

The Vietnamese approach to agriculture in the ASEAN-China FTA

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- As member of ASEAN, Vietnam has free trade agreement with China
- Access to large market
- Flooded with cheap imports?
- Likely impacts?

- Trade impacts
- National welfare
- Identify expanding and contracting sectors
- Structural adjustment
- Negotiating strategy

- Trade flows and tariffs
- Negotiated agreement
- GTAP model
- Scenarios
- Results
- Implications

1. FTA as negotiated
2. FTA without exemptions

Vietnam's Trade with China, 2008

	Total imports	Share from China	Total exports to China	Share
	\$m	%	\$m	%
Primary agriculture	2992	12	4972	9
Processed agriculture	2205	15	4594	7
Resources	4023	27	5975	14
Industrial	44633	23	29178	4

	China	Vietnam
	%	%
Applied tariff	9.6	10.8
Applied tariff agriculture	15.6	18.9
Applied tariffs on agricultural imports from partner	5.2	15.3

Negotiated agreement

- ASEAN-China FTA signed in 2002
- Renegotiated in 2006
- Implementation commenced 2010
- VNM sensitive list to 20% by 2012
- Highly sensitive list (150 items) to 50%
- CHN 101 highly sensitive list

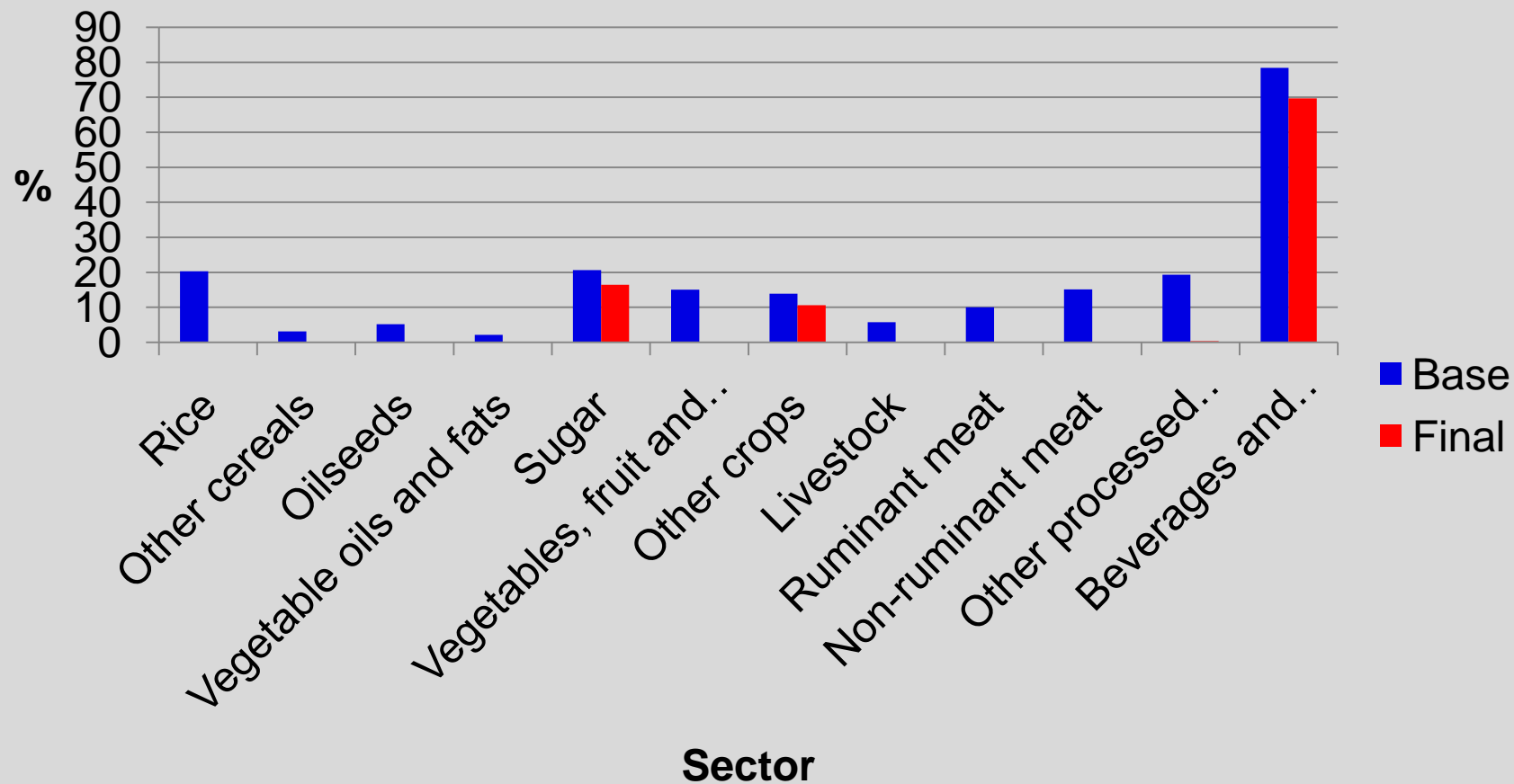
Vietnam highly sensitive list

Code	Item	Code	Item
17	sugar	69	ceramics
24	tobacco	70	glass
40	rubber	72	steel
		84	motor bikes
		85	audio devices
		87	motor vehicles

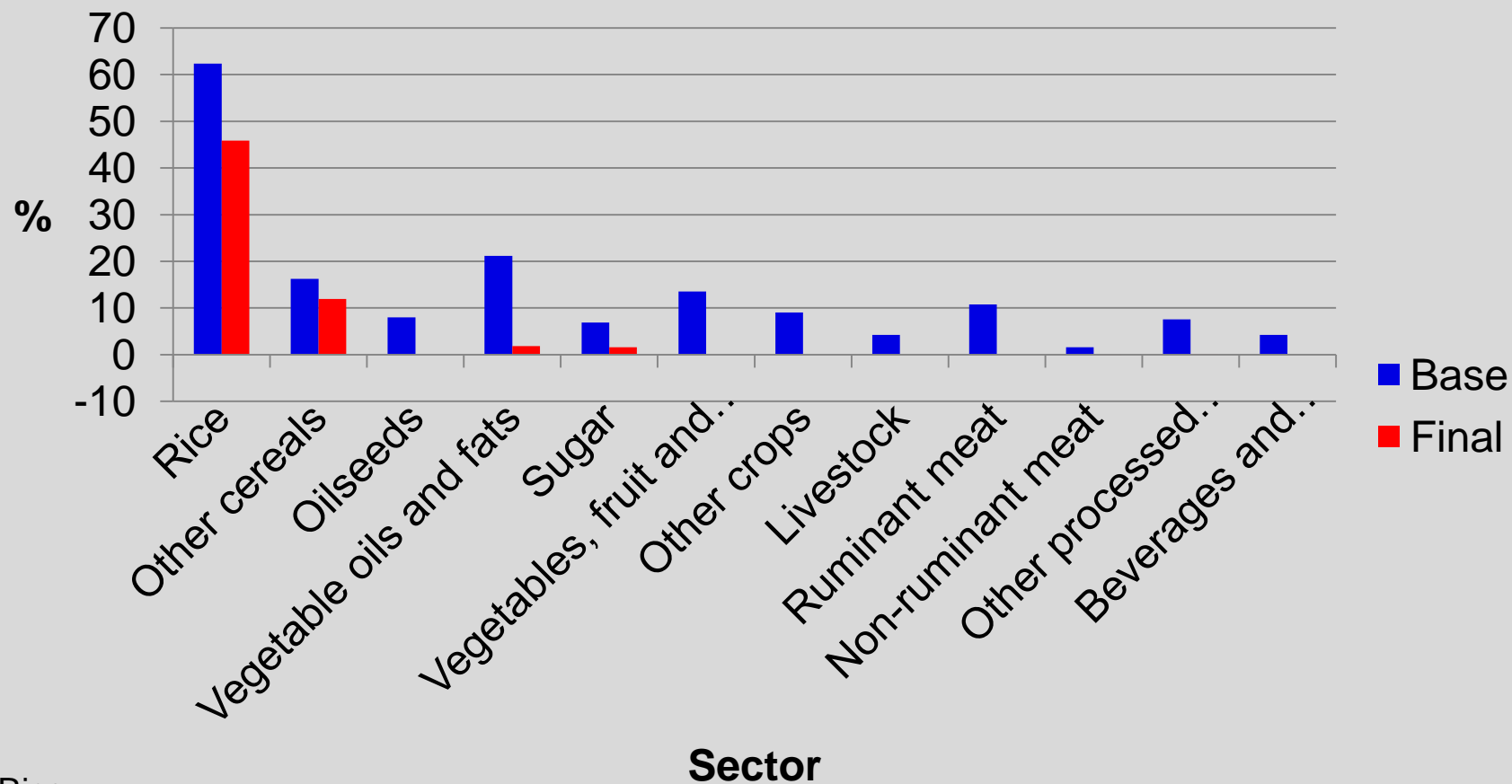
China highly sensitive list

Code	Item	Code	Item
10	rice	44	wood products
11	maize	48	paper products
15	oils	52	cotton
17	sugar	87	motor vehicles
24	tobacco		
40	rubber		

Vietnam's tariffs on agricultural imports from China



China's tariffs on agricultural imports from Vietnam



Rice

- Static global general equilibrium model
- Bilateral trade and tariffs
- Version 8, base period 2007
- Aggregate to 22 sectors
- 23 countries/regions
- 5113+ tariff cuts at HS6 from TASTE

- Internationally mobile capital

Swap $qo(\text{"capital"}, \text{reg}) = \text{EXPAND}(\text{endwc_comm}, \text{reg});$

change in investment levels relative to endowment stock

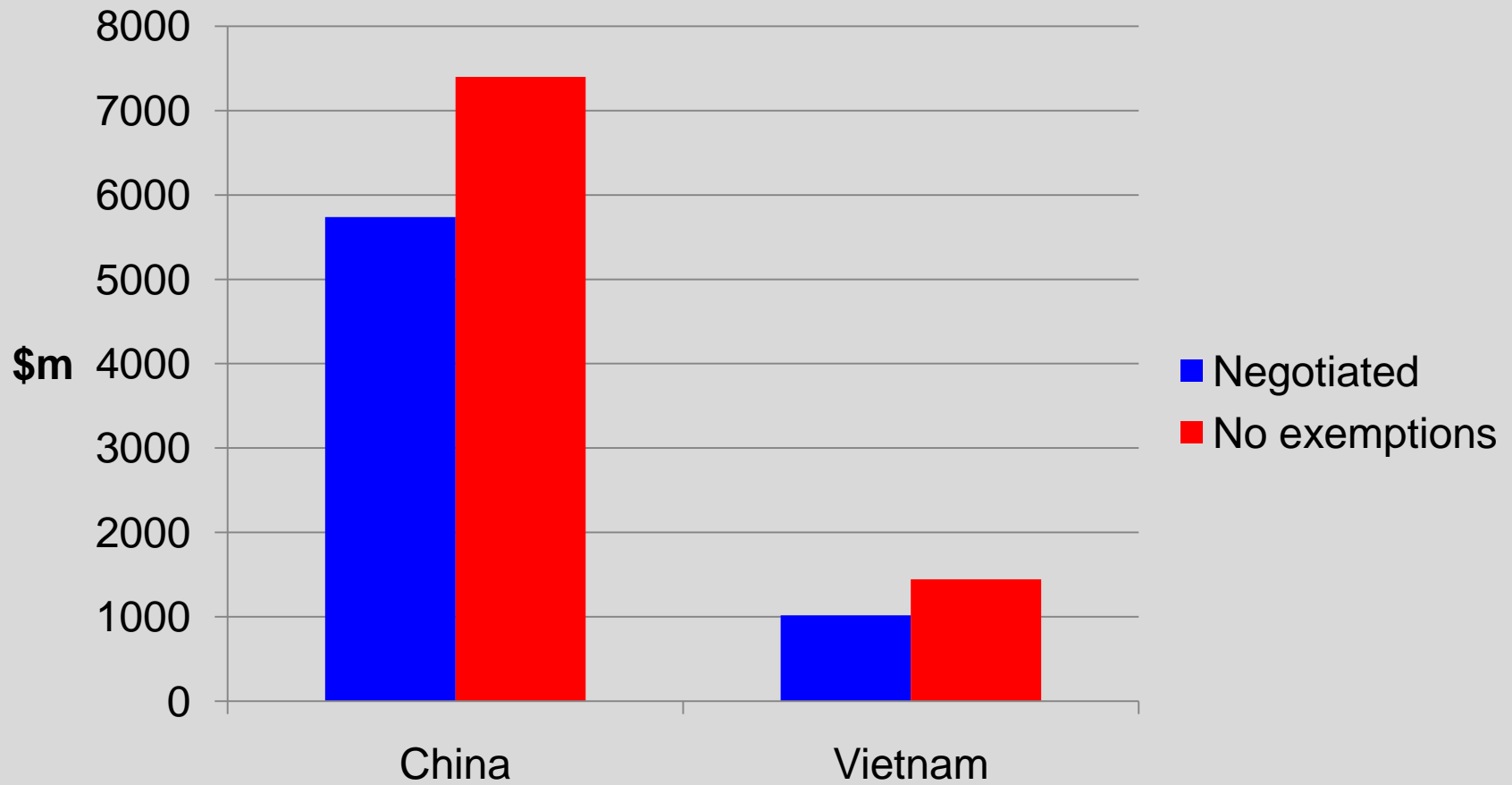
$$\text{EXPAND}(i, r) = qcgds(r) - qo(i, r);$$

- Surplus unskilled labour in developing countries

E.g. Shock $qo(\text{"Unsklab"}, \text{"CHINA"}) = 0.18;$

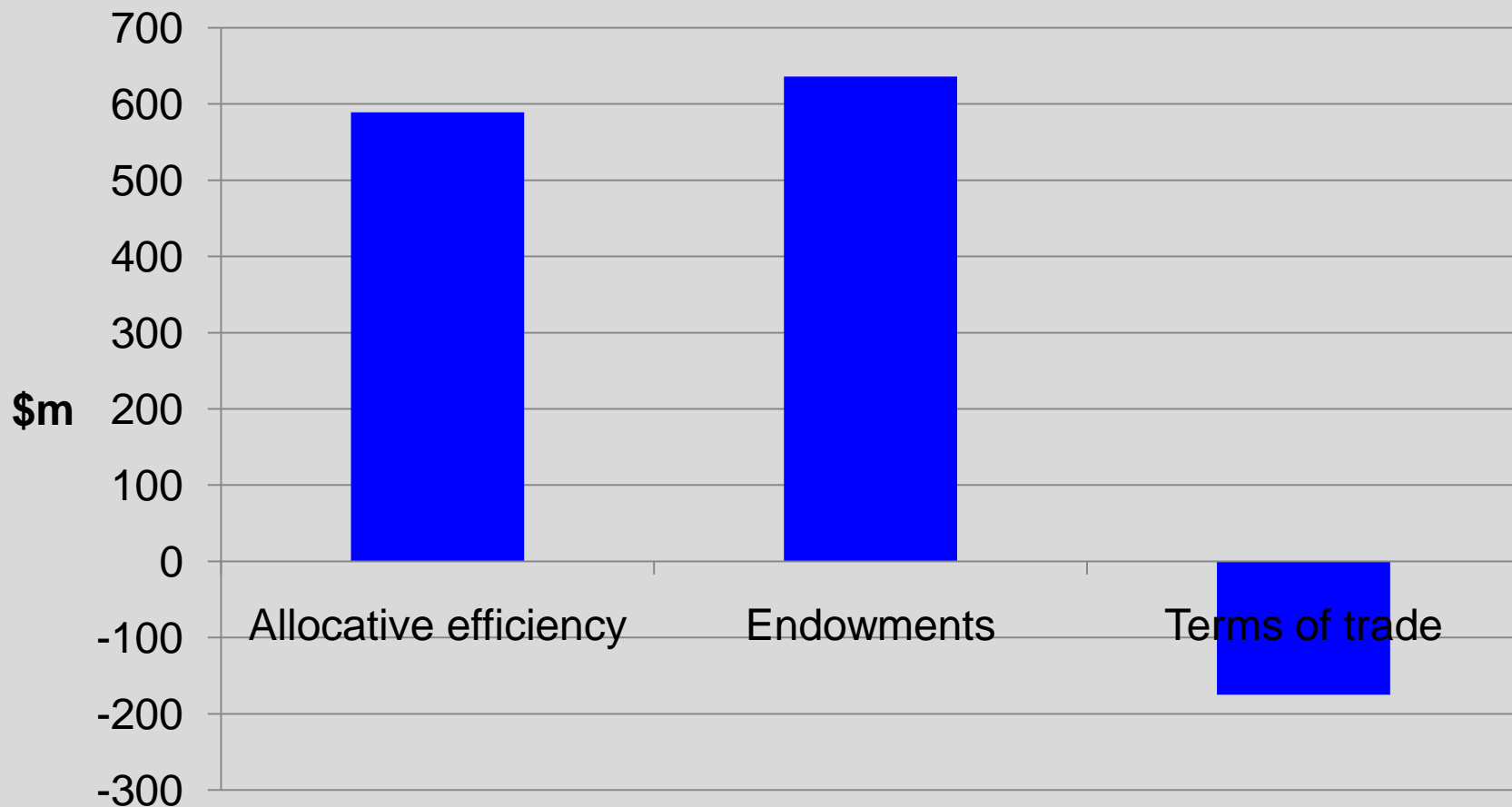
Where magnitude of shock is change in real wage (pfactreal). Elasticity ~ 1 .

- Welfare (national income)
- Exports
- Imports
- Sectoral effects
- Employment and wages



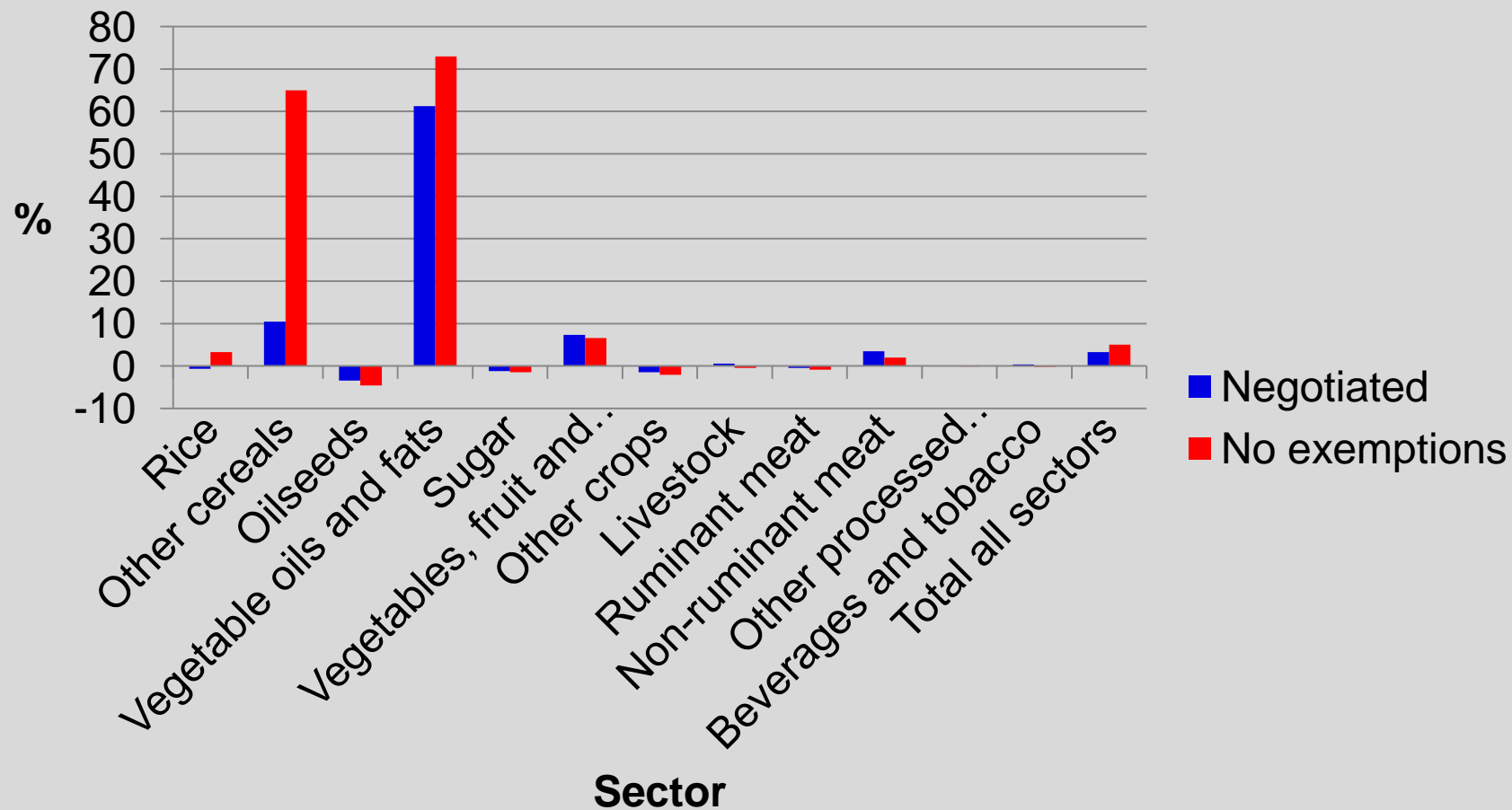
Welfare decomposition

Vietnam FTA as negotiated



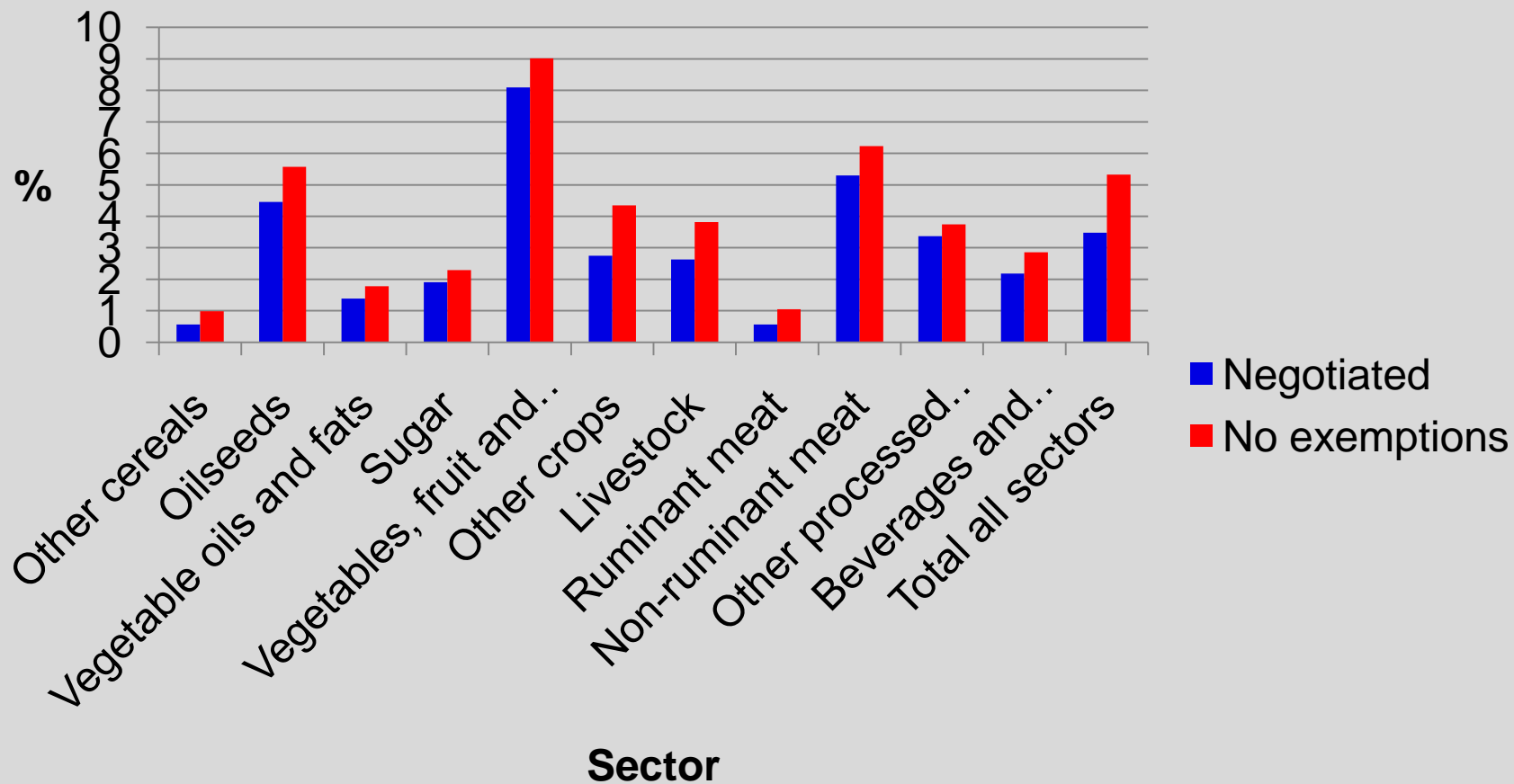
Endowments – capital and unskilled labour

Change in agricultural exports Vietnam



Cassava

Change in agricultural imports Vietnam



Policy implications

- Exemptions restrict imports, 3.3 → 5%
- Mobility of labour and capital important (contributes one third each of welfare gains)
- Decrease in output in rice, “other crops” and “processed agriculture”
- Increases in livestock, “Vegetables and fruit” and “Vegetable oils and fats”
- Phased in over ten years
- Real wages for skilled and unskilled labour to rise
- Rising land prices

- Dynamic effects
 - Adjustment costs
 - Technology
 - Competition
- Non tariffs barriers
- Utilisation rate
- Rules of origin

The End