

EU aid for trade as contested trade policy intervention: The case of the EU-MUTRAP project in Vietnam

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ABSTRACT

This paper explains the EU's Aid for Trade (AfT) and trade relations with Vietnam, and examines how EU AfT influences Vietnam's trade policy reform. It provides an analysis of EU AfT as a contested trade policy intervention by using the results of the EU-MUTRAP project in Vietnam. The finding is that EU AfT can interfere as an "external impacts" on Vietnam's trade policy reform. Based on the priorities of EU trade policies towards Vietnam, the EU uses AfT projects to support and change the Vietnamese trade environment. The paper partially proves the contribution of the EU-MUTRAP on the EU-Vietnam Free Trade Agreement negotiations and implementation.

KEYWORDS

official development assistance, aid for trade, EU, trade-related assistance, free trade agreement

JEL CODES

F13, F15

1. INTRODUCTION

The European Union (EU) and Vietnam have established diplomatic ties in the early of 1990s, and since then, their relations have undergone a multidimensional development (Nguyen – Mascitelli 2017). The cooperation between the EU and Vietnam moved from humanitarian aid to development cooperation, economic, trade, and other issues (EU Delegation to Vietnam 2015). Official development

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assistance (ODA) from the EU and its member states to Vietnam has played an important role in building and strengthening the relationship (OECD 2013; EU Delegation to Vietnam 2015).

Vietnam has become one of the “*aid darlings*” of the EU and its member states (Hoang 2014). The EU’s aid allocation in Vietnam has been increasingly directed by economic interests (Kokko 2011; Hoang 2014). One of the main goals of the EU’s aid to Vietnam was to enhance trade and investment opportunities (EU Delegation to Vietnam 2015). Much of the EU financial support for Vietnam (including grants, concessional loans and technical assistance) aimed to facilitate Vietnam’s governance, economic institutions, private sector development and trade reform. Through many projects/programs, the EU supported Vietnam’s accession to the World Trade Organization (WTO), the EU-Vietnam trade negotiation process, and customs procedures, although a substantial share of EU ODA in infrastructure, industry and agriculture can also be interpreted as support for Vietnam’s trade internationalization. EU ODA to Vietnam also displays the EU’s commercial self-interest. Admittedly, through ODA projects, the EU supported Vietnam in extending market access for European exporters and importers, improving the business environment, and protecting EU investors in the Vietnamese market (Hoang 2014). Therefore, one of the main aims of EU ODA, among other high priorities such as strengthening the political relationship with Vietnam and supporting the country’s development, was to enhance trade and investment opportunities, especially the EU’s position in trade with Vietnam, as well as with the Association of South-East Asian Nations (ASEAN) (EU Delegation in Vietnam 2015).

EU ODA is an important capital resource for enhancing Vietnam’s capacity for trade growth and integration into global trade. EU ODA in the form of “*Aid for Trade*” (AfT) has achieved significant results (OECD 2013; EU Delegation in Vietnam 2015). According to the WTO (2005), AfT is about helping developing countries, in particular, the least developed countries, build the trade capacity and infrastructure they need to benefit from trade opening. It is type of ODA, targeted at trade-related programs and projects. The EU has chosen AfT as one of the main types of ODA to support Vietnam’s economic development and tighten trade relations even further (EC 2018). Indeed, EU AfT to Vietnam has focused more on economic interests. The amount of EU aid to Vietnam increased considerably, in parallel with trade flows.

In particular, the central part of EU AfT to Vietnam is the Multilateral Trade Assistance Project (MUTRAP), the longest-running and largest trade-related development project in the country (OECD 2013; EU Delegation in Vietnam 2015). As the biggest contributor of trade-related assistance since 1998, the EU has provided Vietnam with over 50 million euros over the four phases of MUTRAP. The fourth phase of the MUTRAP project could help Vietnam further integrate into the global trade system and boost trade and investment ties between Vietnam and the EU, which has pledged 16.5 million euros of support for the period between 2012 and 2018 (EU Delegation in Vietnam 2015; 2017; EU-MUTRAP 2016). The EU-MUTRAP project is proof of the significant assistance that the EU has provided Vietnam, supporting Vietnam to integrate deeper into the regional and global trade system, promoting EU-Vietnam trade and investment interrelationships (Häbel 2018). Specifically, the results of the EU-MUTRAP accounted to a large extent for success of the EU-Vietnam negotiations on a bilateral agreement for free trade (EVFTA¹) (Nguyen 2018). The

¹The EVFTA is a comprehensive free trade agreement between Vietnam and the EU. Considering both the scope and level of commitments, the EVFTA goes further than the WTO’s rules, with commitments not only in traditional sectors such as trade in goods and services, but also in the fields of investment, intellectual property, public procurement, and competition policy.



EU and Vietnam signed the EVFTA on 30 June 2019 after several rounds of negotiations, with high hopes of creating mutual benefits for both sides (Nguyen 2014; 2016; Nga et al. 2020). The EU-MUTRAP has committed an even larger portion of funding to aiding the preparation, negotiating and implementation of the EVFTA. Indeed, there was much financial support for policy reform has focused on trade-related capacity building such as EVFTA negotiating capacity, the EVFTA negotiation process, and customs procedures. Improvements in regulatory quality appeared to play their intended role in allocating EU AfT, together with the improvement of the business environment (EU-MUTRAP 2016). Admittedly, through the EU-MUTRAP, the EU supported Vietnam while extending market access for European exporters and investors. However, average tariffs have fallen substantially, in part thanks to the EVFTA negotiation achievements (Nga et al. 2020). Therefore, we analyze the EU-MUTRAP project to better understand the trade policy intervention of EU AfT projects in Vietnam. The analysis is based on publicly available data, project evaluations/reports, and other documents.

2. THEORETICAL FRAMEWORK

AfT has become an essential part of development as well as trade policy (Hallaert 2011). AfT plays an important role in helping developing countries strengthen their capacity to formulate trade policies consistent with national development plans, participate in trade negotiations, and implement trade agreements that facilitate market access (OECD 2007). At the same time, AfT could also help strengthen developing countries' supply capacity to allow them to become more competitive in international markets. It is mainly needed to enable developing countries to deliver on multilateral and bilateral commitments, improve domestic policy-making, the regulatory environment, facilitate trade processes, and strengthen the bargaining power of developing countries in international trade negotiations (OECD – WTO 2013). Similarly, trade-related institutions and policies and regulations (e.g. port operations, customs authorities, exchange rate policies, export taxes, or policy barriers to entry into key service sectors) also have a substantial impact on trade costs and undermine the effectiveness of AfT (Hummels – Schaur 2012).

There is no single way to reform the trade policy framework, and no two countries necessarily adopt the same approach. Yet every country, regardless of the course it chooses on trade issues, must master the same four-stage policy cycle: analyze and formulate trade policy and strategy; prepare and execute negotiating strategies; implement agreements; and monitor and evaluate policies and agreements. During all the stages of the reforming process, donor's assistance (AfT) can contribute to the effectiveness of the trade policy reform process, but cannot replace it (OECD 2007). This cycle and the overall reform process are illustrated in Fig. 1.

Concretely, technical assistance for trade policy and regulations comprises assistance in the six different types of AfT projects, namely (a) trade policy and administrative management; (b) trade facilitation; (c) regional trade agreements; (d) multilateral trade negotiations; (e) trade-related adjustment; and (f) trade education/training (OECD – WTO 2013). Indeed, AfT can give support to developing countries in formulating better trade policy and in implementing trade agreements (Hallaert 2010). Trade agreements may force a country to change its trade policy and may thus lead to improved regulation and trade facilitation, and may require tax reform.



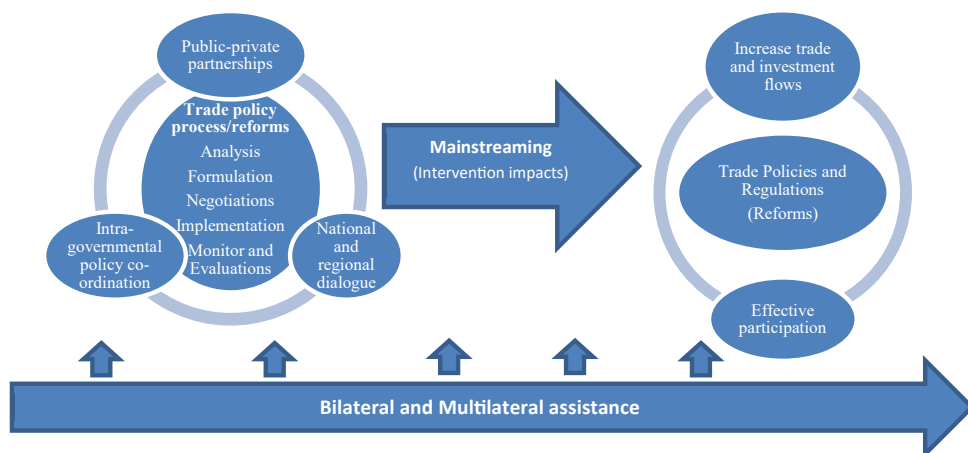


Fig. 1. The overall trade policy reforming process.

Source: OECD (2007).

Assistance on regional integration and regional trade policy is to a large extent similar to assistance provided for multilateral integration. The support is geared towards regulating technical barriers to trade (TBT) and sanitary and phytosanitary measures (SPS) at the regional level, and promoting regional cooperation, integration, and regional arrangements. In particular, supporting developing countries to enhance their negotiating capacities is an essential activity in this AfT category. The interventions often include training and analyses. These can then lead to more favorable trade arrangements that provide the recipient countries with better and cheaper market access for their exports, and cheaper imports (Gounder 2015). In practice, these six categories of programmatic intervention have to be dealt with cautiously, as the categorization of projects into one of the above categories is not always straightforward (Schippers 2018).

Moreover, based on theory of change, Choi et al. (2013) presented five main components to create a framework to evaluate intervention effectiveness in an aid project, including:

1. Inputs are the resources and capacities that are invested into the project. Inputs are often the personnel, money, materials, equipment, technology, partnerships, and time that are provided from the project's onset as part of the intervention in order for project activities to take place.
2. Outputs cover the activities, products and participants that transform the inputs as a consequence of the intervention. Outputs are the most visible aspects of the intervention and often involve activities or tasks that create tangible goods, services, or benefits for recipient country citizens.
3. Project outcomes are the ultimate results of the intervention or the difference between the pre-intervention and post-intervention state of the recipient country.
4. Input prerequisites are resources and capacities that follow the initial investment of inputs and are both required to create the outputs but not provided as part of the intervention.



5. Output prerequisites are activities, goods, services, and conditions that accompany output activities, but once again are not created by or involved in the intervention. These prerequisites are required in order for the intervention to transition between output activities and the ultimate outcomes.

Outcomes can also be referred to as the goals, objectives, purpose, or impact of an intervention. Furthermore, outcomes can be separated into short-term, medium-term, and long-term results. These three components capture the intervention’s physical inputs, the transformation of these inputs, and the impacts of the transformed inputs. For an intervention to progress from inputs to outcomes, however, the stakeholder assumptions must be identified and considered. Based on these analyses, we provided an analytical framework for analyzing the intervention logic of technical assistance (EU AfT project) to trade policy reforms in Vietnam (see Fig. 2).

Moreover, trade policy also deals with legislation, regulatory reform, implementation of policies, and mainstreaming trade with government and trade promotion. Therefore, the AfT assistance may be given in many ways. For example, AfT can assist developing countries in setting standards, harmonization, implementation and enforcement of trade policy and regulations. AfT may be given in this field to governmental, quasi-governmental, and non-governmental organizations (OECD 2007). As a result, they offer various entry and focal points for interventions. Another AfT intervention is assisting developing countries in improving the regulatory environment and improving the facilitation of trade (Boubrahimi – Ghoufrane 2016; Helble et al. 2012). The specific channels through which AfT might affect trade includes supporting regulatory reform, faster customs clearance, or improved telecommunications networks. Moreover, when improving regulations, one can think of all administrative requirements such as tax rules, security rules, visa formalities, phytosanitary and health controls, environmental rules, consumer protection rules, trade licensing, e-customs procedures, regulations on foreign

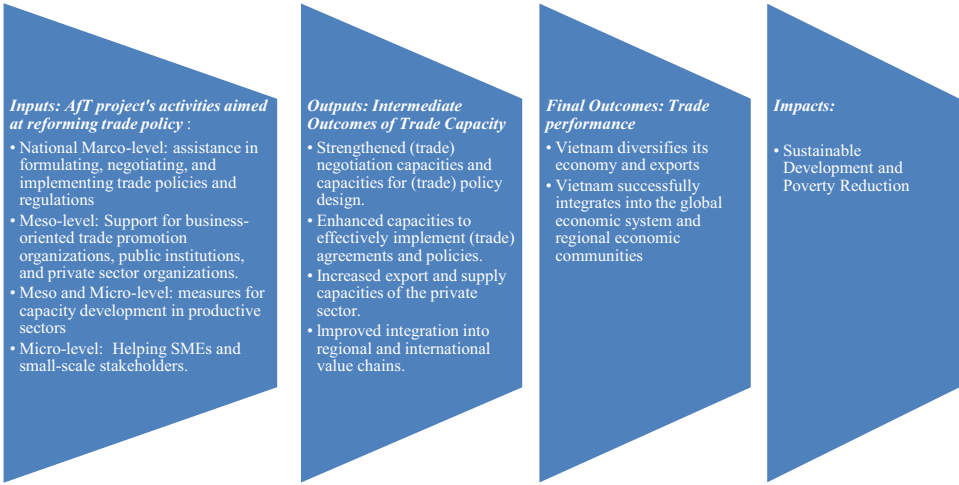


Fig. 2. A general analytical framework for analyzing the intervention logic of technical assistance to trade policy reforms.

Source: author, based on Kröger – Voionmaa (2015).



exchange accounts and on payments in foreign currencies, etc. (Bade – Petri 2015). Last but not least, support to trade-related human capital development, education and training strengthens the capacity of trade officials to contribute to regional and multilateral negotiation and policy-making. These improvements in trade policy are expected to result in improved services, increased market access, and lower transaction costs. As a result, in the long-term, there will be more (diverse) trade, which could lead to increased prosperity and increased employment, trade flows, and possibly lower poverty (OECD 2012).

3. QUALITATIVE CASE STUDY METHODOLOGY

A qualitative case study is defined as a “qualitative approach in which the investigator explores a real-life, contemporary bounded system (a case) or multiple bounded systems (cases) over time through detailed, in-depth data collection involving multiple sources of information (e.g., observation, interviews, audio-visuals, materials, documents, and reports), and reports a case description or case themes” (Creswell – Poth 2018). In the same manner, Gerring (2007) stated that case studies can be composed of one case represented by one observation or multiple within-case observations. Specifically, this paper uses the EU-MUTRAP case as an example of the wider EU AfT and trade policy intervention in Vietnam.

Furthermore, a case study provides a useful tool for answering the research questions of “how and why” (Yin 2014). A case study is commonly regarded as a form of the qualitative technique; however, it can contain elements of the quantitative research method (Pietsch 2016). Using a qualitative case study, researchers can investigate the issue’s contexts or relationships and processes through a comprehensive examination of the information gathered over a given period or within a particular context (O’Gorman et al. 2014).

According to the OECD (2011), measuring the influence of AfT is never going to be easy, given the difficulty of establishing the counterfactual and because of other factors which may come into play (political, economic, and social factors). For this reason, the case study about the relationship between AfT and trade policy interventions presents a useful way of establishing what works, what does not work, where improvements are needed, and what type of influence AfT can have (OECD 2011). Therefore, the main part of this paper seeks to examine the influence of the EU-MUTRAP to Vietnam trade policy reform: How does the EU-MUTRAP from the EU institutions influence Vietnamese trade policy?

Qualitative case study approaches usually work with small samples selected purposively rather than randomly (Huberman – Miles 1994). Purposive sampling, i.e. selecting cases for their richness of information concerning key periods, people, events, and impacts, is relevant here for three reasons. First, such sampling is consistent with the theory of change, where the case is selected for their likely contributions to understanding the influence of EU AfT on Vietnamese trade policy. Second, purposive sampling enables the richest access to data given the available time and resources. Third, the selected case needs to show the EU and Vietnam’s mutual benefits. In the light of this requirement, we created three criteria to analyze EU AfT as a contested trade policy intervention in the case study, namely (i) Vietnam’s needs in terms of improving trade performance; (ii) EU self-interests in terms of trade with Vietnam; (iii) Co-ordination between the EU and Vietnam in the AfT projects (from design to implementation to evaluation).



4. CASE STUDY AND DISCUSSION

The EU-MUTRAP's stated goal was to support the building of regulatory capacity by training civil servants and providing expertise that would, in the interest of the EU, translate to policies and ensure the implementation of EVFTA commitments. Based on the goals of supporting trade policy reform, the project activities have been chosen by the needs of Vietnamese stakeholders. Specifically, the project activities focus on building and enhancing Vietnamese capacities such as human resources, materials, technical assistance and support agencies who will take on responsibilities in EVFTA negotiations. This project supports many trade-related actors from Vietnamese government agencies to business associations, trade experts at universities and research institutions and the private sector. The main activities include teaching and transferring EVFTA-specific knowledge, conducting surveys and research on facilitating Vietnamese trade and informing those in the field about the benefits of the EVFTA.

After more than five years of implementation, the EU-MUTRAP has implemented almost 130 technical assistance activities, publishing 74 reports and organizing nearly 300 workshops and training courses in 31 provinces and cities with the participation of more than 23,700 people. The project's website welcomed over 15 million visits and 100,000 downloads of materials. It also provided IT devices and application software development to 20 departments under ministries, agencies and universities (TapChiCongThuong, 2017). Admittedly, the EU-MUTRAP supports Vietnam while extending market access for European exporters and investors. Moreover, thanks to the EVFTA, the average tariffs will fall substantially, which can positively impact the trade interests of both Vietnam and the EU (Vu 2016). However, the interests of both sides do not have to be mutually exclusive. A stronger Vietnamese economy is beneficial for both Vietnam and the EU. Thus, supporting Vietnam in its negotiating powers or capacity building can be profitable for both the EU and Vietnam (Häbel 2018). The following parts discuss the Vietnamese needs and the EU's interests in the Vietnamese trade policy reforms in general and those related to the EU-MUTRAP specifically.

4.1. Vietnamese needs to reform trade policies and regulations

Vietnam's attitude in trade development shows that "Vietnam has committed to continue its policy of openness to trade and investment as the motivation for domestic reforms to promote growth" (Vuong 2017). The government of Vietnam committed to continuing trade reform aimed at diversification and creating multilateral ties to strengthen international economic integration and emphasize a movement towards additional trade agreements (Minh 2016). Due to a trade policy review of the WTO for the case of Vietnam (WTO 2013), many of Vietnam's economic fundamentals remain strong, and much progress has been made in its economic transformation, yet significant weaknesses persist. The review indicated that Vietnamese equitable (inclusive) and sustainable growth depends on the government implementing far-reaching structural reforms promptly on time, especially those aimed at addressing systemic risks faced by the financial sector, improving the operational framework of trade-related sectors (such as electricity supply, transport infrastructure), and intensifying state-owned enterprise (SOE) restructuring. As these weaknesses pose downside risks to Vietnam's immediate economic outlook, actions need to address them. Thus, a key challenge for Vietnam is to prioritize trade and trade-related policies conducive to attaining these objectives within a stable, transparent,



and predictable policy framework (WTO 2013). Similarly, a study by the OECD and the WTO (2013) argued that Vietnam faces several trade-related problems and constraints despite impressive achievements in growth, trade, and development. Underdeveloped infrastructure, weak capacity to handle new and complicated trade-related issues, relatively high costs of doing business and a low level of skills are among the constraints it needs to overcome to ensure sustained development. In another manner, Herr et al. (2016) argued that liberalizing Vietnamese markets and allowing private firms to establish would support integration into the world economy, and high FDI inflows would stimulate growth and productivity.

Moreover, one of the consequences of Vietnam's fast development path is "its substantial governance deficits" (Clark et al. 2017). Vietnam's socio-political stability has been the major factor underlying its economic achievements; however, "accountability, citizen's participation and the legislative and judicial system have progressed at a slower pace". Vietnam has seen a dramatic growth of civil society organizations, but their operational effectiveness remains fragmented. They have a limited role in enhancing transparency, accountability and policy formulation. These governance deficits have also impacted Vietnam's business environment. State-owned enterprises still dominate in Vietnam, and the private sector has low levels of competitiveness (Dang et al. 2020). Therefore, Vietnam needs to address these issues in its trade transformation.

Specifically, the process of WTO entry negotiations and the implementation of other bilateral and multilateral international commitments requires stronger and more thorough reform of Vietnam's trade policies (WTO 2013). It is a fact that Vietnam has experienced success in transforming the economy due to utilizing the comparative advantages for export-oriented industry, to strengthen international cooperation in the regional and global, and allocate effectively endogenous and exogenous factors (Ngoc 2018). With the Vietnamese socio-economic development strategy, trade policy has been fully consistent with the transformation. I agree with Ngoc (2018) that Vietnam has boosted the internal structural reforms by external commitments with global and regional cooperation, especially under FTAs. Ngoc (2018) proved that Vietnam's fast-changing trade reform created FDI sectors, while the domestic sectors have not transformed unremarkably. Additionally, Vietnam's trade policy lacks a comprehensive trade promotion policy, such as strengthening the supporting industries, creating cluster-industrial zones, enhancing the competitiveness of the business environment, or trade promotion activity. While Vietnam's earlier trade policy was mainly focused on traditional international trade integration with reducing tariff barriers, Vu (2016) indicated that the current Vietnamese trade policy puts more focus on the country's strategic positioning in international trade. Through preferential trade agreements with its main export markets for final goods (such as the EVFTA and a bilateral trade deal with the USA), Vietnam wants to position itself at the end of the production and global value chain: a country from which finished high-value manufactured products can easily be exported to its main export markets (such as the US, the EU, and South Korea) and other countries where they enjoy preferential market access. Vietnam has identified export promotion as a domestic policy priority, but the choice of this priority has been influenced by the international trade system, which has brought considerable economic advantages to Vietnam that, in turn, constantly require further integration and domestic reforms to take advantage of the increased international trade. The World Bank (2020) highlighted that Vietnam needs to fill major legal gaps and address key implementation issues to reap the full benefits of the EVFTA and the Comprehensive and Progressive Agreement for Trans-Pacific Partnership



(CP-TPP). The World Bank's report highlights the need for Vietnam to increase capacity to handle certain key issues, including rules of origin, animal and plant sanitary standards, and investor-state dispute settlement. It also cites the rule of origin requirement as one of the key challenges for Vietnam to overcome. Vietnam could benefit even more from the next-generation trade deals (such as the EVFTA and the CP-TPP) if it stimulates a comprehensive economic and institutional reform agenda to facilitate compliance with non-tariff agreements.

In summary, Vietnam has been making great efforts to improve the legal environment, developing the rule of law, especially for businesses, to turn Vietnam into an attractive investment destination. However, the Vietnamese legal system is not comprehensive and effective. The current business environment is not truly equal and transparent. The foreign businesses investing in Vietnam face complex market-entry rules, tax and customs procedures, legal uncertainty and corruption to some extent. Thus, it is necessary to improve the market economy's institutions further and reform the legal system. Specifically, Vietnam's hierarchy of legal documents comprises 12 levels, determined by the type of legislation and the issuing institution. Legislation issued by a lower state organ must be consistent with the legal documents of higher state organs. Moreover, it is not always evident whether new legislation abrogates or supplements existing legislation. Ministries continue to rely on official letters, notices, or guidelines to set policy and clarify implementation issues, although the Law on Promulgation of Legal Documents stipulates that such communication has no legal or binding effect (WTO 2013). Competition among Vietnamese government agencies for control over businesses and investments has created confusing and overlapping jurisdictions and overly bureaucratic procedures within the government and from ministry to ministry, and this, in turn, creates an environment ripe with opportunities for corruption (Bureau of Economic and Business Affairs 2019). The reform of Vietnam's trade regulations or (re)building of trade governance institutions might, on the one hand, endanger existing political arrangements, while, on the other hand, certain actors might want to strategically embrace reform measures to strengthen their material and relational power.

Therefore, the EU-MUTRAP indicates that the EU recognizes Vietnam's need to implement the EVFTA efficiently and beneficially. The director of the EU-MUTRAP management board Bui Huy Son said in a workshop organized by the Ministry of Industry and Trade of Vietnam (MoIT) in 2015 that the most outstanding result of the project is the improved policy framework for trade and investment in Vietnam, reflected through a series of reports supporting the construction of legal documents under the MoIT and other related ministries, as well as strengthened trade cooperation between Vietnam and the EU and other partners to support the country in international integration including integration with ASEAN. The World Bank (2020) argues that Vietnam could benefit from the EVFTA if it stimulates a comprehensive economic and institutional reform agenda to facilitate compliance with non-tariff agreements. The report cites the rules of origin requirement as one of the key challenges for Vietnam to overcome. Even if a product is produced in Vietnam, EU importers might not determine it as such due to the high dependence on imported materials. At the same time, rigorous European food safety standards make it imperative for Vietnam to improve the clarity and consistency of its sanitary measures. A highlight of the project is the technical assistance extended to improve the local investment environment, focusing on environmental and social issues in trade and investment-related policies and legislation. Under the EU-MUTRAP, the EU funded capacity building within departments and agencies of the MoIT, the main project beneficiary (MUTRAP 2014).



Support to the MoIT should facilitate international trade and investment through improving the capacity for policy-making, policy consultation, and the negotiation and implementation of related EVFTA commitments, particularly vis-à-vis the EU.

4.2. The EU's self-interests

The EU-MUTRAP indicates that not only does the EU support Vietnam's capacity building in the economic sector, but particularly with the focus on the European market and the agreements between Vietnam and the EU (MUTRAP 2014). The project seems to be strongly pushed by a European agenda aimed at stronger trade relations that focuses on the EU's interests rather than Vietnam's ambition (Häbel 2018). Hoang (2014) also argued that much of the EU's financial support for Vietnamese trade reform serves the EU's commercial self-interests. Improvements in the regulatory quality have appeared to play their expected role in improving Vietnam's business environment. For example, the EVFTA contained chapters demanding regulatory convergence in technical regulations and standards, SPS rules, domestic regulations in service sectors, competition rules and environmental and social protection. Thus, EU-MUTRAP activities were designed to build capacity for policy-making, negotiate FTAs and implement future FTA commitments, especially those agreed in the EVFTA (MUTRAP 2014).

For instance, the EU-MUTRAP supported research called "Sustainable impact assessment EU-Vietnam FTA" in 2014. The research included general data on EU and Vietnamese trade to show the role of the EU market for Vietnam and vice versa. The ensuing results showed potentially major impacts on EU and Vietnamese trade sectors such as footwear, high-tech, automotive etc., following from the measures included in particular articles of the EVFTA. They predict the impacts of the EVFTA on trade for both sides and the potential benefits of implementing the EVFTA, even recommending strategies for handling obstacles in the EVFTA process. Among the subproject's achievements was listing white asbestos on the list of banned substances under the Rotterdam Convention, Phu Quoc fish sauce being recognized as an appellation of origin product in Europe, and contributions to trade-related capacity building through research and seminars. Another example of EU-MUTRAP support is the "Vietnam Supporting Industries to EU", implemented by the Supporting Industry Enterprises Development Centre (SIDECE) in conjunction with other development organizations. This sub-project seeks to enhance local small and medium-sized enterprises (SMEs) in the "supporting industries", which include components and parts manufacturers, in complying with European market access requirements. Some activities include organizing training courses to enhance SME capacities, organizing activities to connect Vietnamese and EU businesses and supporting their participation at trade fairs and exhibitions in Vietnam and the EU. The EU-MUTRAP worked on a number of issues to improve local SMEs' potential, such as branding and marketing strategies, distribution and market access strategies, and information networks across the country to create enhanced export-focused trade sectors. Thanks to the EU-MUTRAP, Vietnamese exporters were updated to the latest EU market information and food safety knowledge for fruit, vegetables, seafood, and honey (Vietnamnews 2017). In 2015, the EU-MUTRAP launched "The European Countries Market Profile Report" to support Vietnamese enterprises doing business in the EU market. Indeed, during the EU-MUTRAP implementation, Vietnamese business owners were



equipped with information about opportunities and advantages for Vietnamese production and trading enterprises in the EU market, knowledge on cross-cultural management, opportunities to expand networks in Vietnam and the EU, information on connective organizations such as EuroCham, many business associations, potential customers, preparation of business introduction materials and other specific advice. The Vietnamese enterprises taking part saw the knowledge as important and necessary to start approaching a demanding foreign market like the EU (EU-MUTRAP 2016). Furthermore, different activities encompassed an impact assessment of the EVFTA, training of civil servants acting as negotiators in the FTA, awareness-raising measures, support to Vietnamese industry and enterprises to understand and adapt to new demands, Geographical Indications (GI) registration and promotion, and study tours for Vietnamese Commercial Counsellors (EU-MUTRAP 2016).

Häbel (2018) and Hoang (2016) demonstrated that the EU also used AfT projects in general and EU-MUTRAP in particular to expose its norms and values. AfT projects are a tool to push EU normative power through trade. The EU emerges as an actor able to export regulatory standards, improve the status of its trade partner within multilateral forums and, at the same time, respect the local ownership of the development process. Both studies mentioned the EU-MUTRAP as a typical example of this issue. As a result, Vietnam's policymakers tend to acknowledge the norms that constitute the EU's normative foundation, with particularly high consensus on those concerning economic liberalism. The EU's economic and social norms are, to some extent, attractive for Vietnam and can thus be adopted and adapted to the Vietnamese context. Furthermore, the EU-MUTRAP contributed to coherence among the EU trade and development policies.

In summary, the EU-MUTRAP endorsed improvements in Vietnam's investment, environment and labor policies. The EU support for Vietnamese trade reform, including improving trade policies and regulations, is likely to enhance trading and investment opportunities with Vietnam and the EU's position in ASEAN. The EU approached these benefits with the EU-MUTRAP as well.

4.3. The EU and Vietnamese coordination in the EU-MUTRAP

As pointed out in the Vietnamese National Indicative Program, trade is one of the six priority areas for European Commission (EC) development cooperation. Its importance is also emphasized in the Government of Vietnam's Socio-Economic Development Plan (SEDP), in which EC support is anchored. The EC has further committed itself in the Doha Ministerial Declaration to support developing countries through trade-related technical assistance and capacity building. This reflects the recognition that trade can play an important role in generating pro-poor growth. At the same time, integration into the world economy is a high priority for the government of Vietnam.

Since the EC is the largest donor of trade-related assistance in Vietnam, naturally, it is also playing a coordinating role to reflect its leadership and value-added. As a result, the EU-MUTRAP works closely with EC-supported regional and country projects and other donors to achieve the goal of donor coordination and increase aid effectiveness in this particular area (OECD – WTO 2013). The effective coordination that prevails in AfT projects to Vietnam among aid donors has been facilitated by the Hanoi Core Statement on Aid Effectiveness, Ownership, Harmonization, Alignment, Results. This key development policy statement,



adopted by the government of Vietnam and development partners in 2005, requires (among other things) donors to rationalize their systems and procedures by implementing common arrangements for planning, design, implementation and reporting to the government of Vietnam on donor activities and aid flows. Vietnam has been nominated as a pilot country for EU coordination and harmonization of procedures. A roadmap for closer coordination and harmonization among EU donors in Vietnam was adopted in 2005. The EU-MUTRAP has closely followed this roadmap. The EU-MUTRAP implemented the effective methods of decentralized aid project management and coordination mechanisms, using local experts, cost cutting, evaluating reports, research, and publications that can attract diverse actors from both sides to jointly monitor the EFVTA process (MUTRAP 2014). Figure 3 summarizes the coordination among related stakeholders of the EU-MUTRAP.

As can be seen from Fig. 3, the project management activities are implemented through a Project Management Unit (PMU) formally located within the Ministry of Industry and Trade (MoIT). A Project Director from the MoIT manages the project under the supervision of a Project Steering Committee (PSC). The PSC is chaired by a vice-minister within the MoIT, in addition to other departmental representatives and other line ministries. Other members are high level staff from within the MoIT, as well as other relevant ministries. The overall strategic guidance and decision on major issues of the project are taken by the PSC. It also supports interaction with other state agencies. The annual meetings serve to discuss milestones and the overall direction of the project (MUTRAP 2014). There was a good degree of coordination and cooperation between the technical assistance team, the PMU, the MoIT, and other related stakeholders (including other related ministries, local governments, universities, and the private sector) during the implementation of the EU-MUTRAP (MUTRAP 2016).

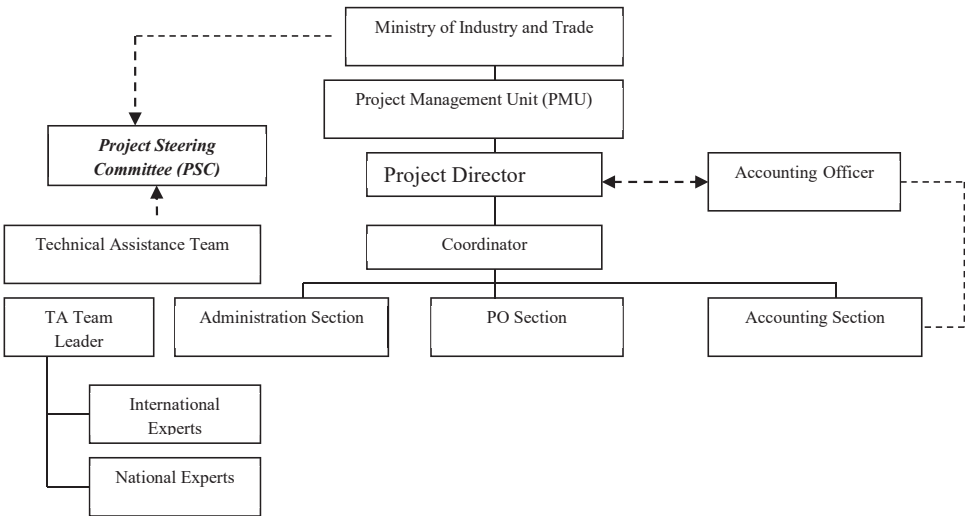


Fig. 3. Organizational chart of the EU-MUTRAP project
Source: author, based on EU-MUTRAP (2014, 2016).



**Table 1.** Intervention results

Inputs (EU-MUTRAP activity code)	Applied to Vietnam	Outputs	Induced Outputs
EU-01; EU-02; EU-06; EU-07; EU-11; EU-13; EU-15; EU-16; EU-22; EU-26; EU-34; EU-38; NSO-16; PCA-5; ICB-1; ICB-4; ICB-8; ICB-13; ICB-14; ICB-15; ICB-19; ICB-23; ICB-25; ICB-44; INVEN-1; RA-2	Ministry of Industry and Trade; Ministry of Finance; Ministry of Planning and Investment; Ministry of Science and Technology; Ministry of Agriculture and Rural development; Ministry of Natural Resources and Environment; National Office of Intellectual Property; Department of Fisheries; National Legislature Science, Technology and Environment Committee; Vietnamese National Chemicals Agency; The Provincial People's Committee (Kien Giang, DakLak, Khanh Hoa, Binh Thuan, Lang Son, Tien Giang, among others); Vietnam Association of Foreign Invested Enterprises; Institute of Labor Science and Social Affairs; Fisheries Monitoring Centre; Vietnam Chamber of Commerce and Industry; The Phú Quốc Fish Sauce Producers Association; Vietnam Bureau of Accreditation; Buôn Ma Thuột Coffee Association; Lạng Sơn Star Aniseed Production, Processing, and Trading Association; Ministry of Industry and Trade Regional office (including 18 Import-Export Regional Offices);	Related trade policy: reports; research/study; reviews; surveys. Workshops and training courses in provinces and cities with the participants from state agencies, product sector associations, research institutions, companies and other stakeholders.	Seafood certification; Geographical Indication (GI) implementation plan; Certificates of Origin; Vietnamese legislation on franchising; SPS regulations; Legislation on trade fairs, exhibitions and displays; E-Commerce regulations. EVFTA ASEAN Comprehensive Investment Agreement (ACIA) Law on Enterprise Income Tax; Commercial Law; Competition Law; Fisheries Law

Source: author.

4.4. Absorptive capacity

Absorptive capacity, on one side, is the ability of a recipient country to absorb aid in a way that achieves a given objective. On the other side, it involves the donor's ability to correctly predict the recipient's characteristics and constraints regarding the absorptive of aid. Furthermore, it involves the donor's decisions regarding logistics, time-span of the project, funding structure, among others. In short, from the donor's perspective, absorptive capacity is the ability to design an effective project and identify the obstacles that it is likely to encounter (Choi et al. 2013).

The following sections provide the EU-MUTRAP's results in enhancing Vietnam's trade policy reform in general (Table 1) and in terms of (i) standards (Table 2); (ii) trade facilitation (Table 3); and (iii) improving negotiation capacity (Table 4).

As a part of the EU-MUTRAP activities in order to improve Vietnamese traded products in terms of standards, the EU-MUTRAP supported the activities in Table 2.

Table 2. Intervention results for Vietnam's standards

Output	Expected induced output	Expected intermediate outcome
• Promotion of EU and international standards; • Strengthening inter-ministerial cooperation and enhanced participation in standard-setting bodies; • Collection and dissemination of EU standards information and data (including website development, publishing of manuals, training sessions); • Development, promotion, and implementation of labels; • Harmonization and promotion of sustainable standards; • Training of policy officers; • Development and improvement of partnerships in standards.	• Improved awareness on standards for policy officers, enterprises, and other stake holders; • Reduced certification cost; • Uniform quality of traded products (especially to the EU market); • Enhanced credibility of labels and more demand for certified; • Enhanced involvement in standards setting and compliance by the private sector and civil society; • Improved capacity on standards at ministries and other government institutions; • Improved capacity at ministerial departments to take part in international standards negotiations; • EU's standards and international standards formulated to take into account Vietnam's interests and needs.	• Increased quality of Vietnamese products; • Lower rejection rates; • Lower transaction costs; • Increased demand for certified products. • More certified and higher-quality products traded for Vietnamese products.

Source: author, based on EU-MUTRAP activities.



Table 3. Intervention results for trade facilitation

Output	Expected induced output	Expected intermediate outcome
• Advice, technical support and awareness-raising campaigns for policy reform, institutional change, and implementation of new regulations; • Training, conferences, workshops, and country dialogues (e.g. to build institutional capacity of policymakers and policy enforcers involved in customs harmonization and simplification); • Establish knowledge management systems and design trade facilitation plans and policy guidelines; • Analytical, diagnostic, and feasibility studies; • Institutional support for regional cooperation; • Digitalization of trade procedures; • Support for establishment and operationalization of one-stop border posts.	• Enhance knowledge on where to find bottlenecks in trade corridors; • Enhance awareness of trade facilitation procedures; • Tariff reforms and fiscal adjustment; • Better documentation of trade procedures (e-trade); • Less duplication and more efficiency of trade procedures; • Enhanced regional and international harmonization of laws and regulations.	• More regionally integrated value chains; • Improved trade services; • Better tax collection; • Reduced transaction costs and transit time; • Increased market access.

Source: author, based on EU-MUTRAP activities.

4.5. Sustainability

The EU interventions have been explicitly aimed at Vietnam’s economic reform process and the country’s integration in the regional and global economy/trading system and have effectively responded to the government of Vietnam’s and the emerging private sector’s capacity needs. There is ample evidence for sustainability of the EU Aft projects in the case of the EU-MUTRAP.

With the inception of EVFTA negotiations, the EU-MUTRAP was redesigned as a tool to promote deeper trade integration on a global and regional level. EU-MUTRAP’s stated goal was to support the building of trade-related capacity, by training civil servants and providing expertise that would, in the interest of the EU, translate to policy application and ensure the implementation of FTA’s commitments. Therefore, the project activities were designed to build capacity for policy making, the negotiation of FTA and eventually the building of capacity to implement future EVFTA commitments (MUTRAP 2014). Moreover, the EU-MUTRAP was in many ways perceived by the EU to serve as a parallel track measure that could facilitate the FTA



Table 4. Intervention results for trade policy and negotiation capacity of Vietnam

Output	Expected induced output	Expected intermediate outcome
• People trained (especially those involved in the EVFTA negotiation); • Departments reinforced; • Studies and research done and disseminated; • Seminars, workshops, visits, and campaigns organized; • Trade needs assessments executed; • Dialogue platforms organized; • Policy and legal advice given;	• Better understanding of international trade agreements and the EVFTA; • Enhanced cooperation across and within ministerial departments; • Enhanced knowledge (legal, scientific, economic) and improved negotiation skills; • Increased involvement of private sector and civil society in Vietnam; • Enhanced participation in international organizations and trade and dispute bodies; • Better position in regional and international trade negotiations and dispute settlements.	• Enhanced implementation of trade policies; • Enhanced trade law enforcement; • Changed policies; • Changed legislation; • Trade policies integrated into Vietnam's development strategies; • More favorable trade terms.

Source: author, based on EU-MUTRAP activities.

negotiation process through dialogue and cooperation, and above all more informal access to stakeholders. Thus, the project's activities have consistently strengthened trade-related capacity for many Vietnamese civil servants and stakeholders. Yet, there were shortcoming too. For example, the EU-MUTRAP found it difficult to establish a clear signal along the axis of the recipient's national needs and find the appropriate donor response, largely for the reasons internal to the MoIT (Häbel 2018).

Overall, the EU-MUTRAP has focused primarily on influencing the implementation of existing pro-market reform policies, rather than introducing or designing new ones. This had the result of ensuring very high ownership by the government of Vietnam (Hoang 2014). While it is difficult to quantify and qualify the specific impact of the EU-MUTRAP's interventions on Vietnam's legislative and policy-making processes, linkages to sustainability clearly exist.

5. CONCLUSION

Based on the case study, the present paper found that following the priorities of EU trade policies towards Vietnam, the EU uses Aft projects to support and change the context of the Vietnamese trade environment. The EU-MUTRAP had an impact on the negotiation and implementation of the EVFTA. During the EVFTA negotiation process, the EU-MUTRAP supported many related activities to inform discussions, promote EVFTA rounds, and reach conclusions. These activities exerted influence on the achievements of the EVFTA process. Moreover, enhancing Vietnamese trade capacity can be seen as the biggest contribution of



EU-MUTRAP by successfully impacting trade-related human resources. EU-MUTRAP had implemented the effective methods of decentralized aid project management and coordination mechanisms, using local experts, cost-cutting, evaluation reports, research and publications that can attract and diversify actors from both sides to monitor EU Aft in Vietnam jointly.

Nevertheless, enhancing Vietnam's trade capacity can be seen as an indirect method of influencing the EVFTA by the EU-MUTRAP. The EU-MUTRAP provided a foundation for the imminent EVFTA. Furthermore, the selected case illustrated that the EU donors were involved largely in the aid management process from the design to the evaluation stage of their projects in Vietnam. Based on their benefits and priorities, the EU donors guided the allocation of aid to various sectors in Vietnam, and also attached conditions to their aid.

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