

THE SEAFOOD EXPORTS OF VIETNAM TO NORTH AMERICAN MARKETS UNDER THE CPTPP

● NGUYEN QUOC THAI

ABSTRACT:

Although the global economy in general and Vietnam's economy in particular have been significantly affected by the COVID-19 pandemic, Vietnam continues to integrate deeply into the global economy and the country has so far joined 15 Free Trade Agreements (FTAs). The Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) is a new-generation FTA that brings great opportunities for Vietnamese exporting enterprises, especially seafood exporting firms, to enter 10 markets including North America. This paper analyzes the current situation of Vietnamese seafood exports to North American markets including Canada and Mexico and proposes some solutions for Vietnamese firms in the new normal.

Keywords: Canada, CPTPP, export, Mexico, North America, seafood.

1. Introduction

After the withdrawal announcement of the USA, the CPTPP was signed by 11 countries including Canada, Mexico, Peru, Chile, New Zealand, Australia, Japan, Singapore, Brunei, Malaysia and Vietnam on March 8, 2018. This agreement officially took effect in Vietnam on January 14, 2019. The CPTPP inherits the TPP (Trans-Pacific Partnership) agreement with 30 chapters covering a wide range of issues, traditionally including tariff reductions on goods, liberalization of service and investment markets, rules of origin, sanitary and phytosanitary measures, technical barriers to trade, intellectual property, etc. In addition, there are new contents such as government procurement, labor, state-owned enterprises, environment, etc. The CPTPP also sets high standards for transparency and dispute resolution mechanisms. It creates a large free trade area with a population of around 495

million people, a total GDP of about 10,200 billion USD (accounting for more than 13% of the global GDP) and accounting for about 15% of the total global trade volume.

Canada, Mexico and the USA are members of the North American Free Trade Area (NAFTA). The total population of Canada and Mexico is about 167 million people, the GDP is about USD 2,718 billion (in 2020). According to Vietnam Association of Seafood Exporters and Producers (VASEP), the consumption capacity of these two North American countries is large. Meanwhile, Vietnam has many potentials and strengths in seafood exports but the export turnover is very small and many businesses do not fully understand the import regulations.

The objective of this paper is to briefly introduce the CPTPP, then review the two seafood markets of North America, analyze the situation of exporting seafood to these markets as well as opportunities for

Vietnam. Thereby, the author proposes solutions to promote seafood export in the new normal.

2. Canada and Mexico - The potential North American seafood markets in the CPTPP bloc

Canada and Mexico are the only two countries in North America participating in CPTPP and this agreement officially took effect in these markets on December 30, 2018. They are considered great potential markets for Vietnamese seafood.

2.1. Canadian market

Canada is the 9th largest economy in the world, GDP is about USD 1,644 billion (in 2020) with 38 million people. This is a market with a high standard of living, so there are high requirements for food quality and safety. Canadians love seafood and due to the policy of welcoming about 400,000 immigrants a year, the demand for consumption here is increasing. According to the data from Canada Customs, Canada's seafood imports increase by about 7% annually. In 2019 (before the Covid-19 pandemic), Canada imported about USD 3.5 billion of seafood.

Canada has an open economy, pursuing a policy of market diversification to limit the dependence on NAFTA, especially the USA. In CPTPP, Canada is one of the countries which has the highest commitment to market opening. For seafood products. This economy is committed to eliminating tariffs as soon as the Agreement takes effect.

According to Vietnam Trade Office in Canada, Canada is a fastidious market with strict regulations on quality, packaging, labeling, chemical residues, etc. In Canada, the Canadian Food Inspection Agency (CFIA) undertakes control of over 1,000 seafood importers. To sell products in this market, seafood importers must obtain a seafood import license or a Quality Management Program import license from CFIA.

A case of serious violations of Vietnamese enterprises was in the years 2011-2012, Canada warned that 103 Vietnamese seafood shipments had Fluoroquinolones residues and refused to import.

To limit the returned exports, Canada and Vietnam have also signed an agreement to recognize each other to the quality inspection certificates. This helps Canadian importers feel more confident when importing Vietnamese

seafood. To understand the import regulations, businesses can refer to the website: <https://inspection.canada.ca/>.

2.2. Mexican market

Mexico has around 129 million people, GDP is about USD 1,074 billion (2020). This is an easier market than Canada, with strong purchasing power due to its large population. In order to reduce the dependence on the USA, Mexico is actively looking for new markets, including Asia-Pacific. According to VASEP, every year, they import about USD 351 million of frozen fish, mainly pangasius and tuna.

Mexico is a country with a free trade system, the import tax rate of Mexico is quite low. With CPTP, Mexico committed to eliminating 77.2% of tariff lines as soon as the Agreement comes into effect and 98% of tariff lines from the 10th year. For seafood, Mexico committed to 0% of tariff for pangasius, basa fish, and tuna (HS code 0304) from the 3rd year. This opens up many opportunities for Vietnam, which has strengths in price and quality.

To develop foreign trade, in recent years, Mexico has made many important adjustments and improvements in customs operations to automate many procedures. Regarding sanitary and phytosanitary measures, Mexico has built an electronic database so that concerning parties can access food safety requirements. In 2014, the National Service of Food Health, Safety and Quality (SENASICA) introduced new regulations for the imported goods of animal, plant and aquatic origin. SENASICA has stipulated that goods in bags, packages, boxes and cartons must be placed on pallets in containers... This is to reduce the risk of hygiene and safety problems of goods imported into Mexico.

In 2017, Mexico issued an order to suspend importing shrimp from Vietnam. Under the new regulations of SENASICA, in order to be allowed to export crustaceans to Mexico, the exporting country must demonstrate that its veterinary control system complies with Mexican regulations. This is also a technical measure, banning the import of products of a country.

3. The situation of Vietnam's seafood exports to North America

According to Vietnam export and import report

2020, in the context of Covid-19, Vietnam's exports in 2020 continued to increase by 7% compared to 2019 and reached USD 282.66 billion. In which, export turnover to the two countries in North America reached USD 7.52 billion (Exports to Canada and Mexico reached USD 4.36 billion and USD 3.16 billion respectively), increased nearly 12%.

Seafood is one of the key export items of Vietnam. According to the VASEP, Vietnam's total seafood production in 2020 achieved 8.4 million tons, an average increase of 8% per year. From 1997-2020, Vietnam's seafood exports increased 11 times, from USD 758 million to USD 8.5 billion, an average increase of 10% annually. In 2021, Vietnam's seafood exports are expected to reach the target of USD 8.67 billion, a slight rise of 3% compared to 2020. The Mekong River Delta and Southeast region are considered the main producing, processing and exporting areas of aquatic products in Vietnam and account for over 80% of the country's export output. Vietnam's seafood export markets are increasingly expanding with more than 160 countries and regions. The top 10 seafood markets of Vietnam are the USA, EU, Japan, China, South Korea, ASEAN, Australia, the UK, Canada and Russia, accounting for about 92% of Vietnam's total seafood exports.

In the CPTPP group, the two countries in North America imported USD 325.88 billion of seafood products from Vietnam in 2020. Canada and Mexico respectively ranked second with an

import turnover of USD 263.85 million (an increase of around 14.9% compared to 2019) and ranked sixth with USD 62.03 billion (a sharp decrease of 44.4%).

According to the data of the General Department of Customs in the first 7 months of 2021, seafood exports to Canada reached USD 151.39 million, increasing 16.7% over the same period in 2019 and accounting for 3.04% of the total seafood export turnover of the country. Exports to Mexico reached USD 53.55 million, a sharp increase of 75.6% and accounting for 1.08%. This proves that seafood businesses know how to take advantage of incentives from the CPTPP during the Covid-19 pandemic.

The products exported to Canada, according to VASEP, are quite diverse such as shrimp, pangasius, basa fish, tuna, squid... These are the strengths of Vietnam and have occupied a high share in Canada. In which, basa fish accounts for nearly 100% of Canada's imported catfish market. Shrimp exports to this market accounted for the highest proportion with a turnover of USD 187.35 million in 2020, up 23.8% and accounting for 71.3% of Vietnam's total seafood export turnover to this market.

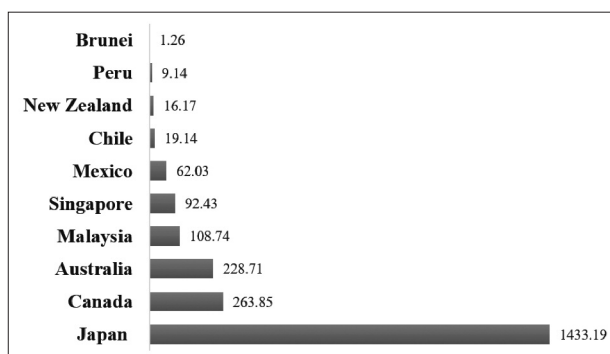
For the Mexican market, pangasius is the main imported product from Vietnam, followed by tuna... According to VASEP, as of the first half of August 2021, the export turnover of pangasius to Mexico reached USD 43.76 million, an increase of nearly 70% over the same period in 2019.

4. The CPTPP - Opportunities for Vietnamese seafood products to enter the North American market

- After controlling the Covid-19 epidemic, the consumer demand of the markets has increased again. The CPTPP helps Vietnamese seafood enterprises to well exploit the export opportunities here, including the two countries in North America. This also helps Vietnam reduce its dependence on traditional markets.

- The reduction of trade barriers creates opportunities for Vietnam to boost exports to Canada and Mexico which have just had the first FTA with Vietnam with a low market share of Vietnamese seafood. Thereby, Vietnamese businesses can

Chart 1: Vietnam's seafood export turnover to CPTPP in 2020 (USD million)



Source: General Department of Customs

access the US market. In particular, Canada has signed 15 FTAs with other countries, so this is the gateway that can bring Vietnamese seafood to the world, establishing a seafood supply network between Asia and America.

- The CPTPP increases the competitiveness of Vietnamese seafood against rivals that have not yet had an FTA with this area.

- The seafood products in North America and Vietnam are reciprocal to each other. This helps enterprises promote the export of aquatic products that Vietnam has advantages.

- The CPTPP creates motivation for seafood enterprises, if they want to survive in a fiercely competitive environment in the context of the Covid pandemic, they must constantly innovate, develop, modernize the production as well as improve the product quality at competitive prices...

- Joining the CPTPP is an opportunity for Vietnam to perfect its institution; create a safe, transparent and open business environment; attract foreign investment with modern technologies and advanced management experience. These will exploit the potential of Vietnam's seafood industry, increase the value of Vietnamese goods to meet the requirements of the fastidious markets.

Besides the favorable opportunities are some challenges that Vietnam faces such as low development level compared to other countries in the CPTPP; many limitations of the seafood industry, intrinsic weakness in small and scattered production; long transport distance; lack of updated information, limited market access; difficulties in meeting origin criteria, quality standards, quarantine, food safety, etc. Meanwhile, the regulations in the North American market are strict and change with barriers to protect human health, animals and plants, environment towards sustainable development... In addition, Vietnam's seafood products have to face stiff competition from suppliers in the USA, India, Thailand, China, etc.

5. Some solutions and recommendations for businesses in the new normal

- Enterprises need to be more proactive in studying the commitments in the CPTPP, making full use of the benefits brought by the Agreement to boost seafood exports to these two markets.

- Research the tastes and needs of each market as well as update regulations and procedures for importing seafood.

- Enterprises can actively contact and collect information from agencies specialized in market research and trade promotion; participate in seafood trade fairs, seminars/training courses. Some major food and seafood fairs that businesses can participate in are Sial Canada, Canada seafood show, etc.

- Strengthen linkages between processing, preserving and exporting enterprises with aquatic raw material areas; focus on building long-term relationships with importers to help businesses update new information and regulations of the markets.

- Improve competitiveness in terms of quality such as investing in modern processing technology lines; ensuring the quality of raw materials by signing seafood consumption contracts, supporting fishermen in aquaculture techniques and seafood preservation; strictly controlling the process of production, quarantine, food hygiene; improving the quality of human resources, etc.

In order to meet the requirements of the seafood importers in North America, the Government plays a very important role in creating a favorable seafood production and business environment; supporting businesses to learn and forecast market information, following up the regulations of the importing countries, improving marketing capabilities; strengthening the synchronous implementation of standards and procedures on food quality and safety control, origin of aquatic products, planning of raw material areas; promoting the production organization according to the linkage chain, linking production with processing, consumption and export of seafood.

Conclusion:

The CPTPP brings many opportunities to Vietnam in the context of the world's economies, including Canada and Mexico gradually recovering after the COVID-19 pandemic. To boost Vietnam's seafood exports and reduce the dependence on traditional markets, it is necessary to have great efforts from the enterprises as well as the active and synchronous participation from many parties ■

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THỰC TRẠNG XUẤT KHẨU THỦY SẢN CỦA VIỆT NAM ĐẾN THỊ TRƯỜNG BẮC MỸ TRONG BỐI CẢNH HIỆP ĐỊNH CPTPP

● **NGUYỄN QUỐC THÁI**

Khoa Quản trị Kinh doanh, Trường Đại học Nguyễn Tất Thành

TÓM TẮT:

Trong bối cảnh nền kinh tế toàn cầu nói chung, kinh tế Việt Nam nói riêng bị ảnh hưởng bởi đại dịch Covid 19, Việt Nam vẫn tiếp tục hội nhập sâu rộng với nền kinh tế thế giới với 15 Hiệp định thương mại tự do (FTA) được ký kết tính đến nay. Hiệp định Đối tác Toàn diện và Tiến bộ xuyên Thái Bình Dương (CPTPP) là FTA thế hệ mới và mở ra cơ hội xuất khẩu hàng hóa rất lớn, nhất là hàng thủy sản của Việt Nam đến 10 thị trường nội khối, trong đó có khu vực Bắc Mỹ. Bài viết phân tích tình hình xuất khẩu hàng thủy sản sang thị trường Bắc Mỹ gồm Canada và Mexico, đồng thời đề xuất một số giải pháp cho doanh nghiệp Việt Nam trong trạng thái bình thường mới.

Từ khóa: Canada, CPTPP, xuất khẩu, Mexico, Bắc Mỹ, hải sản.