



THE IMPACT OF ENVIRONMENTAL PROTECTION COMMITMENTS ON THE IMPLEMENTATION OF NEW-GENERATION FREE TRADE AGREEMENTS IN DEVELOPING COUNTRIES: A CASE STUDY OF VIETNAM

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Rapid economic growth not only brings opportunities but also comes with environmental risks as a result of production and business activities. In addition to commitments on free trade, such as the existing free trade agreements, a new generation of Free Trade Agreements (FTAs) raises the level of environmental commitment to enhance reciprocity between trade and environmental policies, thereby eliminating the negative impacts of trade and investment activities on the fulfilment of environmental commitments. The critical role of international environmental commitments in FTAs for environmental protection and sustainable development is undeniable. However, the trend of increasing environmental commitments in trade agreements poses significant challenges for developing countries, including Vietnam, such as increasing production costs, reducing the competitiveness of goods, aligning national laws with new environmental standards, financial resources to implement environmental commitments, etc. To clarify legal issues and assess the impact of environmental protection provisions in FTAs on developing countries and Vietnam, the article focuses on the core issues, including (i) The trend of formation and development of environmental protection commitments in FTAs; (ii) Relationship between economic development and environmental protection to achieve the SDGs; (iii) Challenges of developing countries and Vietnam in implementing environmental commitments in FTAs; and (iv) Recommendations for Vietnam to harmonise economic interests and effectively implement environmental protection commitments in FTAs and achieve the SDGs.

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1. INTRODUCTION

Alongside production development, global trade activities are shaped by the needs of trading. The products, services, principles, and transaction standards involved have evolved to become more developed, transparent, and comprehensive, supporting sustainable development. A clear example of this is the transition to more advanced levels of free trade agreements, which are now referred to as new-generation FTAs¹.

The term “New generation Free Trade Agreement” is used to refer to FTAs with extensive and comprehensive commitments, including commitments on free trade in goods and services like “traditional FTAs”; the deepest level of commitment (tax reduction to almost 0%, possibly with a roadmap); has a strict enforcement mechanism and it includes areas considered “non-traditional” such as: Labor, environment, state-owned enterprises, government procurement, transparency, investment dispute settlement mechanism.²

The new generation of FTAs is notable for including regulations focused on sustainable development. These provisions help restrict the use of outdated technologies and promote the adoption of environmentally friendly renewable energy sources. Such trends offer numerous benefits, particularly for developing countries and businesses³.

By signing the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) and the European Union–Vietnam Free

¹Vũ Văn Hà, ‘Vai trò của các hiệp định thương mại tự do thế hệ mới trong thương mại quốc tế [The Role of New-Generation Free Trade Agreements in International Trade]’ (2020) <https://tapchitaichinh.vn/vai-tro-cua-cac-hiep-dinh-thuong-mai-tu-do-the-he-moi-trong-thuong-mai-quoc-te.html> accessed 25 May 2025.

² Lê Quang Thuận and Trần Thị Quỳnh Hoa, ‘Các hiệp định thương mại tự do thế hệ mới và tác động đối với kinh tế Việt Nam [New-Generation Free Trade Agreements and Their Impacts on Vietnam’s Economy]’ (2019) Finance Magazine <https://vjol.info.vn/index.php/TC/article/view/55187> accessed 25 May 2025.

³ Lê Anh Tú, ‘Kinh tế Việt Nam khi gia nhập các hiệp định thương mại tự do thế hệ mới [The Vietnamese Economy amid Integration into New-Generation Free Trade Agreements]’ (2023) <https://vioit.org.vn/vn/chien-luoc-chinh-sach/kinh-te-viet-nam-khi-gia-nhap-cac-hiep-dinh-thuong-mai-tu-do-the-he-moi5717.4050.html> accessed 10 January 2025.

Trade Agreement (EVFTA), Vietnam has consistently pursued the direction of sustainable development, building and promoting the development of a circular economy and a green, environmentally friendly economy. Compared to the early FTAs, the CPTPP and EVFTA are FTAs with more profound and more detailed environmental commitments.

The EVFTA is the European Union-Vietnam Free Trade Agreement, officially taking effect on August 1, 2020, thereby opening up new opportunities and prospects in the comprehensive cooperative partnership between Vietnam and the European Union (EU). The Trans-Pacific Partnership (TPP) is a free trade agreement that has been negotiated since March 2010, involving 12 member countries: the United States, Canada, Mexico, Peru, Chile, New Zealand, Australia, Japan, Singapore, Brunei, Malaysia, and Vietnam. TPP was officially signed on February 4, 2016. In November 2017, 11 TPP member countries issued a Joint Statement agreeing to change the name of TPP to the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP). CPTPP was officially signed in March 2018 by the remaining 11 TPP member countries (excluding the United States). CPTPP officially took effect with Australia, Canada, Japan, Mexico, Singapore and New Zealand from December 30, 2018, with Vietnam from January 14, 2019, with Peru from September 19, 2021, with Malaysia from November 29, 2022, with Chile from February 21, 2023 and with Brunei from July 12, 2023.

Compared to the early-stage FTAs, the CPTPP and EVFTA are FTAs with a deeper and more detailed level of environmental commitments. In the early-stage FTAs, environmental issues were only mentioned in general terms. However, in the later stages, new-generation and high-standard FTAs, such as the CPTPP and EVFTA, have created a new framework related to the environmental content that Vietnam has committed to, binding the parties' environmental protection obligations at a higher level. Both Agreements have separate chapters regulating environmental protection and sustainable development, specifically Chapter 20 on Environment of the CPTPP, which comprises 81 clauses and two annexes, and Chapter 13 on Trade and Sustainable Development of the EVFTA, comprising 41 clauses.

To clarify legal issues and assess the impact of environmental protection provisions in FTAs on developing countries and Vietnam, this article focuses on the core issues, including (i) The trend of formation and development of environmental protection commitments in FTAs; (ii) Relationship between economic development and environmental protection to achieve the SDGs; (iii) Challenges of developing countries and Vietnam in implementing environmental commitments in FTAs; and (iv) Recommendations for Vietnam to harmonise economic interests and effectively implement environmental protection commitments in FTAs and achieve the SDGs.

2. ENVIRONMENTAL COMMITMENTS IN THE CPTPP AGREEMENT

The main contents on environmental protection in Chapter 20 of the CPTPP Agreement can be summarised into four basic contents, including:

Group 1: General provisions related to the definitions, objectives and general statements of the Agreement, including three articles 1, 2 and 3;

Group 2: Provisions related to regulations on transparency and public participation, including three articles 7, 8 and 9;

Group 3: Provisions related to organizational activities, responsible agencies and coordination mechanisms for implementation and settlement of disputes, complaints and clarification of related issues between participating parties, including six articles 12, 19, 20, 21, 22 and 23;

Group 4: Includes provisions directly related to environmental issues

Compared to the first generation of FTAs, the CPTPP Agreement has for the first time officially included 04 new prominent issues in the multilateral trade commitments that Vietnam participates in, including:

- (1) Commitments on environmental goods and services;
- (2) Commitments on transition to a low-carbon economy;
- (3) Issues related to ocean pollution and depletion of marine aquatic resources due to fishing activities;
- (4) Establishment of an Environmental Committee, issues related to national communications and mechanisms for resolving trade and

environmental issues between countries.

2.1 Environmental commitments in the EVFTA

The EVFTA consists of 17 Chapters regulating the agreements between Vietnam and the European Union (EU); in which the Agreement has dedicated Chapter 13 to regulate Trade and Sustainable Development (from Article 13.1 to Article 13.17). This Chapter aims to promote sustainable development, recognised through the promotion of the contribution of trade and investment-related sectors to labour and environmental issues.

Environmental commitments and obligations are established in the EVFTA to enhance reciprocity between trade and environmental policies, ensuring that trade and investment activities do not have negative impacts or influences on environmental protection requirements. Specifically:

First, encouraging a high level of protection for environmental sectors. Article 13.2. Chapter 13 on regulatory rights and levels of protection stipulates that the EU and Vietnam will recognise the respective rights, including establishing appropriate levels of domestic protection, particularly encouraging high levels of protection in the environmental and social fields to enhance the effectiveness of environmental protection and ensure sustainable development.

Second, responding to climate change and promoting carbon markets. The EVFTA requires the Parties to ensure the implementation of multilateral treaties related to climate change, including: the 1992 United Nations Framework Convention on Climate Change (UNFCCC), the 1997 Kyoto Protocol to the UNFCCC, the 2015 Paris Agreement, and actively cooperate to promote the transition to a low-emission, climate-resilient economy, consistent with the Paris Agreement (Article 13.6.1 EVFTA).

Third, biodiversity conservation. Biodiversity conservation is one of the key contents of the “green” environmental law sector – directly related to issues of preservation and protection of natural resources. Article 13.17.2 of the EVFTA stipulates that the Parties shall endeavour to facilitate access

to genetic resources for legitimate purposes and shall not apply restrictions that are inconsistent with the objectives of the Convention on Biological Diversity 1992.; at the same time, promote the sustainable use and conservation of biological diversity, including access to and sharing of benefits from access to genetic resources, and reduce illegal trade in wild animals.

Fourth, sustainable forest resource management and commercial forest products. Article 13.8.1 of the EVFTA stipulates that the Parties recognise the importance of ensuring the existence and sustainable management of forest resources to benefit economic, environmental and social objectives.

Fifth, sustainable management and development of trade in marine living resources and aquaculture products. Article 13.9.1 of the EVFTA stipulates that the Parties recognise the importance of conserving and sustainably managing marine living resources and marine ecosystems, as well as promoting sustainable and responsible aquaculture based on compliance with long-term conservation and management measures and sustainable exploitation of marine living resources stipulated in multilateral international treaties.

Sixth, a voluntary mechanism for environmental protection. According to the EVFTA, this is mandatory but only encourages Parties to use flexible and voluntary mechanisms to protect natural resources and the environment; it also increases the participation of relevant agencies, enterprises, and non-governmental organizations in developing criteria for evaluating environmental protection activities under voluntary mechanisms.

The implementation of environmental commitments in new-generation FTAs has created far-reaching legal impacts on developing countries. First, modern trade agreements not only promote the exchange of goods and services but also serve as a tool to force member countries to adjust their domestic legal systems to international environmental standards. This requires countries to promulgate and amend regulations and laws to establish a solid legal framework, ensuring the strict monitoring and enforcement of environmental commitments.

In developing countries like Vietnam, this legal reform process faces many difficulties due to limited resources and expertise. Many countries are still in the process of refining their domestic legal systems, resulting in the slow and inconsistent application of international environmental standards. The shortage of highly specialized human resources in the environmental field leads to limited monitoring and handling of violations, thereby reducing the effectiveness of the provisions stipulated in the FTA⁴. In addition, new-generation FTAs often incorporate specialized dispute resolution mechanisms to ensure that the parties involved are held legally accountable in the event of a breach of environmental commitments. However, the gap between domestic legal systems and international standards can easily lead to complex legal disputes. Current dispute resolution mechanisms are sometimes not responsive and transparent enough to address emerging environmental issues, negatively impacting the confidence of foreign investors⁵.

Furthermore, environmental commitments in FTAs open up opportunities to promote the transfer of green technology and the development of renewable energy, contributing to the building of a sustainable green economy. However, the technology transfer process in developing countries faces many barriers due to financial, technical and human resource training limitations. These countries need close support and cooperation from multilateral organizations as well as international partners to improve technological capacity, thereby effectively applying environmental protection solutions.⁶

To overcome the above challenges, there is a need for synchronous and practical solutions. Firstly, developing countries need to strengthen

⁴ World Bank, *World Development Report 2020: Trading for Development in the Age of Global Value Chains* (2020) <https://www.worldbank.org> accessed 10 January 2025.

⁵OECD, *Trade, Environment and Sustainable Development: A Policy Perspective* (2021) <https://www.oecd.org> accessed 15 January 2025.

⁶Nguyễn T and Trần P, 'Free Trade Agreements and Environmental Law in Developing Countries' (2020) 23(4) *Journal of International Economic Law* 567 <https://academic.oup.com/jiel> accessed 10 January 2025.

training and human resource development in the field of environmental management, enabling officials to grasp and effectively apply international standards in practice. The establishment of multilateral cooperation forums between countries will also help share experiences, technology and resources, creating a network of mutual support in the process of legal reform. Additionally, the application of advanced information technology in monitoring and inspecting environmental violations will contribute to enhancing the effectiveness of the management system, ensuring that commitments are implemented promptly and accurately.⁷

3. RELATIONSHIP BETWEEN ECONOMIC DEVELOPMENT AND ENVIRONMENTAL PROTECTION TO ACHIEVE THE SUSTAINABLE DEVELOPMENT GOALS (SDGS)

There is a long-standing debate on the relationship between economic development and environmental quality. From a sustainable development perspective, there has been a growing concern that the global economy's economic expansion will cause irreparable damage to our planet. Over the last few years, several studies have been published examining the relationship between the scale of economic activity and pollution levels.⁸ Is the developing economy and protecting the environment a pair of contradictions? The answer depends on the stage of economic development. In the developed country, the developing economy and protecting the environment are not in contradiction because the environment improves along with the economic structure changing. But in the developing country, it is a pair of contradictions because the environment worsens with a high-speed economy increasing.⁹

⁷United Nations, *UN Sustainable Development Report 2021* (2021) <https://www.un.org/sustainabledevelopment> accessed 8 January 2025.

⁸ Marzio Galeotti, 'Economic Development and Environmental Protection' (2023) <https://core.ac.uk/download/pdf/6264091.pdf> accessed 15 March 2025.

⁹ Clifford Russell and Ruth Greenspan Bell, 'Environmental Policy for Developing Countries' *Issues in Science and Technology* <https://issues.org/greenspan-environmental-policy-developing-countries/> accessed 15 March 2025.

Economic development and environmental protection are inextricably linked and have mutual effects. A developed economy enhances people's lives, improves infrastructure, and facilitates investment in green technologies. However, if economic development does not go hand in hand with environmental protection, the overexploitation of natural resources and environmental pollution will degrade the ecosystem, affecting people's quality of life. On the contrary, a healthy environment provides a solid foundation for stable and sustainable economic development¹⁰.

Due to the rapid growth of the economy, the demand for natural resources, such as land, water, minerals and energy, increases. Industrial activities, including mining, construction, and the production of goods, are responsible for high resource consumption. Lack of strict control measures could lead to overexploitation of resources, causing natural resource depletion, environmental pollution, climate change, etc.¹¹ Developing countries often prioritize economic growth over environmental impacts. However, long-term consequences, such as biodiversity loss, natural disasters, and land degradation, will cause severe economic damage in the future.

On the contrary, excessive environmental protection hinders economic growth. Consequently, the possible barriers may include (1) raising production cost: Businesses must invest in clean technology, waste treatment systems and emission reduction measures, increasing operation cost; (2) limited investment opportunities: some strict environmental regulations can make investors hesitant, especially in heavy industrial sectors, such as mining, chemicals and coal-fired power generation; (3) raising finished goods cost: due to increasing production cost, finished goods cost and price increase, affecting consumer purchasing power and businesses' competitiveness in the international market; and (4) impact on

¹⁰World Commission on Environment and Development, *Our Common Future* (Brundtland Report, 1987) <https://sustainabledevelopment.un.org/content/documents/5987our-common-future.pdf> accessed 15 March 2025.

¹¹ Huimin Zhang and Na Jiang, 'Discussion on Environmental Protection and Enterprise Economic Development' (2019) IOP Conference Series: Earth and Environmental Science <https://doi.org/10.1088/1755-1315/242/5/052004> accessed 15 March 2025.

employment: If strict environmental regulations force polluting industries to downsize or close, a large number of workers may lose their jobs, causing negative impacts on society. Therefore, a balance between environmental protection and economic development is wiser than imposing rigid policies that hinder economic growth. The legal framework plays a crucial role in striking a balance between economic development and environmental protection.¹² To achieve such a balance, the government should build a flexible legal framework that both encourages economic growth and ensures environmental protection¹³.

The obligation to build such a legal framework is mentioned in a series of important international legal documents. One of typical instruments is the 2030 Agenda with 17 SDGs of United Nations setting out obligations for member States to enact or amend laws and policies to promote sustainable economic growth (Goal 8), including Labor law to ensure workers' rights, create sustainable jobs; Enterprise Law to encourage sustainable business development and circular economy; Financial and tax policies to lower tax for green businesses renewable energy; Developing national policies on climate change (Goal 13), such as environmental protection law, climate change law; national plan on climate change adaptation and mitigation, etc. The Paris Agreement on Climate Change (2015) stipulates that states have legal obligations to develop and update their Nationally Determined Contributions (NDCs), issue regulations on greenhouse gas emission reduction, and establish policies to support climate change adaptation, among other measures. The Convention on Biological Diversity (CBD) stipulates that states need to develop national strategies and action plans on biodiversity, issue laws and establish mechanisms to protect biodiversity. The Basel Convention on Hazardous Waste Management requires member states to enact laws and regulations governing the transportation and treatment of hazardous waste, as well as establish a comprehensive hazardous waste management system.

¹²Aldona Kipāne and Andrejs Vilks, 'Legal Framework for Environmental Protection in the Context of Sustainable Development' (2022) 11(4) *European Journal of Sustainable Development* 169 <https://doi.org/10.14207/ejsd.2022.v11n4p169> accessed 15 March 2025.

¹³ Guixiang Cao and others, 'Environmental Protection Tax and Green Innovation: The Mediating Role of Digitalization and ESG' (2024) 16(2) *Sustainability* 577 <https://doi.org/10.3390/su16020577> accessed 15 March 2025.

These provisions are widely recognized in the new generation FTAs. With the mindset that business activities and environmental protection are mutually supportive and inseparable for maintaining sustainable development, many governments and countries, from the outset of the consultation process for FTA negotiations, consider environmental protection and sustainable development as official negotiation content. For some other countries, environmental protection is a prerequisite and indispensable clause in FTA negotiations. Therefore, it has been rightly noted that environmental negotiation in FTAs has gradually become a trend in the world today and will continue to do so in the future. As a result, a form of "new generation FTA" emerges, where the content is not limited to trade and services, but also encompasses other areas, including the environment and sustainable development. New generation FTAs, such as EVFTA, CPTPP and UK – Vietnam Free Trade Agreement (UKVFTA), not only promote trade but also establish strict environmental standards. This leads to conflicts between economic interests and environmental protection responsibilities, especially for developing countries like Vietnam¹⁴.

Specifically, developed countries, such as EU, United States (US), Canada, and Japan require their trading partners to comply with high environmental standards to (1) protect the ecosystem and reduce greenhouse gas emissions; (2) limit the import of products causing negative impacts on the environment; and (3) ensure fair competition with domestic industries that have high environmental protection standards. Some countries apply environmental protection measures to limit imports; for example, the EU requires imported agricultural products to have ecological certificates. The US prohibits the import of products related to illegal logging. These result in conflicts between FTAs and the

¹⁴ Martin Khor and others, *Promoting Sustainable Development by Addressing the Impacts of Climate Change Response Measures on Developing Countries* (South Centre Research Paper 81, 2017) https://www.southcentre.int/wp-content/uploads/2017/11/RP81_Promoting-Sustainable-Development-by-Addressing-the-Impacts-of-Climate-Change-Response-Measures-on-Developing-Countries_EN.pdf accessed 16 March 2025.

implementation capacity of developing countries¹⁵. The reason is that to implement the commitments and comply with those environmental standards, developing countries like Vietnam must invest in green technology to reduce emissions, treat waste, and ensure clean production. However, such investment costs are relatively significant for businesses¹⁶. Moreover, Vietnam lacks a comprehensive CO₂ emission measurement system to comply with the European Union's Carbon Border Adjustment Mechanism. Many businesses do not fully understand the application process for Forest Stewardship Council (FSC), Global Good Agricultural Practices (Global GAP), Registration, Evaluation, Authorisation and Restriction of Chemicals (REACH) certification. When businesses do not meet environmental standards, their import permission is denied, or they are subject to higher taxes. If they do not upgrade their technology, they face the high risk of being eliminated from the global supply chain. Furthermore, although many industries, such as cement, textiles, and footwear, emit significant CO₂ emissions, they are key export industries for developing countries, including Vietnam. If strict environmental regulations are applied according to FTAs, many businesses may reduce their competitiveness¹⁷. Vietnamese law does not provide a clear mechanism to support small and medium-sized enterprises in meeting these standards. Nevertheless, some countries set too strict standards without a clear scientific and legal basis, and shall be considered applying disguised protection measures¹⁸.

¹⁵ Ramón López and Michael A Toman, 'Trade and the Environment in Developing Economies' in Ramón López and Michael A Toman (eds), *Economic Development and Environmental Sustainability: New Policy Options* (Oxford University Press 2006) <https://doi.org/10.1093/0199298009.003.0007> accessed 16 March 2025.

¹⁶ UNCTAD, 'International Cooperation on Eco-labelling and Eco-certification Programmes and Market Opportunities for Environmentally Friendly Products' (6 October 1994) UN Doc TD/B/WG.6/2.

¹⁷ World Bank, *International Trade and Climate Change: Economic, Legal, and Institutional Perspectives* (2008) 27–29 and appendix 4.

¹⁸ For example, in November 2006, then-French Prime Minister Dominique de Villepin suggested that countries that “do not sign up to a post-2012 international treaty on climate change could potentially face extra tariffs on their industrial exports.” This suggestion was opposed by the European Commission, citing potential conflicts with WTO rules. See “Global Warming Wars: EU Takes on France’s Carbon Tax Plan”, *Businessweek*, 18 December 2006. Such suggestions were reiterated by then-French President Jacques Chirac in January 2007 and then by then-French President Nicolas Sarkozy in November 2007. In

4. VIETNAM' S PRACTICE OF IMPLEMENTING ENVIRONMENTAL PROTECTION COMMITMENTS IN FTAS

4.1. Achievements

Improvements in Environmental Management

Participation in new-generation FTAs has provided Vietnam with additional motivation and a foundation for improving its environmental management system. In terms of the framework, Vietnam's legal system has been amended and updated to meet the commitments to sustainable development outlined in these FTAs. Accordingly, the 2020 Environmental Protection Law of Vietnam has recognized the promotion of sustainable development as one of the fundamental principles of environmental protection efforts.¹⁹ Therefore, national or regional-level resource planning and exploitation projects must consider sustainable development goals during the environmental assessment process.²⁰ Additionally, to supplement the legal foundation in the evaluation of these projects, Vietnam's Environmental Protection Law requires relevant authorities to assess the feasibility of resource exploitation plans under international treaties, including the FTAs to which Vietnam is a party.²¹ This alignment with international standards not only enhances Vietnam's environmental governance but also fosters sustainable economic development, ensuring that resource management aligns with international best practices.

early 2008, the European Commission discussed proposals that would impose a de facto carbon tax on imports by requiring companies importing goods into the European Union from countries that do not similarly restrict greenhouse gas emissions to first buy EU emissions permits. See Reuters, 'EU Considers Carbon Tariff' (Reuters, 4 January 2025) <http://www.reuters.com/article/environmentNews/idUSL0464478420080106?sp=true> accessed 4 January 2025.

¹⁹ Vietnamese National Assembly, *Vietnamese Environmental Protection Law* 2020, art 4 <https://thuvienphapluat.vn/van-ban/Tai-nguyen-Moi-truong/Luat-so-72-2020-QH14-Bao-ve-moi-truong-2020-431147.aspx> accessed 16 March 2025.

²⁰ Vietnamese National Assembly, *Environmental Protection Law* 2020, art. 25.

²¹ Vietnamese National Assembly, *Environmental Protection Law* 2020, art. 27.

In the same vein, Vietnam has also issued several guiding decrees and circulars specifically addressing sustainable resource management and greenhouse gas emission reduction, which are essential commitments of the country in new-generation FTAs. For example, one of the provisions of the EVFTA requires parties to promote the conservation of forest resources and combat illegal logging and the trade in timber. This issue was subsequently regulated by Vietnam in Circular No. 26/2022/TT-BNNPTNT in 2022, establishing a common legal framework for the procedures of harvesting and verifying the origin of forest products.²² Regarding greenhouse gas emission management, both the EVFTA and CPTPP call for member countries to continue developing mechanisms to address climate change and greenhouse gas emissions effectively. Therefore, the Vietnamese government issued Decree No. 06/2022/ND-CP in 2022 to establish regulations on reducing greenhouse gas emissions and protecting the ozone layer.²³

In addition to efforts to improve the legal system, Vietnam is also actively enhancing monitoring and enforcement mechanisms in environmental protection activities. Since 2024, the National Assembly of Vietnam has been the body directly overseeing the implementation of policies and laws related to environmental protection nationwide.²⁴ This aims, on one hand, to ensure objectivity since the Ministry of Natural Resources and Environment is responsible for organizing the national environmental protection planning, and on the other hand, to share the workload of this organ. Accordingly, the monitoring by the National Assembly will focus

²² Ministry of Agriculture and Rural Development, *Circular No 26/2022/TT-BNNPTNT on Management and Traceability of Forest Products* (2022) <https://thuvienphapluat.vn/van-ban/Linh-vuc-khac/Thong-tu-26-2022-TT-BNNPTNT-quan-ly-truy-xuat-nguon-goc-lam-san-549025.aspx> accessed 16 March 2025.

²³ Vietnamese Government, *Decree No 06/2022/ND-CP on Reducing Greenhouse Gas Emissions and Protecting the Ozone Layer* (2022) <https://thuvienphapluat.vn/van-ban/Tai-nguyen-Moi-truong/Nghi-dinh-06-2022-ND-CP-giam-nhe-phat-thai-khi-nha-kinh-va-bao-ve-tang-o-don-500104.aspx> accessed 16 March 2025.

²⁴ Government Electronic Information Portal, 'Resolution No 131/2024/QH15 of the National Assembly: Establishment of a Thematic Monitoring Team "Implementation of Policies and Laws on Environmental Protection since the Law on Environmental Protection 2020 Took Effect"' (2024) <http://vanban.chinhphu.vn/?pageid=27160&doid=210618> accessed 10 February 2025.

on evaluating the institutionalization of the Communist Party of Vietnam's policies on environmental protection; assessing the results of developing, issuing, and refining policies and laws to implement the Environmental Protection Law of 2020; and the formulation and appraisal of the national environmental protection strategy.²⁵

Increasing Contributions from Domestic Businesses

New-generation FTAs have helped Vietnamese enterprises enhance their awareness and contribute to the Sustainable Development Goals. Accordingly, the requirement to apply international standards in these FTAs has led Vietnamese businesses to adjust their business strategies gradually. An increasing number of large companies in Vietnam are implementing international environmental standards, such as ISO 14001 and ISO 9001. According to SPS statistics, ISO 14001 is currently the second most widely applied standard in Vietnam, alongside ISO 9001.²⁶ Businesses have also reported that adopting ISO 14001 has improved their processes and product quality.

In the seafood sector, Vietnamese enterprises are increasingly striving to comply strictly with standards regarding origin and harvesting processes. As a result, Vietnam's catfish exports to countries benefiting from the CPTPP reached over \$224 million in the first 10 months of 2024, a 10% increase compared to the same period last year. For the EU market, Vietnam's catfish exports in the first 10 months of 2024 totalled nearly \$144 million, representing a 0.04% increase.²⁷ The continuous growth in seafood exports to member countries of new-generation FTAs

²⁵ Ministry of Industry and Trade of Vietnam, 'National Assembly Conducts Supreme Supervision on Environmental Protection with Focused and Prioritized Areas Based on Actual Situation' (2025) <https://moit.gov.vn/bao-ve-moi-truong/quoc-hoi-giam-sat-toi-cao-viec-bao-ve-moi-truong-co-trong-tam-trong-diem-can-cu-tinh-hinh-thuc-te.html> accessed 10 February 2025.

²⁶ SPS, 'Áp Dụng ISO 14001 Tại Việt Nam Hiện Nay [The Current Implementation of ISO 14001 in Vietnam]' (n.d.) <https://sps.org.vn/ap-dung-iso-14001-tai-viet-nam-hien-nay.html> accessed 8 February 2025.

²⁷ Acomm, 'Kim ngạch xuất khẩu thủy sản đạt 1,1 tỷ USD, nhiều tín hiệu đáng mừng' (2023) <https://www.tuyengiao.vn/kim-ngach-xuat-khau-thuy-san-dat-1-1-ty-usd-nhieu-tin-hieu-dang-mung-158206> accessed 10 February 2025..

demonstrates the efforts of Vietnamese businesses to meet the stringent environmental and sustainable development requirements outlined in these agreements.

Moreover, Vietnamese enterprises are actively applying green technologies in their production processes. Particularly in the textile sector, Vietnam currently emits about 5 million tons of carbon dioxide annually from this activity.²⁸ As a result, many companies are leading the way in changing their production technologies to reduce carbon dioxide emissions. For example, Thanh Cong Textile Company has invested in solar energy systems for its factories since 2021. This solar energy system has helped the company reduce emissions by approximately 4,812 tons of carbon dioxide from January 2022 to May 2024, equivalent to the carbon sequestration of planting 182 hectares of forest.²⁹ Additionally, the company has shifted to using environmentally friendly materials for its products. Items made with recycled polyethylene accounted for up to 49% of total revenue from new products in 2022 and continued to reach 19% in 2023. Over the past four years, the company has generated nearly \$10.5 million in revenue from recycled products.³⁰ This is just one of the exemplary cases of how Vietnamese enterprises are transforming their business models and strategies to protect the environment and promote sustainable development.

Promoting International Cooperation

In addition to the requirement for improving the domestic legal framework, new-generation FTAs also call on member countries to strive for international cooperation in environmental protection and sustainable

²⁸ Khanh Ly, 'Ngành Dệt May Phát Thái Khoảng 5 Triệu Tấn CO₂ Mỗi Năm [Vietnam's Textile and Garment Industry Emits Approximately 5 Million Tons of CO₂ Annually]' (2025) <https://baotainguyenmoitruong.vn/nganh-det-may-phat-thai-khoang-5-trieu-tan-co2-moi-nam-365529.html> accessed 8 February 2025.

²⁹ Vinh Phan, 'Dệt may Thành Công và những chiến lược giảm thiểu tác động môi trường' *Natural Resources & Environment Newspaper* (16 November 2024) <https://baotainguyenmoitruong.vn/det-may-thanh-cong-va-nhung-chien-luoc-giam-thieu-tac-dong-moi-truong-383239.html> accessed 10 February 2025.

³⁰ Vinh Phan, *ibid*

development.³¹ Since joining these FTAs, Vietnam has received significant support from partners in various aspects to transition to a green economy model. In this process, the EU is a crucial strategic partner in supporting Vietnam in terms of finance, technology, and knowledge. For example, the financial agreement for the Vietnam-EU Sustainable Energy Transition Program was signed in 2021, providing a non-refundable Official Development Assistance (ODA) grant of 142 million Euros from the EU to support Vietnam in implementing tasks under the National Program for Energy Saving and Efficiency, the Renewable Energy Development Strategy, and the Energy Information System.³² Additionally, the EU has committed to support over the next 3 to 5 years through the Just Energy Transition Partnership (JETP) worth up to \$15.5 billion.³³ The goal of this program is not only to provide financial support for a just energy transition in Vietnam but also to contribute to creating a sustainable financial mechanism that reduces dependence on fossil energy.

Besides the EU, Japan is also an essential partner for Vietnam under the CPTPP. One notable collaboration between the two countries is the project “Enhancing Waste Management Capacity Towards a Circular Economy in Vietnam.”³⁴ This project includes a series of activities to support Vietnam in developing local guidelines for waste classification, collection, and treatment aligned with a circular economy; creating training programs on waste management; and implementing trials. Several

³¹ GOV.UK, ‘CPTPP: Full Agreement Text’, art 20.4 <https://www.gov.uk/government/publications/cptpp-full-agreement-text> accessed 10 February 2025.

³² European External Action Service (EEAS), ‘EUR 142 Million Financing Agreement on Sustainable Energy Transition Program between Viet Nam and the European Union’ https://www.eeas.europa.eu/delegations/vietnam/setp-press-release_en?s=184 accessed 10 February 2025.

³³ Truong Viet Thanh, ‘Vietnam – EU: Cooperation on Renewable Energy Research for Sustainable Development’ *Vietnam Integration Magazine* (January 2025) <https://vietnamhoinhap.vn/vi/viet-nam—eu—hop-tac-nghien-cuu-nang-luong-tai-ao-vi-phat-trien-ben-vung-50935.htm> accessed 10 February 2025.

³⁴ Department of Natural Resources and Environment of Vietnam, ‘JICA Continues to Support Vietnam in Enhancing Waste Management Capacity’ (June 2022) <https://tainguyenmoitruong.gov.vn/tin-tuc-su-kien/202206/jica-tiep-tuc-ho-tro-viet-nam-nang-cao-nang-luc-quan-ly-chat-thai-3673AA8/> accessed 10 February 2025.

cities in Vietnam, such as Da Nang and Hanoi, have actively implemented this cooperation project by enhancing urban solid waste management and developing methods for managing and operating waste transfer stations.³⁵

4.2. Shortcomings

Discrepancy in Legal Systems and Enforcement

Although Vietnam has actively improved and updated its legal framework regarding environmental protection and sustainable development, some regulations have not yet been harmonized with the requirements outlined in the FTAs. For example, the EVFTA recognizes the contributions of voluntary initiatives to environmental protection and requires member countries to establish policies that encourage the development and participation in such mechanisms.³⁶ However, this issue remains unclear in the 2020 Environmental Protection Law of Vietnam. The same applies to encouraging businesses to invest in a green economy. Although this has been stipulated in the 2020 Environmental Protection Law, the Vietnamese government has yet to establish specialized funds to support these businesses in their transition. Additionally, current Vietnamese laws have not yet developed a comprehensive legal framework for managing and operating carbon credit trading as required by the CPTPP.³⁷

Not only are there issues with institutional improvement, but Vietnam's capacity to enforce its commitments also remains limited. Environmental management agencies currently lack personnel, budget, and modern technology to monitor compliance effectively. Accordingly, it has been three years since Vietnam implemented a reduction in environmental protection taxes on fossil fuels to support citizens. As a result, the state budget revenue in 2024 has decreased by nearly 43 trillion Vietnamese

³⁵ Lan Anh, 'Japan Supports Da Nang in Implementing Waste Management Solutions' *Natural Resources & Environment Newspaper* (23 December 2024) <https://baotainguyenmoitruong.vn/nhat-ban-ho-tro-da-nang-trien-khai-cac-giai-phap-ve-quan-ly-rac-384895.html> accessed 10 February 2025

³⁶ 'EU-Vietnam', art. 13.10.

³⁷ 'CPTPP', art. 20.5.

dong (VND) (approximately \$1.68 billion) due to the tax reduction.³⁸ The implementation of the environmental protection tax cuts on fuels has significantly impacted Vietnam's budget for reinvestment in environmental protection activities.

Challenges for the Domestic Businesses

Participating in new-generation Free Trade Agreements (FTAs) offers numerous opportunities for Vietnamese enterprises, but it also brings significant challenges. According to statistics from the Vietnam Chamber of Commerce and Industry, over 4 percent of businesses reported experiencing losses in the two years following the implementation of the EVFTA.³⁹ The primary challenge has been the additional costs incurred to meet the stringent environmental protection standards and ensure sustainable development required by the agreement, impacting 59.1 percent of businesses. Additionally, many companies are facing increased competition as their products contend with other imported goods that benefit from the EVFTA, with 31.8 percent of businesses highlighting this issue. Concerns also arise regarding the lifting of domestic production protection measures, which are part of the commitments made under the agreement, affecting 36.5 percent of businesses.⁴⁰

Similarly, with the CPTPP, about 4 percent of businesses reported losses due to heightened competitive pressure, particularly from the need to compete more aggressively against imported goods that enjoy the advantages of the CPTPP. Compliance costs associated with the high environmental standards of the CPTPP have also been a notable burden for these enterprises.⁴¹

38 Anh Tram, 'Thu ngân sách năm 2024 giảm gần 43.000 tỷ đồng khi giảm thuế bảo vệ môi trường nhiên liệu'/State Budget Revenue in 2024 Drops by Nearly VND 43 Trillion Due to Environmental Protection Tax Reduction on Fuel' Vietnam Economic Times (30 December 2023) <https://vneconomy.vn/techconnect/thu-ngan-sach-nam-2024-giam-gan-43-000-ty-dong-khi-giam-thue-bao-ve-moi-truong-nhien-lieu.htm>. accessed 10 February 2025.

39 Vietnam Chamber of Commerce and Industry – WTO Center, 'Implementation Status of Environmental Commitments under the EVFTA' (2025) <https://trungtamwto.vn/chuyen-de/25100-thuc-trang-thuc-thi-cam-ket-ve-moi-truong-trong-cac-hiep-dinh-evfta> accessed 10 February 2025.

40 Ibid

41 Ibid

In addition, the importance of complying with FTA regulations has not been uniformly recognized by Vietnamese businesses. According to statistics from Dr. Nguyen Thi Thanh Huyen, although more and more businesses are becoming aware of FTAs, data from 2016 to 2022 show that awareness levels remain uneven. The percentage of businesses that only “have a basic understanding” was still at 55.77% in 2022, indicating that many businesses are not fully informed about the details of the FTAs.⁴² Furthermore, as many as 18.61% of businesses remain completely unaware of these agreements.⁴³ The reasons for this division stem not only from a lack of information but also from the low public awareness regarding green consumption and environmental protection. This lack of understanding means that consumers do not exert significant pressure on businesses to change and improve their products and production processes toward sustainability. When the public lacks a strong awareness of choosing environmentally friendly products, businesses often do not feel the need to adjust their strategies, resulting in delays in adapting to the growing demands for social responsibility and environmental protection.

Lack of Connectivity Between Relevant Organs

The effective implementation of environmental commitments in new-generation FTAs requires close coordination among government agencies in Vietnam. A clear example is the development of a legal framework for the carbon market in Vietnam. This legal framework not only requires research on the suitability of issues such as quota management and the number of carbon credits permitted for trading, but also necessitates in-depth studies on environmental and biological factors, such as the carbon absorption capacity of each species. Although the roadmap for completing the legal framework and technical infrastructure is set for 2024, Vietnam has yet to fully establish this legal framework. Part of the reason for this situation is the lack of close coordination among relevant agencies, such as the Ministry of Finance, the Ministry of Natural Resources and

⁴² Nguyen Thi Thanh Huyen, “Thực Trạng Thực Thi Cam Kết về Môi Trường Trong Các Hiệp Định EVFTA [Implementation Status of Environmental Commitments under the EVFTA Agreements]” *Finance Magazine* (2023) <https://tapchitaichinh.vn/thuc-trang-thuc-thi-cam-ket-ve-moi-truong-trong-cac-hiep-dinh-evfta.html> accessed 10 February 2025.

⁴³Ibid

Environment, and the Ministry of Agriculture and Rural Development. The division of responsibilities in research and policy development activities has created difficulties in building a coherent and effective legal framework. Therefore, strengthening cooperation between these ministries is essential to ensure success in implementing environmental commitments in FTAs and promoting sustainable development in Vietnam.

5. SOME POLICY RECOMMENDATIONS FOR VIETNAM TO HARMONISE ECONOMIC INTERESTS AND EFFECTIVELY IMPLEMENT ENVIRONMENTAL PROTECTION COMMITMENTS IN FTAS AND ACHIEVE THE SDGS

5.1. National Policy Proposals

Completing the Legal Framework

To synchronize domestic laws with FTAs commitments, it is essential to amend and supplement regulations in the Environmental Protection Law and other related laws. These regulations not only ensure compliance with the requirements of agreements such as CPTPP and EVFTA but also create a favorable legal environment for businesses to operate. For instance, Vietnam needs to promptly complete the legal framework for the carbon credit trading market. This is a crucial goal that will not only help Vietnam protect the environment but also increase budget revenue for reinvestment to promote sustainable development. Additionally, Vietnam should consider issuing further decrees and circulars that promote voluntary initiatives through policies such as investment support, tax incentives, and the sharing of information and experiences, thereby contributing to a green economy.

Additionally, Vietnam should continue to update its national environmental standards. The complement of appropriate national environmental standards is a crucial factor in supporting businesses during their transition to sustainable production. These standards need to be

designed not only to meet the requirements of new-generation FTAs but also to align with the operational realities of domestic enterprises. Firstly, standards for clean production should be clearly defined, including the encouragement of advanced technologies and optimized production processes to minimize waste and pollution. Clean productions will not only help reduce resource consumption but also enhances economic efficiency for businesses. Secondly, an effective waste management system needs to be further updated, which includes regulations for waste classification at the point of origin, as well as recycling and safe disposal of waste. This approach not only protects the environment but also helps businesses save several costs. Besides, the standards should promote the development of environmentally friendly products that can be recycled, thereby helping businesses enhance their reputation and expand their market reach. Implementing these standards will create a solid foundation for businesses to adopt green technologies, thereby effectively fulfilling their environmental commitments under FTAs.

Strengthening Enforcement Capacity

Strengthening the enforcement capacity of the state apparatus is also important to ensure the effectiveness of Vietnam's compliance with commitments under new-generation FTAs. Accordingly, Vietnam should increase the budget and human resources for relevant agencies such as the Ministry of Natural Resources and Environment and regional Departments of Natural Resources and Environment. The increase in budget can come from the state budget, international support, and investments from businesses. Enhancing capacity also requires the expansion of digital technologies in environmental monitoring, such as utilising IoT sensors to measure water and air quality, thereby improving accuracy and efficiency in pollution control. Additionally, Vietnam should establish a dedicated coordinating agency to help coordinate ministries and sectors in implementing environmental commitments under FTAs. This agency could serve as an intermediary to share information, data, and support activities among stakeholders, thereby promoting closer cooperation in environmental management.

Enhancing business support policies

Vietnam needs to continue effectively implementing incentive policies to encourage businesses to invest in clean technology and renewable energy. These incentives may include support for the costs of obtaining ISO certification or technology research expenses. Additionally, the government could establish green transition support funds to help small and medium-sized enterprises easily shift their production to green standards. This fund could provide preferential loans to specific industries (which typically emit a large amount of carbon) such as textiles, to help them invest in waste treatment systems. These supports not only contribute to enhancing the competitiveness of businesses but also promote sustainable development and environmental protection in the economy.

Advocacy and Awareness Raising

To enhance awareness of environmental commitments in new-generation FTAs, it is essential to develop communication programs that help businesses understand their benefits and obligations. Accordingly, organizing workshops and forums on environmental standards in industries such as textiles and seafood will create opportunities for businesses to network, learn, and share experiences. These events not only provide updated information on environmental regulations and requirements but also help businesses better understand the market potential they can exploit by adopting green standards.

Additionally, technical support through training courses on green standards, environmental management, and export opportunities is highly necessary. These training sessions can be organized in collaboration with international organizations and industry experts, helping businesses master new methods and technologies in sustainable production. This will not only enhance the competitiveness of businesses but also help them meet the increasing demands of the international market. Moreover, these programs should be designed to create connections between businesses and international organizations, environmental experts, as well as government agencies. Establishing a mutual support network among

businesses will help create a cohesive community where they can share resources, information, and experiences. Through these collaborative activities, businesses will have the opportunity to develop more sustainable strategies, thereby promoting sustainable development not only for themselves but also for the overall economy.

5.2. Regional and International Level Proposals

Enhancing Technical Cooperation and Technology Transfer

Promoting cooperation to help Vietnam acquire advanced technologies is essential for environmental protection activities. As such, programs for receiving technical support and technology transfer from FTA partners such as the EU, Japan, and other countries should be promoted. For example, Vietnam can build on the achievements from collaborative projects like Switch-Asia between the EU and Vietnam to continue attracting new cooperation in the future in the field of transition to sustainable production and consumption. Additionally, learning from the experiences of developed countries like Japan and South Korea will help Vietnam improve its environmental management model and apply advanced technologies. Both Japan and South Korea are renowned for their advanced technologies in recycling and waste treatment. The application of these technologies not only helps reduce pollution but also enhances production efficiency. As such, Vietnam can invite technology companies from these two countries to collaborate, transfer technology, and train human resources, thereby promoting innovation and sustainable development in industries.

Call for Flexibility in Commitment Implementation

The effectiveness of implementing new-generation FTAs will largely depend on the capabilities of each member country. As a developing country, Vietnam needs to negotiate and advocate for the application of special mechanisms for developing countries, allowing for extended grace periods or technical support when implementing environmental standards. For instance, Vietnam could persuade member countries to provide energy transition support programs within the CPTPP for

developing countries like Vietnam, helping domestic businesses better adapt to new-generation requirements.

Promoting Environmental Diplomacy

Besides, promoting environmental diplomacy is a crucial factor for Vietnam to enhance its position in new-generation FTAs and achieve sustainable development. First, negotiating clearer regulations in FTAs is essential, particularly the requirement to establish a fair dispute resolution mechanism. This will help prevent the use of environmental standards as trade barriers while protecting the interests of Vietnamese businesses in the context of global competition. Besides, promoting regional cooperation in the field of environment also plays an important role. Accordingly, Vietnam should enhance collaboration with regional organisations, specifically ASEAN, to develop common environmental standards, creating a solid foundation to enhance competitiveness in FTAs. This cooperation not only helps countries in the region synchronize their environmental standards but also fosters the sharing of technology and experiences in environmental management, thereby collectively advancing sustainable development and effectively responding to global environmental challenges.

5.3. Proposals for Businesses

Investment in Green Production Businesses

Businesses should invest in green production as a long-term strategy to not only enhance economic efficiency but also contribute to environmental protection. Accordingly, innovation in production technology is an important key, where applying greenhouse gas reduction technologies and waste recycling will help minimize negative environmental impacts. For example, textile factories can implement water recycling systems to reduce the consumption of valuable resources and save on production costs. Furthermore, transitioning to sustainable products not only meets the increasing demands of international consumers but also creates a competitive advantage for businesses. By actively investing in green production, companies can enhance their brand image and contribute to the sustainable development of the economy,

creating long-term value for both society and the environment.

Building Environmental Management Strategies

In addition to transitioning to a green economy, building an effective environmental management strategy is also crucial for businesses to not only comply with legal requirements but also enhance their reputation and competitiveness in the global market. First, strengthening the application of environmental standards such as ISO 14001 certification will help companies improve their environmental management processes, effectively meeting the requirements of FTAs. This certification not only instils trust among customers but also enhances the brand image in the eyes of business partners. Additionally, supply chain management is also crucial, particularly in industries such as wood processing and agriculture. Companies need to ensure that their raw materials are sourced sustainably, which not only helps protect natural resources but also adds value to their products. By integrating these factors into their environmental management strategy, businesses can achieve sustainable development and make a positive contribution to environmental protection.

Strengthening Cooperation and Linkages between Businesses

Participation in new-generation FTAs will open up opportunities for cooperation between businesses in the bloc. Accordingly, strengthening cooperation with large enterprises can bring numerous benefits for domestic businesses, including access to financial and technical support. For example, businesses can collaborate with associations such as VASEP (Vietnam Association of Seafood Exporters and Producers) and VCCI (Vietnam Chamber of Commerce and Industry) to develop industry strategies that meet environmental standards, thereby enhancing competitiveness and ensuring sustainable development. Additionally, creating forums for businesses to share experiences and solutions is essential. Through these platforms, companies can learn from each other's successful transformation models and apply effective methods in their own operations. This collaboration not only fosters innovation but also creates a strong support network, enabling businesses to overcome environmental challenges collectively.

5.4. Community-Level Proposals

To create a ripple effect and social consensus in fulfilling environmental protection commitments, it is essential to propose solutions at the community level. First, enhancing community awareness plays a crucial role in educating people about green consumption and its significance in encouraging businesses to comply with environmental standards. Campaigns such as “Live Green – Green Products” can be implemented to encourage consumers to choose environmentally friendly products, thereby creating positive pressure on businesses to improve their production processes and mitigate negative environmental impacts.

Additionally, encouraging community initiatives is an effective approach. Local environmental protection movements, such as organizing beach clean-up events or tree planting activities, not only help reduce the negative impacts of industrial production but also foster community cohesion. These activities not only raise environmental awareness but also encourage residents to participate actively in sustainable practices. When the community comes together, collective strength can lead to positive changes, contributing to more effective environmental protection.

6. CONCLUSION

The implementation of new-generation FTAs brings many opportunities and poses great challenges for developing countries like Vietnam in improving environmental standards. Developed countries require their trading partners to meet high standards of environmental protection, placing businesses in developing countries under considerable pressure to innovate technology, comply with stringent regulations, and maintain competitiveness in the international market. Although Vietnam gains significant achievements in internalizing environmental commitments in FTAs, there are still limitations, including an incomplete legal system, lack of support mechanisms for small and medium enterprises, and limited monitoring and enforcement capabilities. These limitations can become barriers hindering Vietnamese businesses from meeting international standards and maximizing benefits from FTAs. To resolve the conflict

between environmental standards and the implementation of FTA commitments, Vietnam needs to synchronously take many measures, such as improving the legal framework, providing financial and technical support, strengthening monitoring capacity, promoting international cooperation, etc. In conclusion, balancing economic growth and environmental protection in the context of implementing new-generation FTAs is not only a challenge but also an opportunity for Vietnam to transform its development model towards sustainability, facilitating Vietnamese businesses to integrate internationally.