

OPPORTUNITIES OF VIETNAM'S SEAFOOD EXPORTS TO EU MARKET IN THE NEW CONTEXT

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Abstract: *Vietnam has advantages in seafood exports, and at the same time has many opportunities to promote seafood exports to the European Union (EU) market since the EVFTA Agreement came into effect. The study shows that Vietnam's seafood export turnover to the EU market by 2024 has many fluctuations, in which in terms of export structure, the export turnover of shrimp and tuna products has grown well. On the basis of analyzing the current situation of Vietnam's seafood exports to the EU market, assessing Vietnam's opportunities when exporting seafood to this market.*

• Keywords: *opportunities, EVFTA, fisheries...*

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Vietnam's seafood products have gradually penetrated and created a solid foothold in the EU market in general and each EU member in particular. From having only one or a few rudimentary seafood products, we have gained prestige and preference among EU consumers in most of the key seafood products with increasing export volumes and turnover. Vietnamese seafood exporters are facing a great opportunity to export to the potential EU market when the EVFTA takes effect. EVFTA helps Vietnam's seafood industry have a competitive advantage compared to competitors such as China, Thailand, India, etc. and help Vietnamese businesses benefit greatly from taxes to adjustment policies.

The effective EVFTA creates great opportunities for Vietnam's seafood exports to the EU market with a series of tariff incentive commitments, contributing to helping Vietnam's seafood industry increase price competitiveness compared to products of the same industry in neighboring countries; attracting foreign investment is increased, production technology and quality of aquatic products are also focused on improving to meet EU standards; institutions and business environment are ensured in the direction of more stability and transparency because the legal system is also adjusted and supplemented with regulations to be in line with the signed FTAs. Vietnamese seafood exporters are facing a great opportunity to export to the potential EU market when the EVFTA takes effect. EVFTA helps Vietnam's seafood industry have a competitive advantage compared to competitors such as China, Thailand, India, etc. and helps Vietnamese businesses benefit greatly from taxes to adjustment policies.

1. The current situation of Vietnam's seafood exports to the EU market

Exporting Vietnamese seafood to the EU Over the years, the EU has always been one of Vietnam's leading seafood export markets. However, Vietnam's seafood exports to the EU in recent years have faced many difficulties, especially since October 2017 - the time when Vietnam was imposed by the EC with an IUU yellow card (Illegal, undeclared and unregulated fishing), along with the negative impact of the Covid-19 pandemic in the period 2020-2022.

In 2023, Vietnam's seafood exports to the EU market witnessed a significant decline, reaching more than 869.54 million USD, down 28.9% compared to 2022. The main reason is believed to be the tightening of regulations on IUU fishing in the EU market, making it difficult for Vietnam's seafood exports. Vietnam has been warned by the EU with an IUU "yellow card" since 2017 and is making efforts to improve the management and traceability system of seafood; and at the same time raise fishermen's awareness of IUU fishing. However, there are still many shortcomings that make the process of overcoming the IUU "yellow card" face many obstacles. Despite facing challenges from IUU, seafood exports to the EU still possess strong growth potential thanks to the Vietnam-EU Free Trade Agreement (EVFTA). The agreement brings significant tariff preferences for Vietnamese seafood products, especially shrimp.

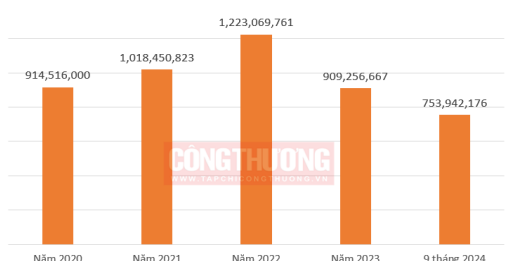
Therefore, despite being supported by the EVFTA Agreement, Vietnam's seafood export turnover to the EU market in the period 2017-2022 only reached an average growth rate of 4.68%/year, lower than the

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overall growth rate of seafood exports of the whole country (7.98%). Specifically, in the period 2018-2020, Vietnam's seafood export turnover has continuously decreased. Particularly in 2020, under the heavy impact of the COVID-19 pandemic, seafood export turnover to the EU market has fallen below the threshold of 1 billion USD. After the EVFTA Agreement came into effect (in August 2020), Vietnam's seafood exports to the EU have witnessed a recovery and recorded a positive growth rate. In 2022, Vietnam's seafood export turnover to the EU market will reach 1.3 billion USD, up 21.43% over the previous year, accounting for 11.95% of the total seafood export turnover of the country, ranking 4th in the group of leading seafood export markets of Vietnam (after the US, Japan and China).

However, entering 2023, the decline in consumer and import demand of the EU market caused seafood export turnover to this market in the first 9 months of 2023 to only reach 713.7 million USD, down 31.3% over the same period last year and dragging the proportion of seafood exports to the EU to 10.81%.

Vietnam's seafood exports to the EU market in the period of 2019 - 2024 (USD)



Source: General Department of Customs

In particular, the structure of Vietnam's seafood exports to the EU in the coming time is expected to have many changes when Vietnam's seafood exporters actively promote the export of seafood products that enjoy incentives from the EVFTA Agreement while the partners also prioritize choosing seafood products from Vietnam due to the price more competitive and stable source of raw materials. According to the VASEP Association, the EVFTA Agreement is expected to help seafood exports grow by about 2% in the period of 2020 - 2030.

In terms of the structure of EU member markets, in addition to key and traditional export markets such as the Netherlands, Germany, France, etc., Vietnam's seafood exports still have a lot of room and opportunity to more effectively exploit some potential markets and niche markets in the EU.

2. Opportunities of Vietnam's seafood exports to the EU market in the new context

The EVFTA will help Vietnam soon be recognized by the EU as a market mechanism, Vietnam's seafood

exports will avoid most of the discrimination in anti-dumping lawsuits and other issues such as labor, environment and society. However, through non-tariff measures, the EVFTA will have a deeper impact on institutional issues, production methods, and internal structures of Vietnam's seafood industry, which will also create challenges for seafood exporters when they have to meet the EU's "non-traditional" requirements. Concrete:

Firstly, the EVFTA helps Vietnam enjoy import tax incentives for seafood products, which will facilitate the expansion of the market for Vietnam's seafood exports to the EU market. Seafood exporters need to take advantage of tariff advantages on seafood products to increase exports. In particular, Vietnam's seafood exports have a more competitive advantage when participating in EVFTA and this is also a good opportunity for Vietnamese seafood to increase competitiveness by using cheaper production support services such as transportation, animal feed, raw materials, etc equipment; It is an opportunity to strengthen joint venture cooperation to improve product quality, improve the value-added production chain for export seafood... Meanwhile, most of Vietnam's rival countries have not signed FTAs with the EU, so this will be a competitive advantage in terms of import taxes for Vietnamese seafood.

Box 1: EVFTA commits to provide import tax incentives for Vietnam's seafood products

Shrimp: Crayfish, black tiger shrimp will enjoy 0% tax compared to the previous GSP tax rate of 4.2%. This is a huge price advantage for Vietnam to compete with competitors, because Indian shrimp exported to the EU market are only entitled to GSP tax, while shrimp from China, Thailand, and Ecuador are even subject to an MFN tax rate of 12% because they are not entitled to the EU's GSP.

Pangasius fish: Chilled pangasius fillets will have a tax rate of 4.13% compared to the previous GSP tax rate of 5.5%.

Tuna: For frozen tuna fillets, the EU will eliminate the tax according to the 3-year roadmap, from the current 18%, processed tuna will have a 0% tax rate according to the quota.

Squid and octopus: Squid and octopus will have a huge competitive opportunity when the applicable tariff rate is 0% in the first year when the EVFTA takes effect because competitors are India only have GSP, while China, Thailand and the US only have MFN.

Source: EVFTA portal of the Ministry of Industry and Trade, <http://evfta.moit.gov.vn/>

It can be seen that the majority of seafood products have tariff advantages, including roadmaps or are immediately taxed, except for processed tuna and surimi, which are two highly competitive products with the EU that will have to have quotas. Another note for seafood exporters, after the EVFTA takes effect, seafood exports will enjoy the tax rate of this FTA instead of GSP tax as before. This brings many benefits in terms of tax rates in the EVFTA for the vast majority of export products while GSP is only for certain types of products. In addition, GSP tax is a unilateral EU incentive for Vietnam and can be withdrawn at any

time; meanwhile, the EU-FTA tariff commitment is a bilateral commitment that the two sides are required to fulfill, without the right to arbitrarily unilaterally cancel this obligation.

Secondly, the opportunity to improve the production process, improve the quality of exported seafood products to meet the regulations of the EU market and increase the competitiveness of Vietnam's seafood industry compared to some other countries. When the EVFTA takes effect, it creates a legal basis for trade exchange activities for Vietnamese seafood products to be exported to the EU market, meeting the quality and safety standards required by this market. Commitments in areas such as trade remedies (anti-dumping, anti-subsidy, safeguard), TBTs, SPS, etc. has had certain impacts on Vietnam's seafood exports to the EU market in recent times, which are expected to have more positive impacts, bringing significant benefits to Vietnam's seafood exports in the coming time. With the main content not committing to specific regulations on detailed issues but focusing on establishing a cooperation mechanism to make transparent and quickly handle arising disputes, the EVFTA will increasingly contribute to improving the implementation of relevant regulations. The pressure to improve the quality of exported seafood that contributes to improving EU consumers' confidence in Vietnam's seafood products in this market.

Third, the EU market is increasingly dependent on imported seafood because the EU's naturally exploited seafood production tends to decline due to regulations related to the protection of aquatic resources and the environment. Therefore, the EU will have supportive policies to help developing countries, including Vietnam, better understand the WTO, technical barriers in trade or animal quarantine.

Fourth, the economies of EU member states are on track to recover thanks to widespread vaccination and the implementation of post-Covid support packages. Service stores in the EU market have begun to reopen. The demand for seafood consumption in the EU is increasing, the amount of seafood reserves is at a low level. Meanwhile, the major suppliers to the EU market, namely India and Indonesia, are facing many labor difficulties due to the impact of the Covid-19 epidemic, which will leave a large market gap for the EU market. This is an opportunity for Vietnam's seafood exporters to further promote seafood exports to the EU in the coming time. In particular, Vietnam's seafood products enjoy many tax incentives from the EVFTA plus the results of Vietnam's seafood exports in recent years, showing that the prestige and brand of Vietnamese seafood in the EU are increasing compared to the time before the EVFTA came into effect.

Fifth, currently, the EU only has a single regulatory body, the EU Food Safety Administration with a common law on food so that if a risk related to food safety occurs, it has been submitted to the EU regulator in a short time. If the proposed measure is agreed by most members of the EU's regulatory authority, the seafood product will be removed from distribution channels on the EU market. These regulations of the EU market are completely beneficial for Vietnam's seafood exporters because they are easy to apply, do not have to learn many documents that are being implemented; regulations on food hygiene and safety have been systematized and logically ensured; No EU member state has the right to set its own regulations on imported seafood.

For many years, the EU market has been a major consumer of Vietnam's seafood products. From a very humble position, Vietnam's seafood products have gradually penetrated and created a solid foothold in the EU market in general and each EU member in particular. With a high growth rate, many seafood products are popular with EU people, Vietnam's seafood exporters are actively increasing export activities to the EU market.

However, besides the successes, Vietnam's seafood exports to the EU market also contain many unstable and unsustainable factors. Finding a firm foothold in the EU market is not easy for Vietnamese seafood exporters, they always have to deal with trade barriers from the EU market, facing competitors with extensive experience in dominating the export market. Meanwhile, the development of Vietnam's seafood industry still has many spontaneous factors, lack of synchronous investment, and the state's management mechanism is incomplete. Therefore, in the coming time, in order to further improve the competitiveness of Vietnamese seafood exports, create an increasingly solid position in the EU market, Vietnamese seafood exporters need to make efforts to research the market, boldly invest in equipment innovation, etc. make the most of the advantages that are still considered Vietnam's strengths such as natural conditions, cheap labor costs, make the most of opportunities and reasonable support of the State, take advantage of the incentives of the EVFTA to minimize the risks that occur in the process of entering this market.

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