

Impact of CP TPP on Business Enterprises Agriculture in Tay Nguyen: The Case of Coffee Products

Nguyen Van Dat

(Faculty of Economics, Tay Nguyen University, Vietnam)

Abstract: The Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) opens up a new playing field with a market size accounting for 13.5% of global GDP. market bosses nearly 500 million people. The CPTPP will certainly bring opportunities for businesses to actively respond to changes in the business environment. However, the majority of coffee enterprises in the Central Highlands have not actively sought information, so information on potential markets is still unclear. It is forecast that in the context of the same basic economic conditions, Vietnam's exports may increase by 4.2%, export growth will be 6.9% by 2030, Vietnam's exports. to CPTPP countries will increase from 54 billion USD to 80 billion USD, accounting for 25% of the total export volume. This is a good opportunity for coffee businesses in the Central Highlands to participate more deeply in the regional and global supply chain.

Key words: enterprise; coffee; Tay Nguyen; CPTPP

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1. Introduction

Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP), including 11 member countries: Australia, Brunei, Canada, Chile, Japan, Malaysia, Mexico, New Zealand, Peru, Singapore and Vietnam. CPTPP is a large market with a total population of about 500 million people, the total GDP value in 2018 is 11 trillion USD, accounting for about 13% of GDP and 14% of total global trade turnover. On January 14, 2019, the CPTPP officially took effect with Vietnam — the 7th member of the Agreement. CPTPP commits to abolish import duties on Vietnamese goods as soon as the Agreement comes into effect about 78-95% of tariff lines and commits to completely eliminate from 97% to 100% of import tariff lines for goods originating from Vietnam, depending on the commitments of each country. According to the General Statistics Office, the total import-export turnover (import-export) between Vietnam and the members of this Agreement reached 74,478 billion USD, accounting for 15.5% of the total import-export turnover of the whole country in 2018 (nationwide 480.17 billion). In which, Vietnam had a trade surplus in 5 markets including: Canada, Chile, Mexico, Australia and Peru. As a new generation free trade agreement, the CPTPP is expected to have a comprehensive impact on Vietnam's socio-economic activities, in which agriculture is an important sector and is forecast to be subject to Great impact both positive and negative Therefore, our businesses in general and the coffee business in the Central Highlands

Nguyen Van Dat, Ph.D., Faculty of Economics, Tay Nguyen University; research areas: production management, international business administration, enterprise competitiveness. E-mail: datantoan2017@gmail.com.

must be aware of the advantages, opportunities, as well as difficulties and challenges, especially in the agricultural trade sector as Vietnam is increasingly go deep into the CPTPP to overcome difficulties and challenges, and win great victories in the present and in the future.

2. Theoretical Basis and Research Methods

2.1 Overview of the CPTPP Agreement

The CPTPP Agreement consists of 07 Articles and 01 Appendix on the relationship with the Trans-Pacific Partnership Agreement (TPP), which has been approved by 12 countries, including Australia, Brunei, and Afghanistan Canada, Chile, USA, Japan, Malaysia, Mexico, New Zealand, Peru, Singapore and Vietnam signed on 04th February 2016 in New Zealand; as well as dealing with other issues related to the validity, withdrawal from or accession to the CPTPP Agreement. The main commitment content of the CPTPP Agreement

Commitment to tariff reduction: CPTPP countries commit to completely eliminate from 97% to 100% of import tariff lines for goods originating from Vietnam, depending on each country's commitment. Commitment on services and investment: For the service-investment sector, CPTPP countries adopt a choose-to-drop approach and a "forward, not backward-ratchet" mechanism. Government procurement commitments: Countries agreed on a fairly comprehensive set of rules on procurement by government agencies. Labor Commitment: Basically, the CPTPP Agreement does not provide specific labor standards, but only reaffirms labor standards outlined in the 1998 Declaration of the International Labor Organization (ILO). All CPTPP member countries have an obligation to respect, promote, and enforce as ILO members. Commitment to intellectual property: The CPTPP Agreement clearly reaffirms important principles of the TRIPS Agreement, such as protection objectives for the creation and dissemination of technology, and the right to protect vital health benefits. and the people's nutrition. State-owned enterprise commitments: The main obligations under the Agreement include: State-owned enterprises (SOEs) must operate under the market mechanism; SOEs must not engage in anti-competitive behavior when having a monopoly position affecting trade and investment.

2.2 Impact of Agreement and Related Documents

Economic advantages and opportunities: Export opportunities, participation in regional and global supply chains, institutional reform, job creation and income.

The challenges posed: Economic and social challenges, the issue of perfecting legal, institutional and budget revenue frameworks because the committed reduction of import tax will reduce budget revenue.

2.3 Research Method

Secondary information and data are collected from a variety of sources, from departments and agencies of the Ministry of Agriculture and Rural Development, the Vietnam Cocoa Coffee Association, Reports of Provincial People's Committees Central Highlands region, Report of the Chamber of Commerce and Industry of Vietnam.

The study uses descriptive statistical methods to assess the impact of the Agreement on coffee producers in the Central Highlands when entering the world market.

The collected data were examined and evaluated, then used Microsoft Excel software to process.

3. Results and Discussion

3.1 Difficulties and Challenges Impacting From CPTPP

According to the International Coffee Organization (ICO), world coffee output in the 2017 - 2018 crop year reached 163.51 million bags, an increase of 4.8% over the previous crop year, of which Arabica increased by 1.7% to 101.23 million bags and Robusta up 10.5% to 62.28 million bags. According to the ICO, Robusta increased because Vietnam's coffee output increased 16.1% to 28.03 million bags, while Brazil's coffee output reached 57.69 million bags, including 44.23 million bags of Arabica and 13.46 million bags of Robusta, Columbia decreased 4.3% with 14 million bags due to unfavorable weather, Ethiopia increased 4.8% to 7.65 million bags, Peru increased 0.8% to 4.29 million bags.

Table 1 World Coffee Supply-demand Balance

				Unit: million bags
No	Targets	Crop year 2016-2017	Crop year 2017-2018	Comparison
1	Production	155.96	163,51	4,8
2	Arabica	99.59	101,23	1,7
3	Robusta	56.37	62,28	10,5
4	Africa	16.69	17,25	3,4
5	Asia and Oceania	44.29	47,95	8,3
6	Mehyco and Central America	20.47	21,34	4,3
7	South America	74.52	76,98	3,3
8	Consumption	159.08	161,93	1,8
9	Exporting countries	49.73	50,55	1,6
10	Importing countries	109.33	111,38	1,9
11	Africa	10.90	11,08	1,7
12	Asia and Oceania	34.81	35,90	3,1
13	Mehyco and Central America	5.21	5,30	1,7
14	Europe	52.07	52,32	0,5
15	North America	29.56	30,34	2,6
16	South America	26.51	26,97	1,8
	Missing/excess	-3.12	1,58	

Source: International Coffee Organization – ICO.

And in Vietnam today, the output problem for coffee products is a very big difficulty for agricultural production, with the frequent phenomenon of crop failure, price drop, and crop failure. Along with that, technical barriers are a great difficulty for Vietnamese enterprises when Vietnam's agricultural exports only reach international standards of about 5%; Agricultural export markets mainly focus on regional countries and are always subject to competition by countries like Thailand, India, and Indonesia ... also have similar products. Besides, Vietnamese enterprises have not actively searched for information, so information on potential markets is still unclear, which is a hindering factor when integrating. Because the preliminary processing and processing activities, the product consumption channel and the consumption of agricultural products in Vietnam are still mainly following traditional methods, the product categories are not diversified and lack labels to identify products. The main agricultural products of Vietnam have poor competitiveness, have no brand in the international

market, are mainly exported in raw form, so the added value is not much and often has low export value. In addition, the quality of agricultural products is low and food safety has not been thoroughly controlled, prices are uncertain, production is ineffective, and unsustainable.

Table 2 World Coffee Exports

Unit: million bags

Type of coffee	Crop year 2016- 2017	Crop year 2017- 2018	Comparison (%)
Arabica	76.08	76.66	0.8
Robusta	43.44	45.20	4.1
Total	119.52	121.86	2.0

Source: International Coffee Organization – ICO.

Supporting the formation of a chain of production — distribution of key agricultural products still faces many difficulties because the producers have not ensured standards on designs, product packaging, and certificates. and quality so it is difficult to meet the purchasing needs of distributors. Links in scientific research and application, production, purchase, processing, consumption and distribution are not yet tight, still loose and inadequate. The connection of stages of the chain, between production establishments and business establishments, is still loose, has not yet signed long-term stable contracts, or has appropriate production and business plans and strategies. According to the ICO, in the 2017-2018 season, the total exports were 121.86 million bags, up 2% from the previous season, of which Arabica increased by 0.8% to 76.66 million bags and Robusta increased 4.1% to reach 45.2 million bags. When Vietnam has participated in the “playing field” of CP TPP, Vietnamese businesses need to strictly adhere to strict standards of the market in the bloc to improve product quality to promote export to other countries. CPTPP and increase product competitiveness. Coffee products of Vietnamese enterprises are also facing competitive pressure at the “home turf” coming from CPTPP products entering the domestic market. Pressure from both sides will create motivation for Vietnamese businesses to reform their business models, invest more in production lines and labor resources. In addition to the direct pressure from competition, the coffee industry of the Central Highlands in particular will absorb new science and technology through cross-border investment activities accompanied by science and technology and improve technical skills. labor, thereby changing the traditional way of doing, improving production efficiency and quality of products. However, when tariff barriers are removed, technical barriers will be stricter and stricter. Because, CPTPP is recognized as the highest standard, comprehensive and balanced Agreement in the agricultural sector, so the requirement is to improve agricultural cultivation, goods meeting international standards. In fact, the export rate of raw coffee is still high, the quality is still low, the way of organizing coffee production by the value chain is still sketchy, the connection between the domestic market and the world market still meets. Many barriers... These are the barriers to an increase in the number of Vietnamese enterprises that can export to the world market, especially in large markets with high quality requirements.

Table 3 Coffee Acreage, Yield and Yield of the Central Highlands Crop Year 2017-2018

No	Provinces	Product area (ha)	Yield (quintal / ha)	Output (tons)
1	Kon Tum	14.220	28,1	39.943
2	Gia lai	78.763	27,6	217.380
3	Dak Lak	189.039	23,9	450.948
4	Dak Nong	112.600	23,7	267.282
5	Lam Dong	150.776	29,2	439.613

Source: Ministry of Agriculture and Rural Development.

Therefore, the CPTPP poses many challenges for the production, consumption and distribution of Vietnamese coffee. In fact, our coffee production in the past years is growing strongly and achieving many proud achievements, but the quality is still limited, even weak. Specifically, according to the preliminary data report of the General Department of Vietnam Customs, coffee exports in November reached 112,891 tons (equivalent to bags, bags of 60 kg), although up 25,394 tons, or an increase of 29.02%. compared with the previous month but decreased by 26,419 tons, or down 18.96% over the same period last year. Cumulative exports of coffee in the first 11 months of 2019 totaled 1,465,731 tons (about 24.42 million bags), down 14.96% compared to the first 11 months of 2018. Export value in the period reached 196.25 million USD, up 38.69 million USD, i.e., an increase of 24.55% over the previous month, but decreased 63.88 million USD, or 24.56% lower than the value of export turnover in the same period. last year. The average export coffee price in November reached USD 1,738/ton, down 3.44% compared to the average export price of October 2019. In the first 2 months of the current coffee year 2019/2020, Vietnam exported a total of 353,816 tons (about 3.4 million bags), with a total turnover of \$ 353.82 million, down 27.77%. in volume and 30.8% reduction in value compared to exports in the first 2 months of coffee year 2018/2019. The collection of fresh fruit coffee meeting TCVN 9728-2012 standards has not been paid attention, many places still plucking branches, losing both yield and quality of coffee beans.

3.2 Opportunities

open up for coffee business in the Central Highlands the CPTPP Agreement opens a new playground with a market size accounting for 13.5% of global GDP and covering the market of nearly 500 million people. The signing of these agreements is expected to open up a great opportunity for Vietnam's agricultural, forestry and fishery export market worth US \$ 43 billion. Through these two agreements, Vietnam's agricultural products will have the opportunity to access 37 major markets, with a population of more than 1 billion people. Export opportunities the fact that countries, including major markets like Japan and Canada reduce import duties to 0% for our goods, will create a positive effect in boosting exports. Accordingly, Vietnamese enterprises, when exporting goods to the CPTPP member countries' markets, will enjoy a very preferential tariff reduction commitment such as Australia's commitment to immediate tax reduction up to 93. % of tax lines (equivalent to 95.8% of Vietnam's export turnover to this market is about \$ 2.9 billion); Canada's commitment to immediate tax reduction up to 94.9% of tariff lines (equivalent to 77.9% of import turnover from Vietnam (about USD 0.88 billion); commitment to good tax reduction is much more than Japan than in the bilateral FTA between the two countries (such as a commitment to immediately abolish 86% of tariff lines, equivalent to 93.6% of Vietnam's exports to Japan, about 10.5 billion USD) ... Basically, coffee exports are all taxed as soon as the Agreement comes into effect. Vietnam's exports will likely increase by 4.04% by 2035, the export growth will be 6.9% by 2030 will increase from 54 billion USD to 80 billion USD, accounting for 25% of total exports. Expand the consumer market for coffee products The fact that countries, including major markets such as Canada, Australia and Japan reduce import tariffs to 0% on our agricultural products, will create positive effects in boosting export turnover. Accordingly, Vietnamese enterprises, when exporting agricultural products to the markets of CPTPP member countries, will enjoy a very preferential tariff reduction commitment, helping to expand export markets and increase access to markets. the world's largest with significant advantages.

According to the survey results in Table 4, in the crop year 2017-2018, Vietnamese coffee (of which enterprises in the Central Highlands accounted for nearly 87%) exported to Germany the most with 247.11 thousand tons, turnover of 452, \$ 55 million, up 11.5% in volume but down 5.6 in turnover over the same period last year, the average single-family family down 15.3%. The second largest market is the US with 177.69 thousand tons, turnover of 340.83 million USD, down 10.5% in volume and 23.9% in turnover. Followed by Italy,

Spain, Japan, Russia, Philippines, Indonesia, Angieri, and Belgium, among the 10 largest importers of Vietnam. Noticeably the strongest growth is: Indonesia increased by 1,040% in volume and 704.2% in turnover, reaching 68.7 thousand tons and 136.43 million USD, surpassing 8th place in South Africa, up 400, 5% in volume and 314.2% in turnover, Greece increased 102.5% in volume and 66.3% in turnover, Cambodia increased 79.9% in volume and 114.9% in turnover ranks.

Table 4 Coffee Exports to Some Major Markets of Vietnam Crop Year 2017-2018

Unit: 1,000 USD

No	Countries	Crop year 2017-2018			Compared with crop year 2016-2017		
		Export (tons)	Turnover (USD)	Average price (USD/tons)	Export (tons)	Turnover (USD)	Average price (USD/tons)
1	Germany	247.107	452.551	1.831	11.5	-5.6	-15.3
2	American	177.688	304.834	1.918	-10.5	-23.9	-15.1
3	Italia	135.301	252.639	1.867	7.3	-7.7	-14.0
4	Spain	117.505	202.439	1.876	20.3	3.9	-13.6
5	Japan	102.701	208.950	2.035	11.2	-2.7	-12.6
6	Russia	82.109	174.917	2.130	81.5	51.9	-16.3
7	Philipine	79.207	151.446	1.912	57.6	43.5	-8.9
8	Indonesia	68.696	136.428	1.986	1.040.0	704.2	-29.5
9	Algeria	68.501	126.576	1.848	27.1	9.1	-14.2
10	Belgium	67.930	123.073	1.812	-19.5	-31.3	-14.7

Source: General Department of Customs.

Table 5 Instant Coffee Processing Capacity of Some Enterprises in the Central Highlands

No	Company's name	wattage (tons/year)	Note
1	Olam coffee	9.000	There is both spray drying and cold drying
2	Trung Nguyen coffee	3.000	
3	Ngon coffee	15.000	There is both spray drying and cold drying
4	An Thai coffee	1.000	Investing in factory 4.000 tons/year
5	Total	28.000	

Source: Department of Processing, Ministry of Agriculture and Rural Development.

Increasing connectivity between businesses through participation in regional and global supply chains CPTPP countries that account for 13.5% of global GDP with a total trade turnover of more than 10,000 billion USD, including major markets such as Japan, Canada, and Australia will open up many opportunities. when new supply chains take shape. Joining the CPTPP will help this trend to grow stronger and stronger, which is an important condition to raise the level of development of the economy in general and Vietnam's agriculture in particular, increase labor productivity, and entering production stages with higher added value, thereby creating motivation and pressure for domestic enterprises to invest in domestic production in the direction of reducing export of raw materials and preliminary processing, investment in chain development, value and supply chain, increase the export of processed products with high added value. This is a great opportunity to elevate Vietnam's agriculture in the next 5-10 years. According to the General Department of Customs, currently the volume of Vietnam's exported processed coffee is 124,000 tons (the Central Highlands accounts for 22.58%), accounting for 7.9% of the total export volume of coffee, The export turnover of processed coffee brought about 469.14 million

USD, accounting for 13.4% of the total export turnover of all kinds of coffee.

4. Conclusion and Some Solutions

The CPTPP Agreement opens a new playground with a market size accounting for 13.5% of global GDP and covering the market of nearly 500 million people. In order to make good use of the opportunities offered by this market as well as to prepare a ready position in a new playground, a coffee business in the Central Highlands can consider the following solutions:

Firstly, businesses need to actively seek information about the CPTPP Agreement to understand Vietnam's commitments and interested partner markets, especially information on tariff incentives under this Agreement. coffee products are strong or have great potential for export in the near future. This is a useful reference information channel for businesses when exploring the CPTPP area.

Second, businesses also need to change their business thinking in the new context, and competition is the driving force for innovation and development. The CPTPP will certainly bring opportunities for businesses to actively respond to changes in the business environment brought about by international economic integration through the development and adjustment of business plans for the period. medium and long term to promote the flow of goods into potential partner markets mentioned above.

Thirdly, promoting the application of science-technology in production and business activities of enterprises to improve productivity and product quality, especially focusing on deep processing, “proactive” change. production processes, raw materials to meet the rules of origin of the agreement. The tariff incentives in the CPTPP are huge, but the requirement of origin is not easy, reducing raw exports, thereby being able to compete at home and reach the world market. Fourth, to protect their interests in the long run, especially in the domestic market under the pressure to change policies and laws as required by the CPTPP, enterprises need to "proactively" learn the content of the CPTPP participate deeply and effectively in the process of state agencies legalizing CPTPP commitments.

Finally, professionalizing the sales process, actively building and promoting the brand to improve the competitiveness of our products and businesses. This seems to be the weakest stage of Vietnamese enterprises when accessing the world market. It is also necessary to proactively seek cooperation with partner markets under the Agreement to strongly attract direct investment in Vietnam in order to effectively utilize capital resources and technology transfer from large corporations. This is also a good opportunity for our businesses to participate more deeply in the regional and global supply chains. Thus, the trend of promoting the liberalization of trade in agricultural products (including coffee) through the signing and implementation of FTAs, especially the new generation FTA, will help Vietnam enjoy preferential treatment. The process of joining FTAs shows that international economic integration through joining FTAs is a very right strategy, opening up new opportunities for coffee businesses in the Central Highlands in particular to expand markets. export, help businesses here participate more deeply in the value chain, global production network, transform the economic structure in a positive direction, improve the business environment, enhance competitiveness, competition capital investment, technology knowledge, management experience, creating more jobs. But they are also putting businesses in front of a new playing field with more stringent requirements. Therefore, coffee businesses in the Central Highlands need to make the most of this opportunity and need to urgently and seriously implement some of the above solutions to limit the negative effects of CPTTP, in order to improve competitiveness and sustainable development

in the future.

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