**MASTER OF TRADE POLICY AND LAW - 2014**

**Trade theory - Individual final assignment (take home)**

*(released on 6.00 pm Wednesday 3th December 2017)*

**Deadline for submission: 6.00pm Wednesday 17th December 2017**.

The submissions are required to be made in both harcopy and softcopy to Ms. Cao Thuy Vinh (Faculty of Post-graduate Training, email: caovinhftu@ftu.edu.vn)

**General information**

Vietnam and EU are labour-abundant and capital abundant respectively.

Currently, Vietnam exports agricultural products (labour-intensive) to EU and import manufactured product (capital-intensive) from EU. Currently, EU imposes 5% of tariff and 5% domestic supports for agricultural products, while Vietnam imposes 5% of tariff on manufactured products.

Assuming that EU is a large country in comparision to Vietnam as a small country.

**VN-EU Free Trade Agreement**

VN-EU FTA will promote trade liberalisation between two partners. The proposed content of VN-EU FTA are:

* Both countries shall remove tariff on imported products. However, Vietnam as a developing country is allowed to have 3 years for tariff reduction while EU shall remove the tariff immediately.
* Both countries are allowed to apply SPS measures to agricultural products. However, the impact of SPS measure is capped at an equivalent of 5% tariff.
* EU shall remove domestic support within 3 years.
* Vietnam shall enforce strictly the prohibition of child labours.

It is also expected that, as a results of VN-EU FTA, Vietnam can attract a big amount of FDI into the country. However, the average procedures for FDI will take 3 years.

**Questions**

Using trade theories (draw diagrams, if possible) to discuss the short-term (less than 3 years) and long-term impacts of VN-EU FTA on Vietnam as a whole and on particular industry, interest groups (if any). If necessary, you can suggest the Vietnam’s implementation schedule and expected EU’s implementation schedule of the VN-EU FTA.

Based on your discussions, provide the implications for Vietnam’s government relating to the policy supporting the implementation of the VN-EU FTA.

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