15.2	23.9
Apparel, footwear	130.1	60.3	26.0	67.7	95.1
Chemicals	6.0	-0.9	0.1	-0.5	-0.6
Metals	3.7	-0.7	-0.3	-0.7	-1.2
Electrical equipment	16.1	2.3	4.0	6.1	8.3
Machinery	10.9	-0.9	0.4	-0.2	-1.0
Transport equipment	2.1	-0.3	0.1	-0.1	-0.3
Other manufactures	22.0	-0.9	-0.8	-0.8	-2.3
Services	5.1	-1.1	-0.5	-1.1	-1.7
Utilities	0.0	0.0	0.0	0.0	0.0
Construction	0.8	-0.1	0.0	0.0	0.0
Trade, transport, comm.	1.1	-0.2	-0.1	-0.2	-0.4
Private services	3.2	-0.7	-0.5	-0.8	-1.3
Public services	0.0	0.0	0.0	0.0	0.0
Total	263.8	68.0	34.5	83.3	113.4

Three
largest

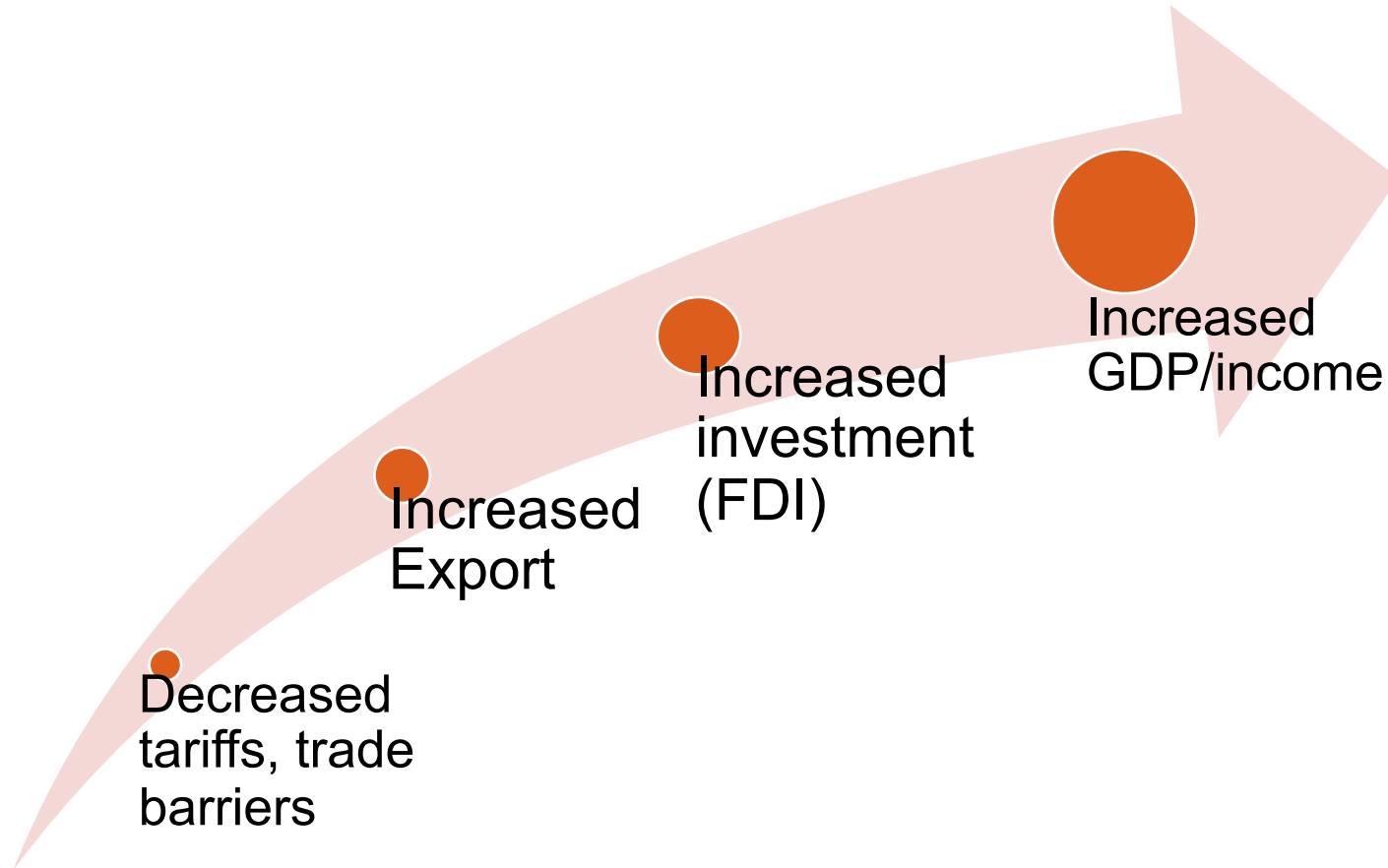
*Source: Pro. Peter
A.Petri, Brandeis
University, America
2012*

U.S. Market Penetration



Opportunities (1)

Identify opportunities ahead:



Opportunity to improve the business environment

Vietnam's business environment improved after joining WTO, but deteriorated in the last few years

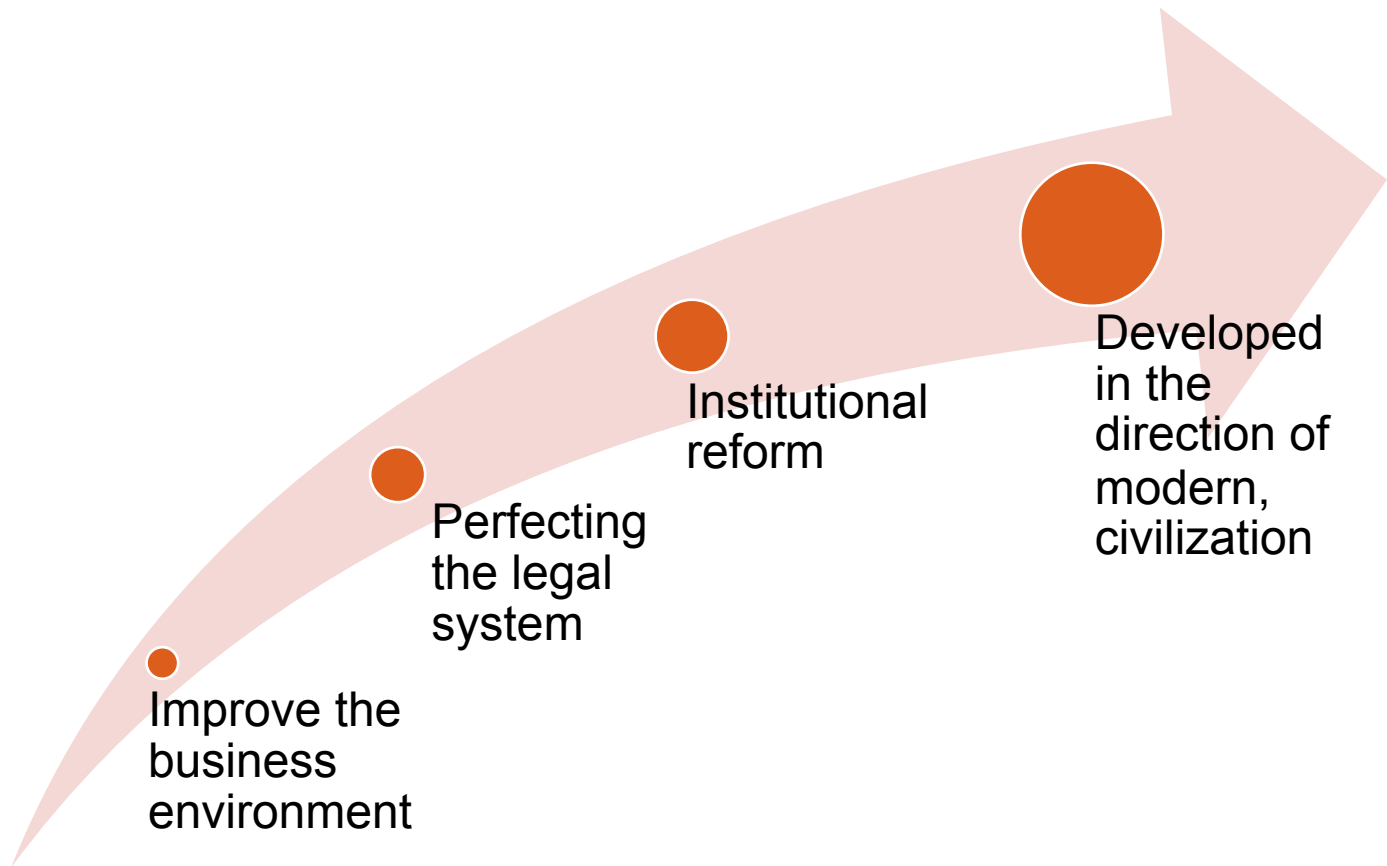
Year	Rank	Year	Rank
2005	98/175	2009	93/183
2006	104/175	2010	78/183
2007	91/178	2011	98/183
2008	92/181	2012	99/183

Source: World Bank

Does the TPP may be new pokes for institutional improvement?

Opportunities (2)

Important opportunities in the long term



Barriers to opportunities (1)

- Opportunity to increase exports: yes or no?
 - Which sectors benefit most from tax cuts:
 - Textiles
 - Footwear...
 - Increasing opportunities/attracting investment
 - Joining the global value chain
 - Conditions to turn opportunities into reality:
 - Origin
 - Meet the conditions of the environment, labor
 - More...
- Not readily have the opportunity

Case study: Textiles

- Export to the U.S accounted $\frac{1}{2}$; the tax rate reduction from 7% to 0%
- Vietnam has many advantages in term of textile, but import 86,7% the fabric → ROO “yarn forward” from TPP countries is a challenge.
- In chain: fiber - yarn - fabric - dyed / finished - cut/sew, actually Vietnam only strong final stage.
- Negotiating intermediate product list that Vietnam and the TPP countries cannot meet and route (2 lists)
- However, "yarn forward" can stimulate the investment in Vietnam remains weak phases? → Opportunities for textile industry participating in global value chain.
- Practical lessons of Vietnam – Japan FTA: “fiber forward”?

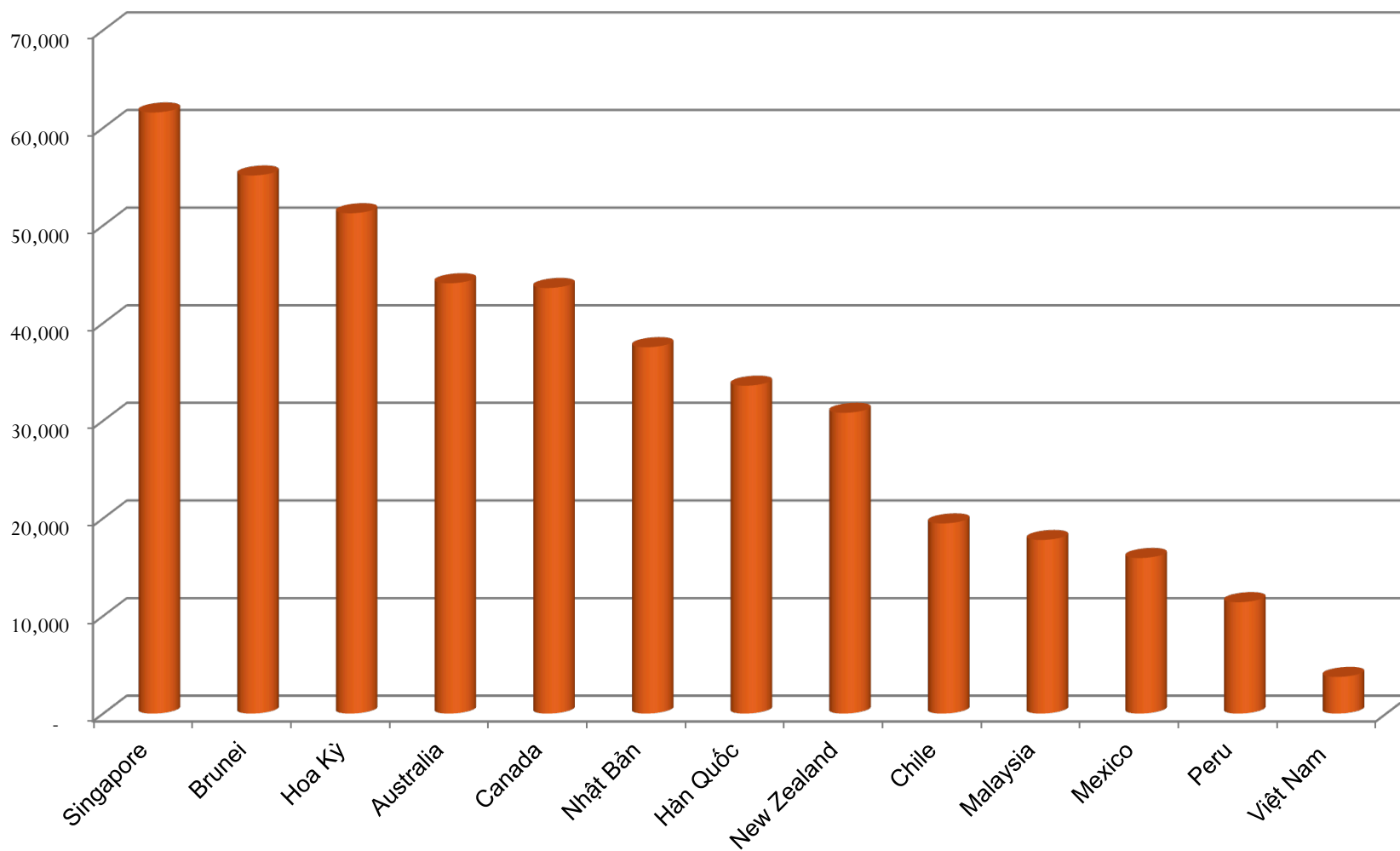
Barriers to opportunities (2)

- Human factors and inertia:
 - Habits / law-abiding consciousness
 - Corruption and reform resistance
 - Differences in political/cultural/developmental level
→ Become challenge (internal problems)
- Examples of some “sensitive” issues:
 - Government procurement: enhanced efficiency
 - intellectual property → Sense of business and residents
 - State-owned enterprises → need real reform
 - Labor, environmental, technical standards... → the new standard is higher than
- When meet / compliance → become an opportunity to reform the next important

Challenges

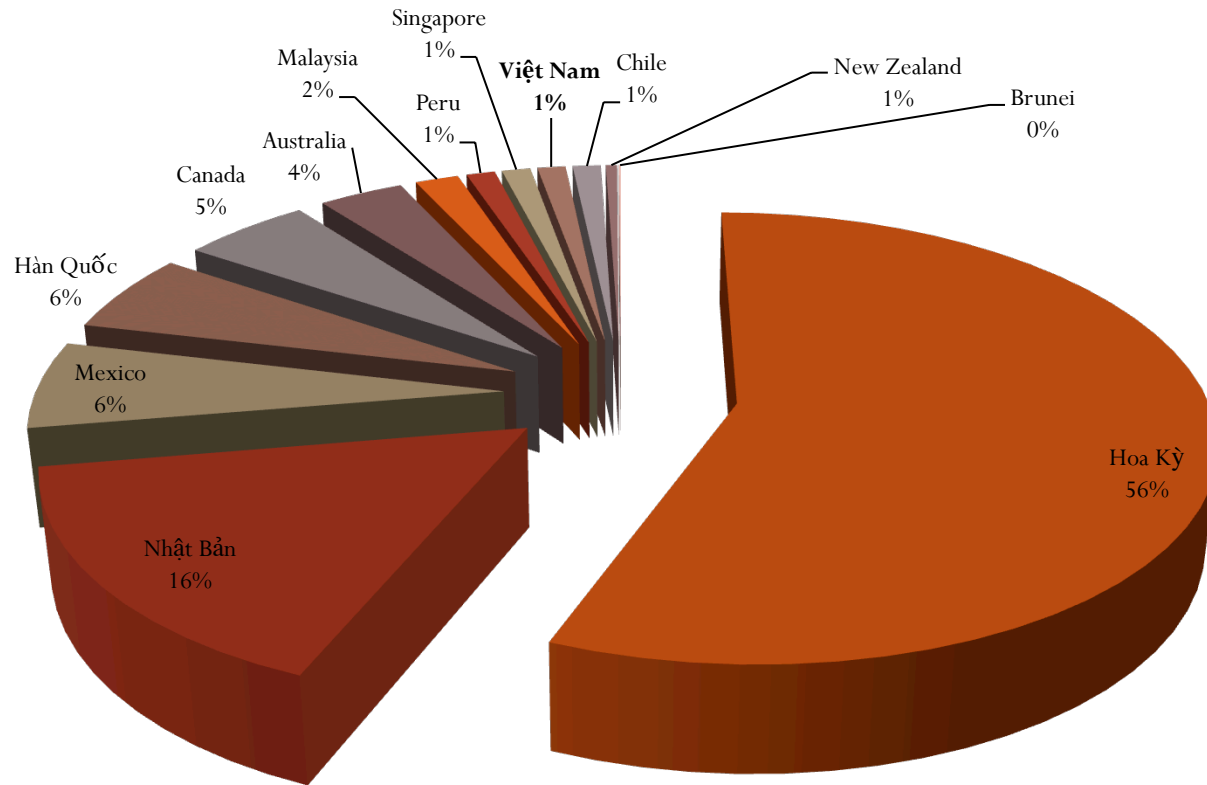
- 1. Applying new standards in the TPP**
 - From nicely target, but the problem is competitive and benefits
 - Ex: Intellectual property, technical barriers (including labor and environment), the interests of investors...
- 2. Differences in TPP countries**
 - Institutional /mode and orientation
 - Development level
 - Vietnam is one of the countries is quite different

Compare income of TPP countries



*Source: Estimates by PPP
April 2013 (IMF)*

GDP of all TPP countries



GDP 2012/PPP: billion USD

Source: CIA (2012 estimate)

3. Equality competition?

- Find competitive advantage to expand export markets
 - Open domestic services market
- Chance of consumers; and attempt to survive, development of domestic enterprises

4. Cost of business

- The challenge from non-commercial factors increase cost of business

Overall

1. TPP is to pursue and exchanged?

- The immediate benefit is not really easy, but long-term vision for the TPP will boost reforms
 - Institutional reform in business, improve investment environment → long term benefits for business
 - Due to the business environment in Vietnam is not complete, need real reform dynamics
- Cannot missed to take opportunity to negotiate

2. The correlation between opportunities and challenges

- In opportunities there will be challenges and vice versa
- To have opportunity, to overcome challenges/ conditions; faced and overcome these challenges will bring greater opportunities
- Nothing → will only challenges



SOME RECOMMENDATIONS

The negotiation process:

- Minimize negotiation challenges:
 - The demands unreasonable / difficult to control the country's largest (of origin, intellectual property, some standards, ...)
 - Take advantage of the position of the Vietnam, not only commercial
 - Consider the differences in levels of development
→ take out the roadmap and feasible solutions
 - Exchange of benefits between the parties
- Ensure feasible when applied in practice

Recommendations for government

- Strengthen information for business: multiple channels, clear information, emphasized the role of business
- Review the investment policy to suit the new situation (ex for textile industry)
- Support business to participate in value chain
- Prepare for institutional reform process

Recommendations for business

- Prepare and proactive from business side:
 - Subscribe to capture information on TPP
 - Positive contributions when Government consulted
 - Take advantage of investment opportunities
 - Improve business standards step by step:
accounting, labor, environment
- Long-term vision
- Collaboration in action
- Role of Association

Thank you!