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Green Growth in Trade in Vietnam

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Abstract

Green growth, green development, and circular economy are becoming a global trend as a positive solution to reduce greenhouse emissions, improve resilience and creativity of the economy, towards carbon neutrality and sustainable development goals. This development trend has been forming new "rules of the game" in trade and investment. Important import markets implement high tax rates on products with large "carbon footprints"; Many developed economies around the world have set stricter environmental regulations on imported goods. In that context, in order not to be eliminated from the game by the high environmental and social standards set by import markets, exporting countries, including Vietnam, need to change their thinking and pay attention. To the "greenness" of the international trade production and supply chain to meet the strict

technical requirements of the market. Green trade is an opportunity to create environmentally friendly goods and services, an opportunity for goods to adapt to increasingly high standards related to environmental protection and combating climate change. This is also a "green criterion" for exports to foreign markets. However, the process of achieving the carbon neutrality target will shift the comparative advantage of exports from labor- and energy-intensive sectors to sectors that apply more advanced and greener techniques. The article studies the relationship between green growth and trade, opportunities and challenges for Vietnam when implementing green trade. From there, we propose some solutions to develop green trade in the coming time.

Keywords: Green Growth, Trade, Green Trade, Carbon Emissions

1. Introduction

According to the Department of Trade Promotion (Ministry of Industry and Trade), green growth is currently considered the key to ensuring the implementation of the goals of the Socio-Economic Development Strategy from 2021 - 2030, creating momentum for Vietnam to push strongly transform the growth model in depth, ensuring sustainability. Enterprises whose products and services achieve the Vietnam National Brand are pioneers in building green brands associated with sustainable development ^[2].

Experts say green production is a prerequisite when entering markets around the world and participating in trade agreements (FTAs) such as the Comprehensive and Progressive Agreement for Trans-Pacific Partnership. (CPTPP), Vietnam-European Union Free Trade Agreement (EVFTA), because these FTAs all have strict regulations on environmental criteria. Therefore, implementing green production well is also a good opportunity to effectively take advantage of FTAs and meet the requirements of demanding markets such as the US, Japan, Europe,.. ^[3]

Vietnam has made some progress in building a green brand for the country. GDP growth is always high in the region, international economic integration is deepening, and Vietnam's image is increasingly enhanced in international forums. The speakers all said that, in order not to be eliminated from the "game" by the increasingly high environmental and social standards set by import markets, exporting countries need to change their thinking and methods. Pay more attention to the "greenness" of the supply chain in international trade to meet the increasingly strict technical requirements of the market.

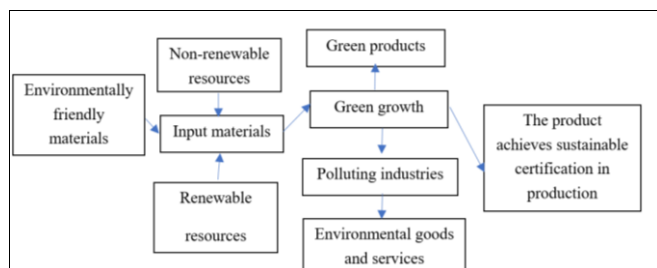
Global trade is facing many pressures due to complex developments in geopolitical tensions and fierce strategic competition between major countries; Rising inflation has caused many governments to tighten fiscal and monetary policies; The global supply chain continues to face the risk of disruption and disruption, leading to many consequences for import-export activities and domestic economic growth because our country's economy is highly open. In that context, research on green trade is necessary to have timely solutions for businesses to meet integration requirements.

2. Theoretical basis for trade and green growth

Trade is an important factor for economic growth, as well as environmental issues. Implementing green growth opens up development opportunities, competitive dynamics and sustainable business because businesses have improved resource efficiency and environmental performance through the application of technological and non-governmental innovations. Sustainable technology, while green growth will also create favorable conditions to promote commercialization activities and trade liberalization of environmentally beneficial goods and services.

Market-focused trade promotes green growth through market support for the development of environmental goods and services as well as expanding and increasing market share for these products. Achieve sustainable certifications, while limiting the development of markets for goods and services that are not beneficial to the environment and greening domestic and global supply chains. Therefore, trade, through appropriate policies, can promote the shift to green growth in industry, through [7]:

- Promote commercialization and liberalization of trade in environmental goods and services to expand markets for environmental goods and services, low-carbon goods and services, and commodity products and renewable energy services.
- Promote trade activities for products that have achieved sustainable certification such as: organic agricultural products, agricultural products that have achieved certification for sustainable farming and processing, and aquatic products that have achieved certification of sustainability certification. Sustainably caught or grown and exploited sustainably, wood products achieve sustainable certificates of origin, planting and exploitation, industrial products achieve certificates of ISO 14000, SA 8000,...



Source: Meltzer, 2012 [3]

Fig 1: Trade and green growth

Trade, when accompanied by appropriate adjustments, can accelerate the transition to a Green Economy by increasing the exchange of environmentally friendly goods and services (including environmentally friendly technologies). Environment, enhancing resource efficiency and creating economic and employment opportunities. To contribute to poverty reduction, the wealth created from international trade needs to be used to create more income-seeking opportunities, to reduce inequality rather than worsen it. On the contrary, the transition to a green economy has the potential to create trade opportunities by opening new export markets for environmentally responsible goods and services, increasing the exchange of environmentally friendly products. Certification suitable for sustainable development and services related to certification and greening the global supply chain. The adoption of energy-

and resource-efficient production methods as part of measures towards a green economy plays an important role in helping economies increase penetration and maintain competitiveness. Long-term competition in the international market.

The meeting of global environmental leaders at Rio+20 initiated an important change in the growth approach towards green growth, from discussing the potential risk of trade protection in green economic policies, shifting to considering increased trade activities between developing countries as both an additional effect and a driving force to help implement green economic policies. As a result, the green economy is increasingly seen as a door that opens up new opportunities for trade, growth and sustainable development.

However, while changing the direction of growth towards greening with more sustainable trade exchanges can promote socio-economic development, achieving such change also requires effective policies. Effectively to minimize the adverse impacts that often arise from trade, including pollution and emissions from freight transportation or the burden on natural resources from increased manufacturing and processing for services for commercial needs, etc. Addressing negative impacts, reducing income inequality, improving the lives of local people, as well as using environmentally friendly technologies and processes are the core element that helps enhance sustainability in international trade.

3. Opportunities and challenges for Vietnam when promoting green trade

3.1 Opportunity

Greening trade in goods is considered a top priority because it will bring many opportunities for Vietnam [1]:

First, this can help reduce the carbon footprint or environmental footprint of export and import industries, thereby contributing to the implementation of a green, inclusive and sustainable development approach. Resilience, helping Vietnam achieve its goal of reducing greenhouse gas emissions.

Second, greening trade in goods can encourage existing economic sectors to equip green technology and maintain competitiveness in the low-carbon world of tomorrow.

Third, greening trade creates new opportunities to trade environmental goods and services.

Fourth, greening trade is expected to be a potential driver to create new jobs as existing industries must be equipped with new technologies and businesses will take advantage of opportunities with goods and services. New environment.

World trade patterns show that the exports of the least developed countries are still dominated by raw materials and products manufactured from natural resources. Many developing countries, especially the least developed countries, are facing an urgent need to diversify their economies and move to more sustainable economic models. In recent years, pressure on natural resources has increasingly escalated, mainly due to increased world demand, leading to negative impacts on the environment and society such as biodiversity loss and decline. Environmental degradation and unequal income distribution.

Opportunities to respond to these trends can be found in the active green trade markets of some countries today and through the opening of new green trade markets for goods. And newly developed green services. New green trade

markets are now growing faster than traditional markets. Pioneering manufacturers, service providers and exporters have taken advantage of new commercial opportunities arising from increased consumer awareness and the adoption of new production and consumption models. More sustainable. Developing countries with abundant resources, competitive production costs and abundant human resources will in some cases have a comparative advantage in seizing these opportunities.

Practicing sustainable commercial development through market development of certified sustainable products or environmentally friendly goods and services is currently increasing in scale, with important movements towards integrating sustainability requirements into production and trade on a global scale. However, sustainable trade still accounts for only a small portion of global trade and therefore needs to be promoted to green economies. The transfer of environmentally friendly technology through channels related to investment and trade, the promotion of socio-economic development in developing countries. These channels will support research and development (R&D) investment outcomes that can benefit a broader range of manufacturers and consumers, while promoting the protection of natural resources as well as such as climate change adaptation and mitigation efforts. At the same time, these channels also play an important role in helping developing countries build and strengthen their R&D capabilities, especially with environmentally friendly technologies. In addition, technological progress and its spillover effects due to the growth of international trade can lead to greater specialization in the production of resource- and energy-efficient goods and services.

Pursuing a product greening strategy will help customers in foreign markets have more sympathy for businesses' products, creating a competitive advantage. Vietnam is in the process of transition to implement international commitments on sustainable development, energy saving and climate commitments. For businesses, this is also an opportunity to create environmentally friendly goods and services, an opportunity for goods to adapt to increasingly high standards related to environmental protection and climate change. Climate change.

Box 1: EU Green Deal and impact on Vietnam

The EU Green Deal, signed in December 2019, includes a plan to implement a cross-border carbon tax adjustment mechanism, which could affect trading partners, including Vietnam. The Green Deal plans to cut emissions by 55% by 2030 compared to 1990 levels through gradually increasing carbon tax rates within the EU. There are also plans to implement the Cross-Border Carbon Tax Adjustment Mechanism (CBAM) to bring emissions per unit of imported output down to the EU industry average. The CBAM mechanism will only apply to goods equivalent to sectors in the EU Emissions Trading Scheme (ETS) or EITE sectors, which means only a small proportion of Vietnam's total exports. Although the macro-level impact is small, some products could be significantly impacted by the carbon tax when exported to the EU. Furthermore, as the scope of the CBAM Mechanism will be expanded to other sectors and more countries adopt it, the total impact on Vietnam's exports will become larger.

An analysis shows that the overall impact of the EU Green Deal, including the CBAM Mechanism, is only limited on Vietnam's trade flows. In that assessment, we treated the CBAM Mechanism as a tariff equivalent to an ad valorem tax on the carbon content of goods and regions for imports into the EU. The carbon price used to determine the CBAM tax rate is calculated as the difference

between the EU carbon price and the carbon price of the country/region where the imports originate. The analysis using a multi-country general equilibrium (CGE) model (ENVISAGE) focuses on two channels: (i) increasing carbon prices in the EU reduces fossil fuel demand in the EU, and (ii) export to other countries. Unlike the EU carbon tax, which mainly impacts fossil fuel demand and prices, the CBAM Mechanism puts more pressure on energy-intensive goods, such as metals (aluminum, iron and steel), chemical products (fertilizers), non-metallic minerals (cement, limestone, etc.) and electricity.

Source: Minh, 2021^[5].

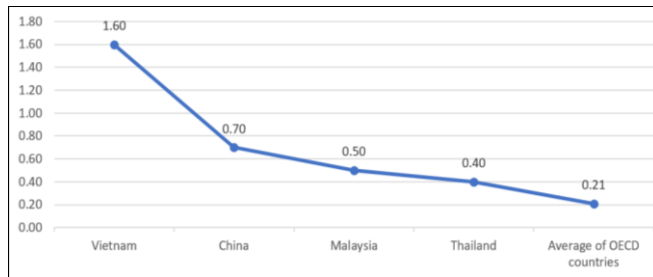
Free trade agreements can create new opportunities to trade green goods. For example, the Carbon Border Adjustment Mechanism (CBAM) in the EU Green Deal creates opportunities for products with low carbon emissions intensity such as computers, electronics and optics, which may need to be sought after. Understand more. In essence, when CBAM is implemented, computer and electronic goods output is forecast to increase by 0.6% associated with the EU Green Deal, equivalent to \$0.8 billion. The regions most affected by the Carbon Border Adjustment Mechanism (CBAM) in the EU Green Deal are Eastern and Central Europe and South Asia. The scale of impact is related to the proportion of each country's EITI goods exported to the EU and the carbon emission intensity in which Vietnam and its neighboring countries in the East Asia-Pacific region export items to the EU. Commodities have lower relative carbon emission intensities than Eastern Europe, Central Europe and South Asia, and it is expected that Vietnam's export value will increase slightly because of the carbon border adjustment mechanism (CBAM).

3.2 Challenge

Trade is a key factor contributing to global economic development. In 2022, the total annual two-way trade turnover will increase by 3.3%. Among them, many key export products of Vietnam have good growth such as: coffee (up 61%); gemstones, precious metals and products (up 56%); toys, sports equipment and parts (up 59%); footwear of all kinds (up 40%); textiles (up 36%); electric wires and cables (up 30%); electronic products and components (up 28%); machinery, equipment, tools and other spare parts (up 37%),... In addition, phones of all types and components still reach a turnover of over 1 billion USD. On the contrary, some of the UK's strong export products continue to achieve large turnover such as: pharmaceuticals (81.9 million USD); other machinery, equipment, tools, and spare parts (184 million USD); complete cars of all types (28.5%); as well as many industries with stable growth rates such as: chemical products (up 3.5%), plastic products (up 28.3%), seafood (23.8%),...

While generating economic growth, increased trade volumes also place additional pressure on natural resources and increase greenhouse gas (GHGs) emissions. Rising demand for natural resources in emerging economies, combined with ongoing unsustainable resource use and consumption in developed countries, has led to a surge in trade and resource consumption. In addition, the development of production and transportation in the direction of supporting trade development has significantly increased greenhouse gas emissions. For example, emissions from international shipping and aviation have increased 88% in 25 years. Vietnam has benefited greatly from an export-led growth model over the past 20 years, but this model has also left a

significant environmental footprint.



Source: World Bank staff calculations, 2021 [8]

Fig 2: Emission intensity of the processing and manufacturing industry

Fig 2 shows that the ratio of total emissions in total export value to total emissions in total production value increased from 60.9% in 2015 to 75.8% in 2019. This ratio is in Vietnam. Much higher than other countries in ASEAN. Vietnam's export production and business sector still has a significant carbon footprint and is resource intensive, contributing to increased environmental damage and depletion of the country's natural resources. Climate change also affects Vietnam's competitiveness and trade flows by increasing production and transportation costs.

If you look at the map with the distribution of industrial parks on an S-shaped map, you will see that the largest industrial parks in Vietnam are all located near ports, and therefore near the sea; they will be affected by tropical storms, rising sea levels and flooding. The agricultural and rice export sectors are also easily affected by climate change, especially in the Mekong Delta region. Not only are production sites exposed to natural disasters, but the level of vulnerability of the transportation sector is also a matter of concern. Think about the negative impact of hurricane season on maritime shipping, which accounts for about 70% of total trade. The World Bank estimates that the value of global trade could decline by 10%-20% by 2050 if nothing is done to protect trade from climate change. This decrease may be even larger in Vietnam.

Vietnam will need to adjust its trade policy because of air pollution. It is estimated that carbon emissions from the commercial sector are equal to 1/3 of the country's total emissions [4]. This is because the size of the export sector accounts for more than 100% of GDP in Vietnam and the manufacturing sector has carbon emissions twice as high as in China and about 7 times higher than the average. Of OECD countries.

4. Green trade development solutions

The future trade strategy should reduce carbon emissions and should reduce air pollution levels in Vietnam. The government can act in many areas to accelerate this process. To promote green trade development, the following solutions need to be implemented:

First, use assessment tools.

The European Union and the United States are considering using carbon taxes at borders to encourage businesses exporting from other countries to adopt clean technology, so that businesses that do not adapt will be able to compete. Worse. For Vietnam, it would be more cost-effective to impose a domestic carbon tax. Why? Because the results are similar but the money collected will stay in Vietnam and not add to the treasury of the European Union or the United

States, then the Vietnamese Government can use this money to improving domestic infrastructure, helping domestic industries adapt to a new world that is demanding green products.

Second, strengthen domestic regulations.

Exporting businesses will have to operate according to new standards to sell products abroad. The government can develop many capacity building programs to support businesses in effectively applying these regulations.

Third, simplify the necessary procedures for trading green or environmental products.

Although current import taxes on these products are low, businesses are still facing about 200 non-tariff barriers including several inspections by different agencies. Therefore, there are many opportunities for authorities to simplify these procedures, including applying digitalization.

Fourth, promote eco-industrial parks and encourage FDI into green fields.

Authorities can use tax incentives to ensure multinational companies transfer clean and green technology to their suppliers and to other domestic businesses. This strategy is very effective in China and neighboring countries, and Vietnam can replicate it.

Fifth, support emerging green manufacturing businesses that are having difficulty accessing financial resources and infrastructure, including land.

Sixth, use bilateral, regional and multinational trade agreements.

These Agreements contain specific actions on how to reduce carbon emissions and green trade, building on current practices in more advanced countries such as Singapore, Malaysia or the European Union. In the past, Vietnam has successfully taken advantage of these Agreements and can now do the same to develop Green trade in the future.

5. Conclusion

Green trade needs to become a priority goal for Vietnam. Vietnam's future requires building a more resilient and low-carbon trade sector. Failure to do so will not only increase air pollution levels, which are already very high by international standards, causing loss of life, but will also negatively affect the country's competitiveness. Vietnam in the international market. Vietnam will lose one of its most important growth drivers, making it difficult to realize its aspirations of becoming a high-income economy by 2045.

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