

## TRADE RELATIONS BETWEEN VIETNAM AND BULGARIA: PERFORMANCE AND ITS DETERMINANTS<sup>3</sup>

*The article uses trade data from various sources (UNCTAD, RIVA, General Statistics Office of Vietnam; Ministry of Trade and Industry of Vietnam) to evaluate the trade relationship between Vietnam and Bulgaria in the period 2010-2020. In the assessment, the backward linkage is also analysed to quantify the value-added contribution of Vietnam and Bulgaria in the two countries' exports to the world. The article also analyses a number of important factors affecting the two countries' trade relations, such as cooperation framework, trade characteristics of the two countries (RCA, TC, ES indices), and trade costs. Finally, on the basis of findings from the analysis of the current situation as well as the new context of the implementation of the EVFTA, the article points out the prospects as well as some implications for strengthening the two countries' trade relations in the coming period.*

*Keywords: Vietnam; Bulgaria; trade relations; performance; determinants; EVFTA*

*JEL: F15; F13*

### 1. Introduction

Vietnam and Bulgaria are two transition economies that have both achieved remarkable successes in economic development and international trade. An important economic transformation has been undergone in Bulgaria over the past three decades to change the country from a highly centralised, planned economy to an open, market-based, upper-middle-income economy. After decades of exceptionally high economic growth and improved living standards, some legacy issues from that early period, the global financial crisis of 2008, and the pandemic-induced crisis in 2020 pushed the country into a hard time with Poverty and income inequality remain among the highest in the EU.<sup>4</sup> Papers that investigated Bulgarian international trade spent much effort on its status in the post-EU-accession period (Shivarov, 2014; Levkov, 2017; Kalinkova, 2021), and its trade structures (Čiburienė, 2006); Shivarov, 2014; Kacarski et al., 2017; Chobanov, 2019). Bilateral trade between Bulgaria and other

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<sup>4</sup> <https://www.worldbank.org/en/country/bulgaria/overview#1>.

partners reviewed significantly converged in trade relations with EU partners (Čiburienė, 2006; Shivarov, 2014; Kacarski et al., 2017; Levkov, 2017; Kalinkova, 2021), in which some pictured main characteristics of Bulgarian foreign trade (Shivarov, 2014; Levkov, 2017; Kalinkova, 2021) and put forward challenges for Bulgarian trade prosperity (Shivarov, 2014; Chobanov, 2019).

Vietnam is one of the top twenty economies with the most prominent trade scale globally, with import and export turnover exceeding 668 billion USD and a growth rate of 19% in 2021 (Ngoc An, 2022). There are many studies on Vietnamese trade (Grumiller et al., 2018; Tröster et al., 2019; Tu and Giang, 2018; Nguyen et al., 2020; Athukorala, Kien, 2020; Chaudhary, Khoi, 2019). The study focuses on analysing the characteristics of Vietnam's trade (Tu, Giang, 2018; Nguyen, et al., 2020; Chaudhary, Khoi, 2019; Athukorala, Kien, 2020) and the factors affecting Vietnam's trade performance (Grumiller, et al., 2018; Tröster, et al., 2019; Nguyen, et al., 2020). The absence of studies that examine and evaluate the potential for bilateral trade between Vietnam and its trading partners is a prominent feature among studies on Vietnamese trade.

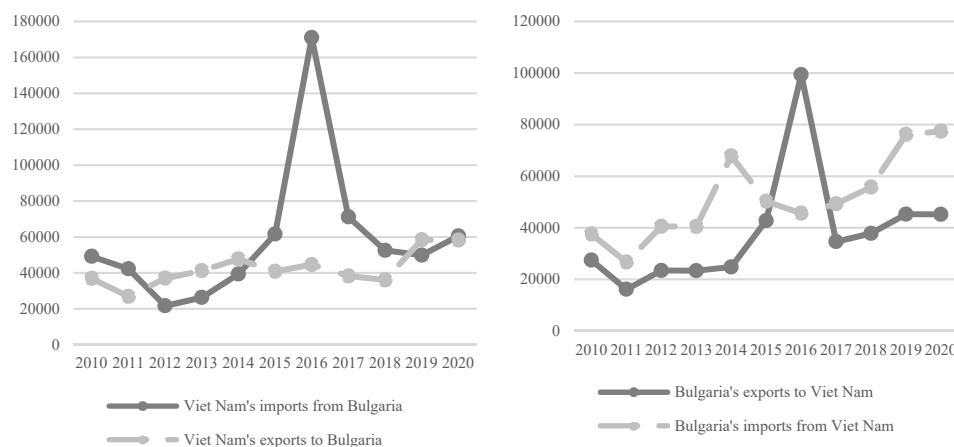
To partially compensate for this research gap and realise the need to analyse bilateral trade characteristics as a basis for assessing trade potential between the two countries, the authors have conducted a study on investigating the bilateral trade performance between Vietnam and Bulgaria and its determinants. The paper is divided into four parts to realise the above research objective. The paper begins with the research background in the first part. Then, the second part analyses the current bilateral trade situation between Vietnam and Bulgaria. The determinants that affect bilateral trade between the two countries are presented in the next part. The last piece of the paper is to conclude and assess the prospects for bilateral trade relations between the two countries.

## **2. Bilateral Trade between Bulgaria and Vietnam: Performance for the Period of 2010-2021**

The trade turnover between Vietnam and Bulgaria witnessed impressive growth by 10% per year in recent years. In the first ten months of 2021, despite the complicated development of the epidemic, total exports and imports between the two countries have reached over 200 million USD. Bilateral trade between the two countries has evolved throughout 2010-2020, although the asymmetry in export and import growth figures under Vietnam and Bulgaria's perspectives existed. Trade turnover of Vietnam to Bulgaria in 2020 was more considerable 1.4 times than the figure in 2010. Vietnamese export to Bulgaria increased by 1.6 times, while Vietnamese imports from Bulgaria increased by 1.2 times. From Bulgaria's perspective, export volume to the Vietnamese market grew 1.6 times after 11 years. Import volume from Vietnam sharply escalated by 2.1 times for the same period.

Figure 1

Bilateral trade between Vietnam and Bulgaria from 2010 to 2020  
 a. Vietnam's imports from and exports to Bulgaria  
 b. Bulgaria's imports from and exports to Vietnam



Source: <https://unctadstat.unctad.org>.

In 2020, the total export of Vietnam to Bulgaria reached 58.2 billion USD, in which 13 commodities had a turnover larger than one billion USD. Shares of the top five major exporting commodities were 12.6%; 11.75%; 11.6%; 11.4%; 6.5% for, respectively, HS 39 (Plastics and articles thereof); HS 40 (Rubber and articles thereof); HS 87 (Vehicles other than railway or tramway rolling stock, and parts and accessories thereof); HS 94 (Furniture; bedding, mattresses, mattress supports, cushions and similar stuffed furnishings; ...); HS 55 (Man-made staple fibres). On the other hand, the total import of Vietnam from Bulgaria was 60.5 billion USD, with 11 commodities getting imported turnovers over one billion USD. Five merchandise goods occupied the largest share in the total import were HS 30 (Pharmaceutical products); HS 74 (Copper and articles thereof); HS 28 (Inorganic chemicals; organic or inorganic compounds of precious metals, rare-earth metals, ...); HS 26 (Ores, slag and ash); HS 84 (Machinery, mechanical appliances, nuclear reactors, boilers; parts thereof) with shares of, respectively, 22.5%; 15%; 13.1%; 10.1%; and 4.7%.

Top major commodities in Bulgarian export to and import from Vietnam mainly overlapped ones in Vietnamese export to and import from Bulgarian but the case of HS 09 (Coffee, tea, maté and spices). Vietnamese reported an export of HS 09 to Bulgaria at nearly 3 billion USD in 2020. According to the data reported from Bulgaria, the import volume of the same commodity was surprisingly high at over 15 billion USD in 2020. Based on Guo (2010), the bilateral trade discrepancy index between Vietnam and Bulgaria for HS 09 commodities was 0.75, meaning that Vietnam was under-reporting exports to Bulgaria and Bulgaria was over-reporting imports from Vietnam. The asymmetry in bilateral trade data reported by Vietnam and Bulgaria may originate from differences in valuations of imports and exports (CIF-FOB

differences), differences in attribution of trade partners, differences in recording re-exports, and other sources of discrepancies (Javorsek, 2016).

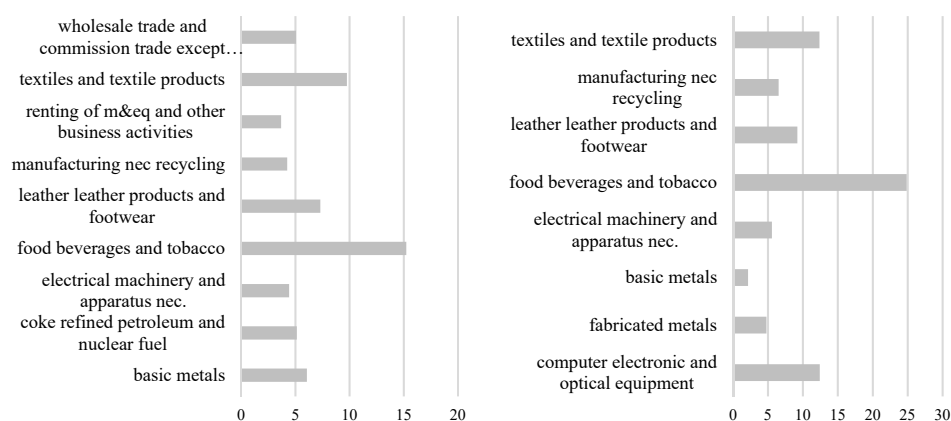
In trade structure by partners, Vietnam modestly made up to 0.1% of total Bulgarian imports and 0.2% of Bulgarian exports. Leading suppliers for Bulgaria came from EU countries. Germany was the largest exporter to Bulgaria, accounting for 12.13% of total imports of the country, followed by Italy, Romania and Turkey at around 7% of Bulgaria’s import turnovers in 2020. EU countries still continually were key destinations of Bulgaria’s export flows. The share of Bulgaria’s exports targeted to Germany, Romania, Italy, Greece, and Turkey in 2020 were respectively 16.1%; 9.1%; 6.9%; 6.7%; 6.4%. Asia-European trans-continent trade of Bulgaria significantly converged on China from 2010 to 2020. Vietnam’s partner-related trade story has the same regional characteristic as the case of Bulgaria’s one. Essential trade partners of Vietnam geographically concentrated on East Asian countries like ASEAN, China, Japan, and South Korea. The U.S. and EU are key trade partners, too, but are vital destinations for Vietnamese exports. Bulgaria accounted for only an insignificant share, 0.02%, in Vietnamese exports and imports.

Under trade in value-added perspective, Vietnam’s backward linkage to Bulgaria reached a value of \$20.79 million, equivalent to 0.06% of the total export of Bulgaria in 2017. Vietnamese exports are embedded in Bulgaria’s exporting sectors: food beverages and tobacco (15.24%), textiles and textile products (9.76%), leather products and footwear (7.3%), primary metals (6.07%), coke refined petroleum and nuclear fuel (5.14%). On the other hand of the scale, Bulgaria’s value-added account for 0.018% of Vietnam’s exports to the World in 2017. Food beverages and tobacco, computer electronic and optical equipment, textiles and textile products, leather products and footwear, manufacturing new recycling were the top five Vietnamese exporting sectors that used inputs from Bulgaria with the respective share of 24.85%, 12.43%, 12.37%, 9.22%, 6.52%.

Figure 2

Backward linkages between Vietnam and Bulgaria by sector in 2017 (%)

- a. Vietnam’s value-added Bulgaria’s exports to World by sectors      b. Bulgaria’s value-added in Vietnam’s exports to World by sectors



Source: <https://riva.negotiatetrade.org>

According to the RIVA database in 2017, 73.2% of inputs came from domestic suppliers in total Vietnamese exports to Bulgaria. The rest came from foreigners, mainly ROW (6.3%), China (6.1%), South Korea (2%), Japan (1.8%) and the US (1.5%). In addition to 79.6% local contents, Bulgaria's imported inputs in exports of all sectors to Vietnam came from ROW (4.6%), Spain (1.9%), Germany (1.6%), Romania (0.84%) and Greece (0.78%).

### **3. Determinants**

#### *3.1. Cooperation framework*

Since the official establishment of the bilateral diplomatic relation between Bulgaria and Vietnam on February 8th, 1950, the two countries have signed several economic agreements. In 1993, the Agreement on Trade and Economic Cooperation between the Republic of Bulgaria and the Government of the Socialist Republic of Vietnam was signed in Hanoi. The Contracting Parties accord to each other the most-favoured-nation treatment in the field of trade, including the transport of goods for export and import, customs regulations, tariffs and additional costs related to the import and export of goods between the two countries. In 1996, Hanoi continuing witness the signing of the Agreement on Mutual Promotion and the Protection of Investments and Double Taxation Avoidance between the two countries. Although those agreements created a favourable environment for bilateral trade and investment, they lasted only six years (the former agreement) or ten years (for the two later agreements). Therefore Vietnamese and Bulgarian trading firms did not enjoy preferential tariffs over other trade partners who had free trade agreements with the two countries.

EVFTA, which has characteristics of a new generation free trade agreement, was expected to open a new brighter chapter for bilateral trade growth between the two countries. Regarding commitments to open markets for merchandise goods, the EU has eliminated import tax on about 85.6% of Vietnam's export tax lines to the EU as soon as the agreement comes into effect. By 2027, the number of import tax lines eliminated by the EU will reach 99.2%, equivalent to 99.7% of Vietnam's export turnover. About 0.3% of Vietnam's remaining export turnover will be subject to a tariff quota by the EU with an import tax rate within the quota of 0%. The EVFTA market access commitment is the highest commitment Vietnam has ever enjoyed among FTAs it has engaged, especially when the EU is one of Vietnam's key export markets.

On the contrary, Vietnam also committed to eliminating tariffs according to the milestones immediately after the agreement entered into force, seven years and ten years after the agreement entered into force, respectively, 48.5%; 91.8%; and 98.3% of tax liens. Vietnam will eliminate about 1.7% of the remaining import tax lines according to the schedule or apply tariff quotas according to WTO commitments. Under EVFTA, Vietnam and the EU have also agreed to implement several non-tariff trade management measures to facilitate trade, such as customs procedures, SPS, TBT, and improve transparency in the legal environment. At the same time, the two sides have committed that electronic transactions will be exempt from import tax and continue to maintain dialogue on management issues related to e-commerce.

The EVFTA requires wholly obtained for most Vietnamese exporting agricultural products. For other cases of acceptance of rules of origin, the EVFTA requires a code conversion rule, often accompanied by a requirement for a limit on the proportion of non-originating raw materials (between 20% and 60%). For industrial products (except textiles), standard rules of origin (ROO) applied are a requirement in local value content (LVC) used in production; change in tariff heading (CTH); and specific processing of production.

Table 1

ROO for some HS codes under EVFTA

HS	ROO
Plastic (HS 39)	CTH or LVC 50%
Rubber (HS 40)	CTH or LVC 70% (with some exceptions of used car tires; refillable car tires)
Transportation means (HS 87)	<ul style="list-style-type: none"> <li>• LVC 45% for cars and auto components</li> <li>• CTH or LVC 50% for motorcycles and motorcycle components</li> </ul>
Wood and wood products (HS 44 và 94)	<ul style="list-style-type: none"> <li>• CTH or LVC 70%</li> <li>• Some raw wood products: Rules of specific processing of production</li> </ul>

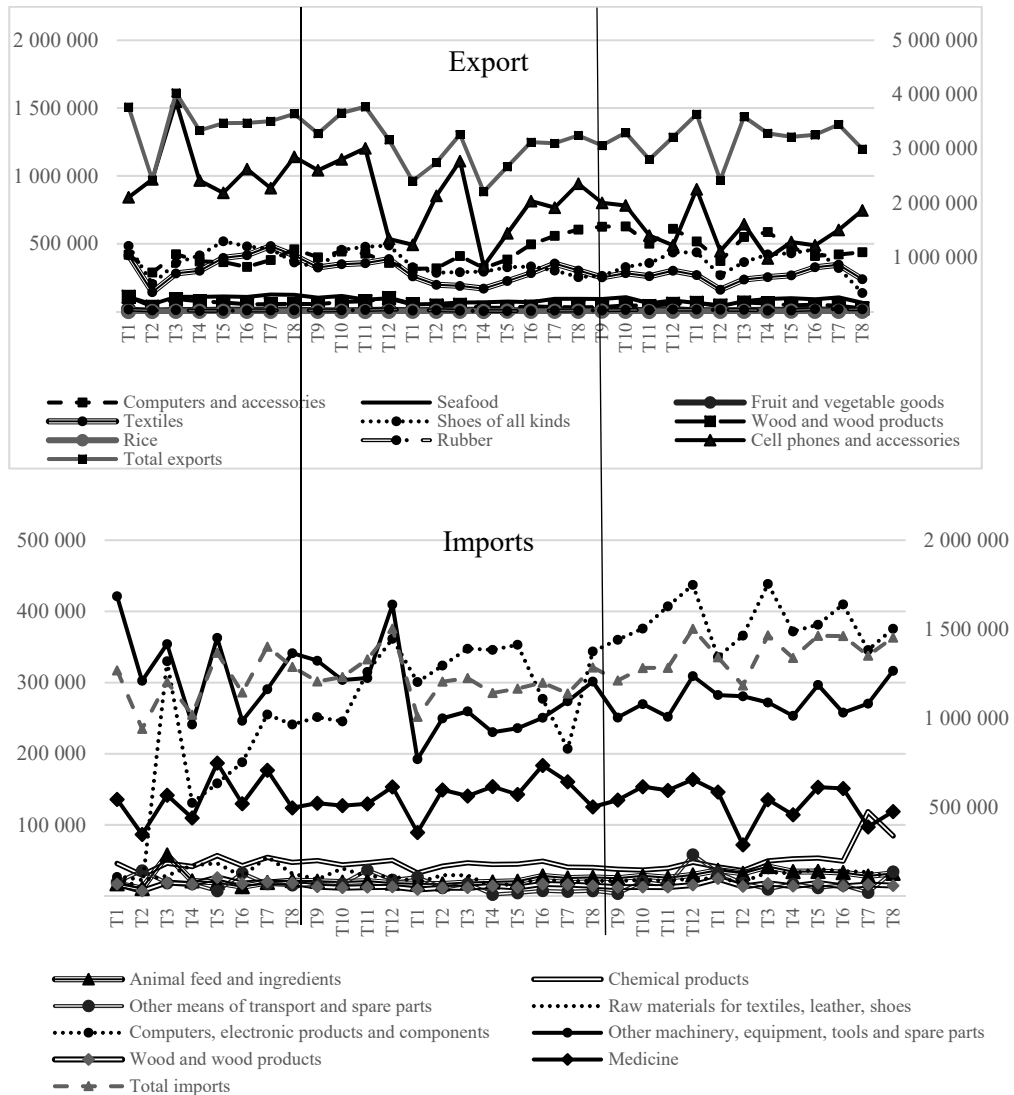
Source: Ministry of Trade and Industry, Vietnam (2019).

From the analysis of backward linkages between the two countries taken in the previous part, we can essentially be free of anxiety about the lack of qualification to EVFTA's ROO when Vietnamese products are exported to Bulgaria. Vietnam's imports embedded in its total sector exports to Bulgaria generally owned local value content of 73.2%, higher than most of the requirements in industrial products' local value content in ROO under EVFTA.

The EVFTA created highly favourable conditions to promote Vietnam's essential products to the EU market and created a premise for diversifying export markets. From the time EVFTA officially took effect, bilateral trade between Vietnam and the EU in the first eight months of 2021 reached approximately \$37 billion, up 14.9% over the same period in 2020 when the Agreement did not come into force. Eight-month export turnover reached nearly \$26 billion, up 14%, and imports from the EU into Vietnam reached \$11.1 billion, up more than 18.05% over the same period in 2020. Export of iron and steel products in the first eight months of 2021 had a turnover of approximately 1.1 billion USD, gaining a growth of up to 990% over the same period in 2020. In the first eight months of 2021, Vietnam's products with export turnover of over 1 billion USD to the EU, such as computers and components; other machinery, equipment, tools and spare parts; textiles, garments; and shoes of all kinds, had immediately taken advantage of the tariff incentives of the EVFTA Agreement with the growth rate of 11%; 55%; 6%; and 17% over the same period respectively. In addition, Vietnam's agricultural and forestry products exported to the EU market have recorded strong growth since the agreement came into effect. Export turnover in the first eight months of 2021 to the EU market of pepper, seafood, vegetables, wood and wood products, rice, tea, and rubber grew by 57%; 10%; 6%; 29%; 21%; 68%; and 127% over the same period in 2020. The commitments to 100% import tax exemption and reduction immediately when the EVFTA comes into effect have brought price advantages to Vietnam's exports in general and vital exporting products in particular.

Figure 3

Import and export turnover of Vietnam to the EU by month in the period of 2019-2021



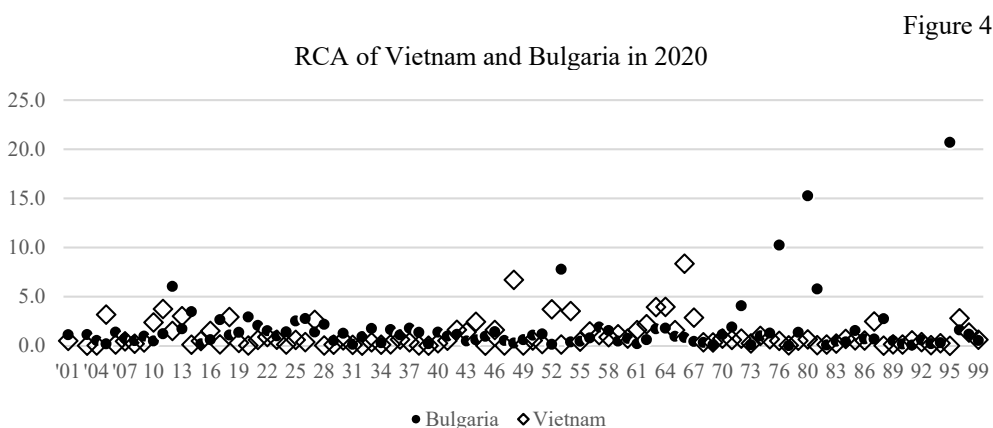
Source: General Statistics Office, Vietnam.

Since the EVFTA took effect until June 4th, 2021, 180,551 sets of C/O form EUR.1 have been issued by authorised agencies and organisations, with a turnover equivalent to more than 6.6 billion USD to 27 EU countries, in which mainly exports of footwear, textiles, fishery products, electronic goods etc. Exporters have self-certified 4,845 shipments valued

at more than 14.91 million USD to the EU to enjoy preferential tariffs under EVFTA (Ngân An, 2021). Besides the growth in the value of two-way trade between Vietnam and the EU, Vietnam's attracting investment from the EU has also achieved very encouraging results. Commitments to transparency in governance have helped improve the investment trade environment and facilitate investment flows from the EU. Accumulated to June 2021, Vietnam recorded 2,221 projects (an increase of 142 projects over the same period in 2020) from 26/27 EU countries, corresponding to a total registered investment capital of 22,216 billion USD (up 449 million USD over the same period in 2020). Total FDI into Vietnam invested by EU companies accounted for 5.58% of total registered investment capital and 6.57% of projects (Ngân An, 2021).

### 3.2. Trade characteristics

The paper uses three trade indicators to illustrate the trade characteristics of Bulgaria and Vietnam: Revealed Comparative Advantages index (RCA), Trade Complementarity Index (TC), and Export Specialization Index (ES). The first index helps assess the two countries' export potential. In contrast, the second one can provide helpful information on prospects for intraregional trade in that it shows how well the structures of a country's imports and exports match. The last but not most undersized index, ES, provides product information on revealed specialisation in the export sector of the two countries.



*Source: Authors' calculation.*

The RCA index of country  $i$  for product  $j$  is attained by the product's share in the country's exports concerning its share in world trade. A country that owns an RCA score under unity in any product does not have a comparative advantage. On the contrary, an RCA score that exceeds unity signals a product's revealed comparative advantage. According to the illustration from Figure 4, Bulgarian and Vietnamese RCA scores overlap in several products. 38/97 HS codes have gaps in the RCA scores of less than 0.5 points, of which about 20 HS codes are precisely at the same value. More than half of the total HS codes, 52/97, of the two countries differ less than one point. Fortunately, those products have low RCA scores and are not the two countries' major exporting products. The top ten HS codes occupying the



most significant RCA scores in Vietnam and Bulgaria are presented in Table 2. Footwear, textile, and food products lead in RCA score on the Vietnam side, while agricultural, metal, and weapon products are RCA leaders on the Bulgaria side. The differences in RCA scores of crucial export products of the two countries prove trade potentials between them.

Table 2

RCA for selected HS codes of Vietnam and Bulgaria in 2020

HS	Product details	RCA	HS	Product details	RCA
24	Tobacco and manufactured tobacco substitutes	2.8	16	Preparations of meat, of fish or crustaceans, molluscs or other aquatic invertebrates	2.9
18	Cocoa and cocoa preparations	2.9	11	Products of the milling industry; malt; starches; inulin; wheat gluten	3.0
12	Oil seeds and oleaginous fruits; miscellaneous grains, seeds and fruit; industrial or medicinal ...	3.5	'03	Fish and crustaceans, molluscs and other aquatic invertebrates	3.2
70	Glass and glassware	4.1	52	Cotton	3.5
79	Zinc and articles thereof	5.8	50	Silk	3.7
10	Cereals	6.0	'09	Coffee, tea, maté and spices	3.7
51	Wool, fine or coarse animal hair; horsehair yarn and woven fabric	7.8	61	Articles of apparel and clothing accessories, knitted or crocheted	3.9
74	Copper and articles thereof	10.2	62	Articles of apparel and clothing accessories, not knitted or crocheted	4.0
78	Lead and articles thereof	15.3	46	Manufactures of straw, of esparto or other plaiting materials; basketware and wickerwork	6.7
93	Arms and ammunition; parts and accessories thereof	20.7	64	Footwear, gaiters and the like; parts of such articles	8.3

Source: Authors' calculation.

General TC formula between two countries is defined as

$$TC_{ij} = 100 * (1 - \text{sum} * (|m_{ik} - x_{ij}| / 2))$$

with  $x_{ij}$  is the share of good  $i$  in global exports of country  $j$  and  $m_{ik}$  is the share of good  $i$  in all imports of country  $k$ . A zero turnover of one country's export or its bilateral partner's import defines a zero TC value. In contrast, the total match between the import and export shares of the two countries leads to the maximum TC score of 100. Applying this index for bilateral trade between Vietnam and Bulgaria in 2010 and 2020 showed how to match Vietnamese and Bulgarian trade structures. With the TC performance scores between Bulgarian exports and Vietnamese imports fluctuating from 50 to 60, the two countries' trade structures complement each other. Conversely, the TC index for Vietnamese exports and Bulgarian imports stood in the range from 40 to 50 simultaneously, illustrating the average level of matching between Vietnamese exports and Bulgarian imports.

ES is calculated as the ratio of the share of a product in a country's total exports to the percentage of this product in imports to specific markets or partners. ES is also used to investigate the two countries' evident trade characteristics. The ES score below a unity means a comparative disadvantage, while an ES value above a unity illustrates specialisation in this market. Unlike the case of RCA, ESI for Vietnam and Bulgaria in 2020 did not attain the

approximate value in the majority of HS, implying heterogeneous comparative advantages of the two countries regarding export specialisation in the other country's market.

Figure 4

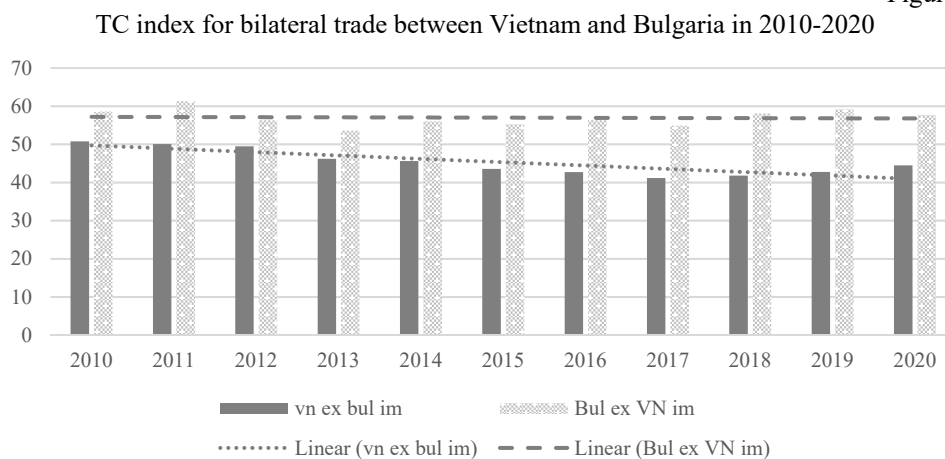
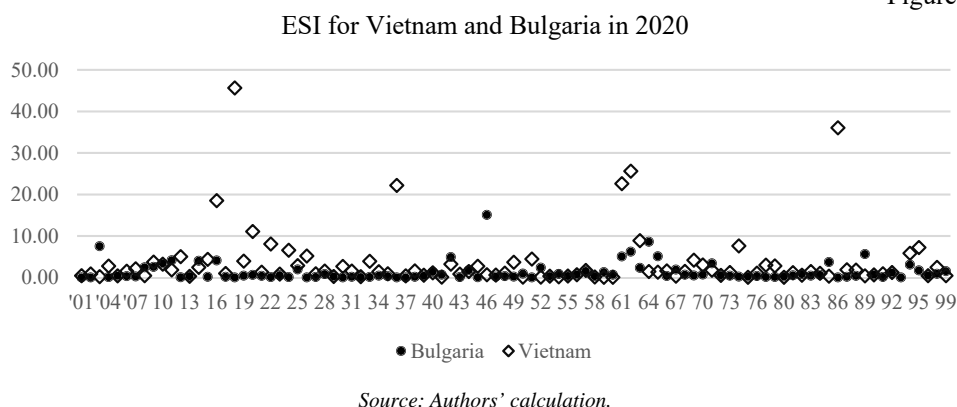


Figure 5

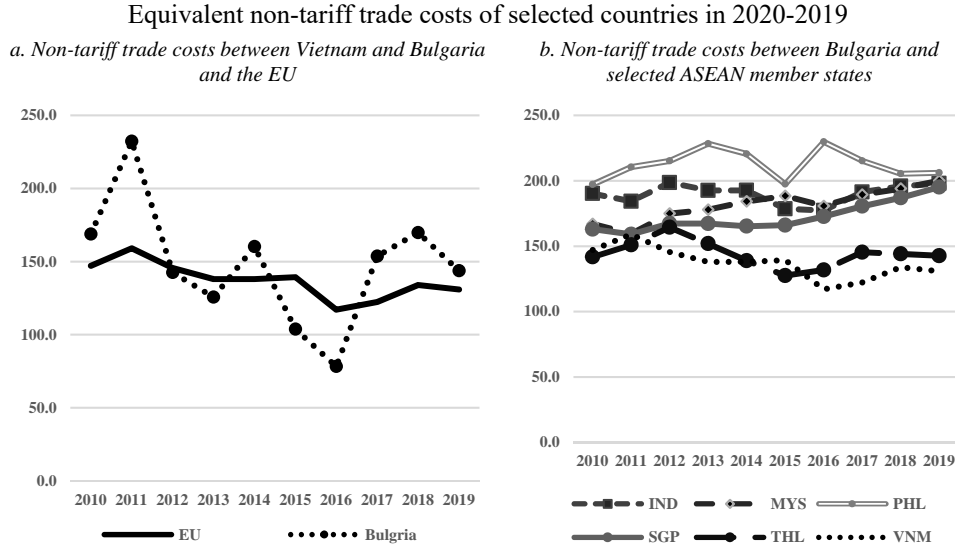


Bulgaria specialized in exporting HS 18; HS 86; HS 36; HS 62; and HS 61 to Vietnam market with impressively high ESI index of 45.6; 36; 22.2; 19.4; and 17.5 respectively. On the other hand, Vietnam had outstanding advantages in exporting HS 46; HS 64; HS 03; HS 89; HSS 65 to the Bulgarian market when these items' ESI was 14.4; 8.6; 7.2; 5.6; and 5.1, respectively.

### 3.3. Trade costs

The cost of non-tariff trade between Bulgaria and Vietnam in 2010-2019 is still higher than the average level of non-tariff costs between Vietnam and France, Germany and the UK. Goods traded between Vietnam and Bulgaria incur a non-tariff cost equivalent to 169% of the value of goods in 2010, then reduced to 144% in 2019. In cross-border exchanges with France, Germany, UK, and Vietnamese goods incur a lower cost than in the exchange with Bulgaria, at 147.2% of the value of goods in 2010 and 130.9% in 2019. However, it is good news that the rate of reduction in the cost of bilateral non-tariff trade between Vietnam and Bulgaria in the period 2010-2019 was faster than the average rate of reduction in the cost of non-tariff trade between Vietnam and Bulgaria. Three partners in the same period, 14.8% and 11.1%, respectively. Due to the lack of data, we use the average non-tariff trade costs with Germany, France, and the UK to proxy the cost of non-tariff trade between a Southeast Asian country and other countries. European countries and implications for Bulgaria. The bilateral non-tariff trade costs between Vietnam and Europeans are also lower than the bilateral non-tariff trade costs between other ASEAN countries such as Indonesia, Malaysia, the Philippines, Singapore, and Thailand. In 2019, the non-tax cost of goods exported from Vietnam, Indonesia, Malaysia, the Philippines, Singapore, and Thailand to Bulgaria was 130.9%, respectively; 387%; 200%; 195.2%; 142.7%. Moreover, Vietnam also recorded a significant reduction in non-tariff trade costs in 2010-2019, 11.1% compared to the reality in contrast to Malaysia, the Philippines, Singapore and Thailand with high trade costs. tax increases in the same period at 20%, 5%, 20%, 1% respectively.

Figure 6



Source: Authors' calculation.

Bulgaria's trade regulations align with the EU's common market access issues for Vietnamese firms. Bulgaria's imported goods are declared to customs by commercial documents or other relevant documents. As of January 2011, the European Commission's safety and security regulations for Advance Cargo Declaration are mandatory for all goods exported to, arriving at or moving through the EU. Products imported into the Bulgarian market are subject to value-added tax (VAT). Goods shipped to the Bulgarian market must also comply with EU standard weight regulations such as directive 80/232/EC on the permissible deviations of the minimum weight, the capacity of the container, and volume. Imported goods in the EU and Bulgaria are encouraged to achieve green label under an environmental labelling law in 1992, revised in 2000. Although obtaining a green label is optional and quite expensive as businesses can pay up to 1,300 Euros for registration, 25,000 Euros/year to buy the right to use the green label (small and medium-sized businesses get a 25% off) but the green label can be an effective marketing tool, as the demand for green and clean products is increasing in Europe in general and Bulgaria in particular.

In the case of food products, all food-related information must be accurate and in Bulgarian. Bulgaria follows all the common EU standards on the Phytosanitary Regulations standards for goods and services. Notably, products tested and certified abroad may be subject to testing and re-certification according to EU regulations. The EU may have a different approach to protecting consumer health, safety, and the environment. In recent years, EU standards have been developed under a New Approach applied in all 27 EU member states to ensure the free movement of goods between member states.

At the same time, Vietnam trading businesses also need to pay attention to the standard conformity assessment system. The European Product Law gives manufacturers several options concerning conformity assessment, depending on the degree of danger in using the product. These options can be self-certification, type inspection, production quality control system, and comprehensive quality assurance system. Enterprises can access the list of conformity assessment bodies of member countries at the following online address of the European Commission: <http://Europa.eu.int/comm/enterprise/nando-is/home/index.cfm>. Businesses are allowed to participate in voluntary conformity assessment programs to speed up the certification process of the final product. In addition, enterprises exporting to the Hungarian market also need a certificate of safety for users (CE). Although the CE marking is used primarily for inspection purposes, consumers may consider it a quality certification mark.

Although Vietnam's exports must meet many different standards to access the Bulgarian market, the country has shown its efforts to reduce the risk of non-tariff measures becoming non-tariff barriers by implementing trade facilitation measures. According to the UN global survey on Digital and sustainable trade facilitation, Bulgaria's trade facilitation performance score has increased from 60.22% in 2015 to 86.02% in 2021, while Vietnam has improved its implementation status from 48.39% in 2015 to 61.29% in 2021. Significantly, measures such as publication of existing import-export regulations on the internet; advance publication/notification of new trade-related rules before their implementation; advance ruling tariff on classification and origin of imported goods have been fully implemented by Bulgaria and partly implemented by Vietnam have somewhat helped exporters and importers of the two countries reduce fixed and variable costs regarding market information.

#### **4. Prospects for Trade Relations between the Two Countries in the Coming Time**

From the analysis of the current situation and factors affecting the bilateral trade of Vietnam and Bulgaria, some prospects for trade relations between the two countries in the coming time can be drawn. Firstly, the characteristics of the trade structure of Vietnam and Bulgaria show the potential for growth in bilateral trade between the two countries. Products with export strengths of Vietnam and Bulgaria also do not overlap. Moreover, the export structure of Vietnam and the import of Bulgaria and the structure of Vietnam's import and export of Bulgaria are complementary. Secondly, the EVFTA has brought many opportunities for bilateral trade and investment between Vietnam and Bulgaria. Most of the tariff barriers are removed as soon as the agreement comes into force, which will directly impact increasing bilateral trade flows between the two countries. Besides, the import and export goods of Vietnam and Bulgaria will also benefit indirectly from implementing the agreement. The Vietnamese government has carried out various mandatory institutional measures following its commitments to the EVFTA. Ministry of Industry and Trade has cut 680/1216 business conditions under the State management of the Ministry of Industry and Trade since 2020, of which 205 business conditions were cut in the period 2019/2020. As a result, fixed and variable trade costs related to import and export procedures will undoubtedly continue to be reduced.

Third, Vietnam needs to continue promoting and strengthening trade relations with Bulgaria. Bulgaria is a member of more than 40 trade agreements with 80 countries worldwide, including the EU-Vietnam Free Trade Agreement (EVFTA). It also has a seaport which correctly serves import and export activities. Therefore, Bulgaria can become a distribution centre for goods with other countries, the bridge for Vietnamese enterprises to enter the large EU market. Successfully exporting merchandise goods into the Bulgarian market means successful EU market penetration. Furthermore, Bulgaria is also one of the suppliers to the EU market so that Vietnamese intermediate goods can enter the EU value chain through the Bulgarian market.

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