



# EU-Vietnam Free Trade Agreement Opportunities for businesses & how to unlock its' full benefits?

European Chamber of Commerce in Vietnam

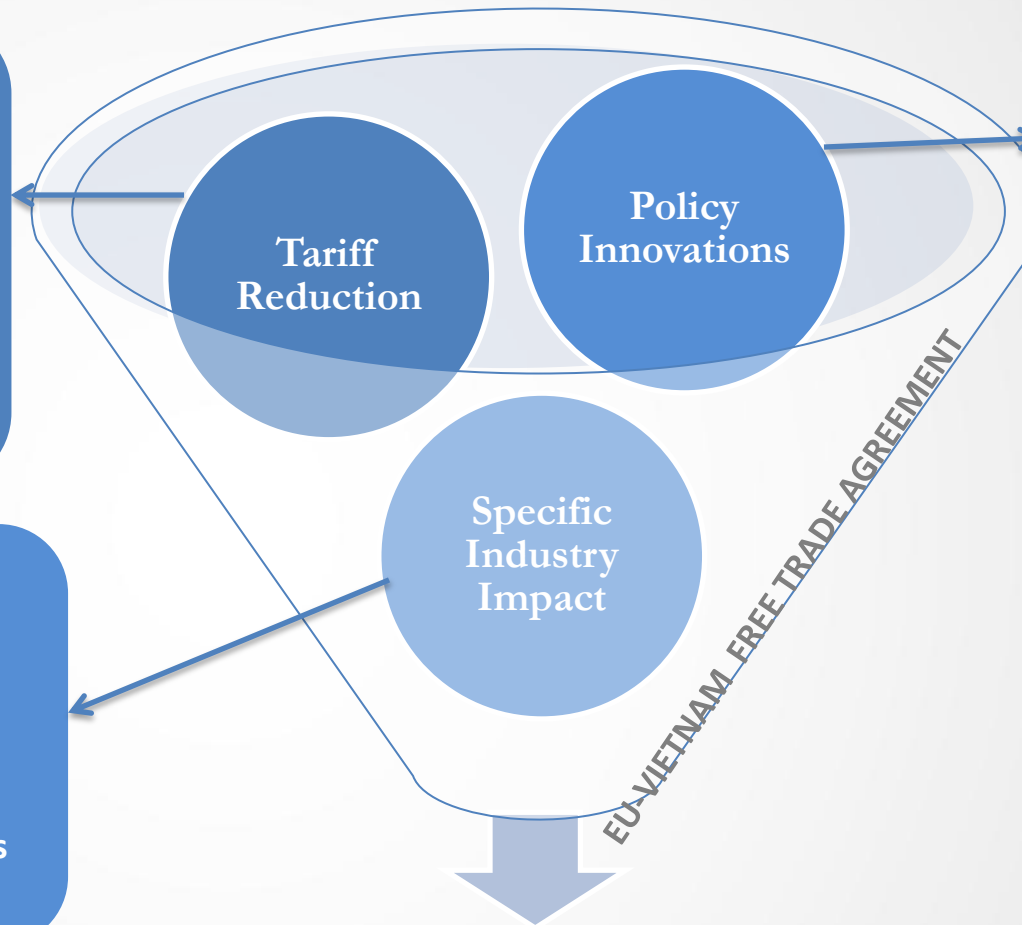
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EuroCham Vice-Chairman



# EVFTA at a Glance

- EU-Vietnam Trade: 99% reduced after 10 years liberalization by Vietnam
- Vietnam-EU Trade: 99% reduced over 7 years

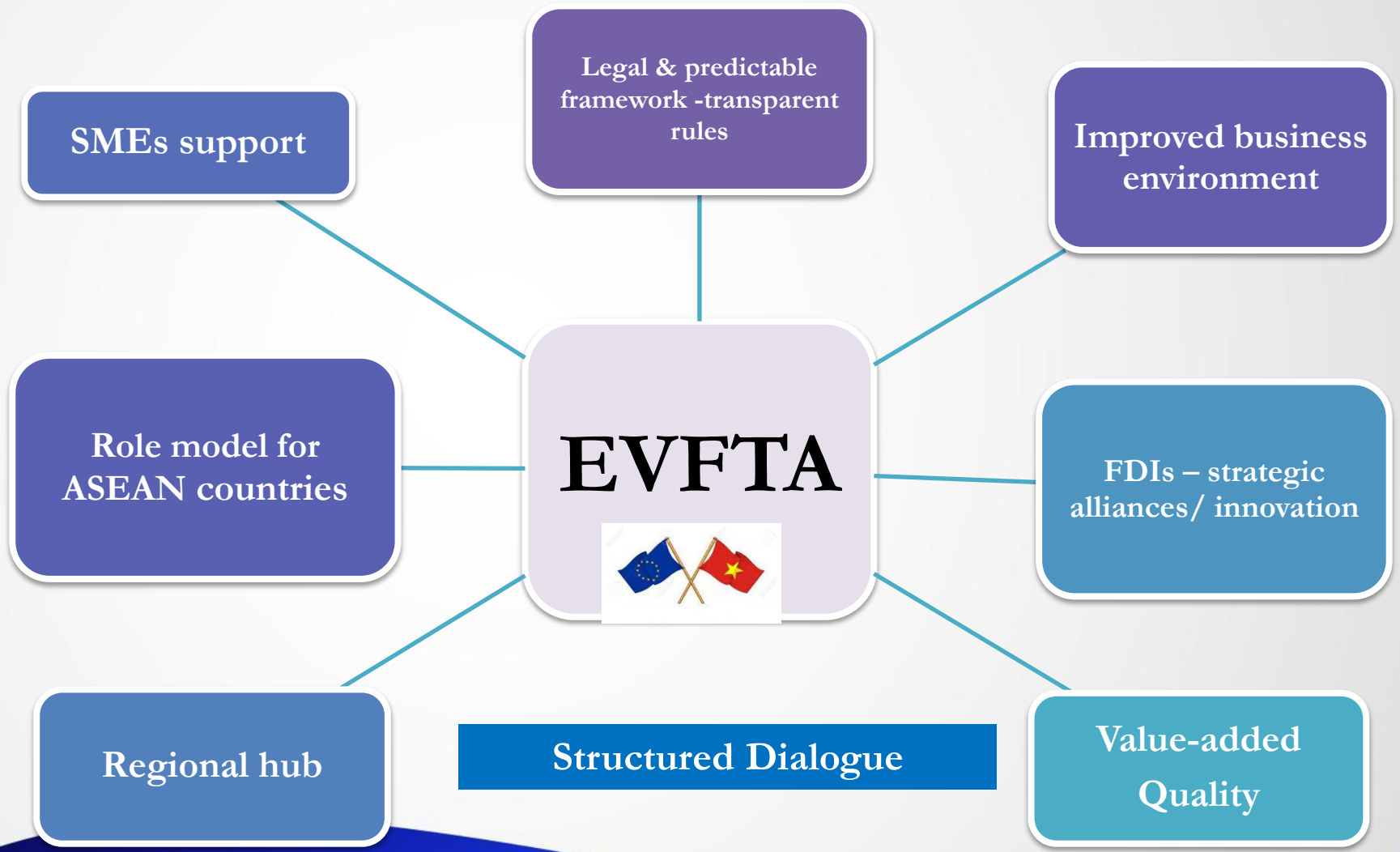
- IT
- Automotive
- Machinery
- Agribusiness
- Fisheries
- F&B
- Pharmaceuticals
- Others



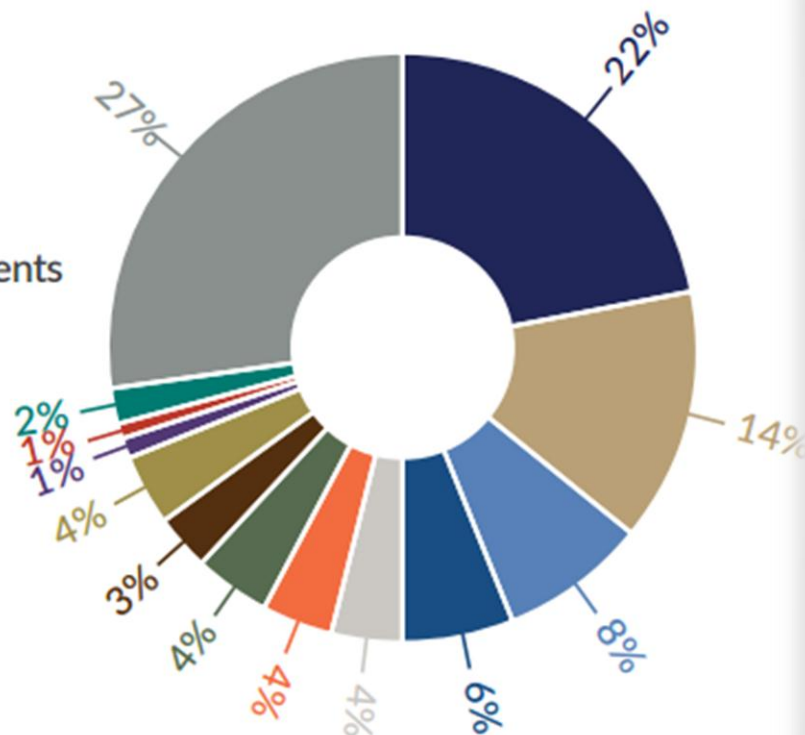
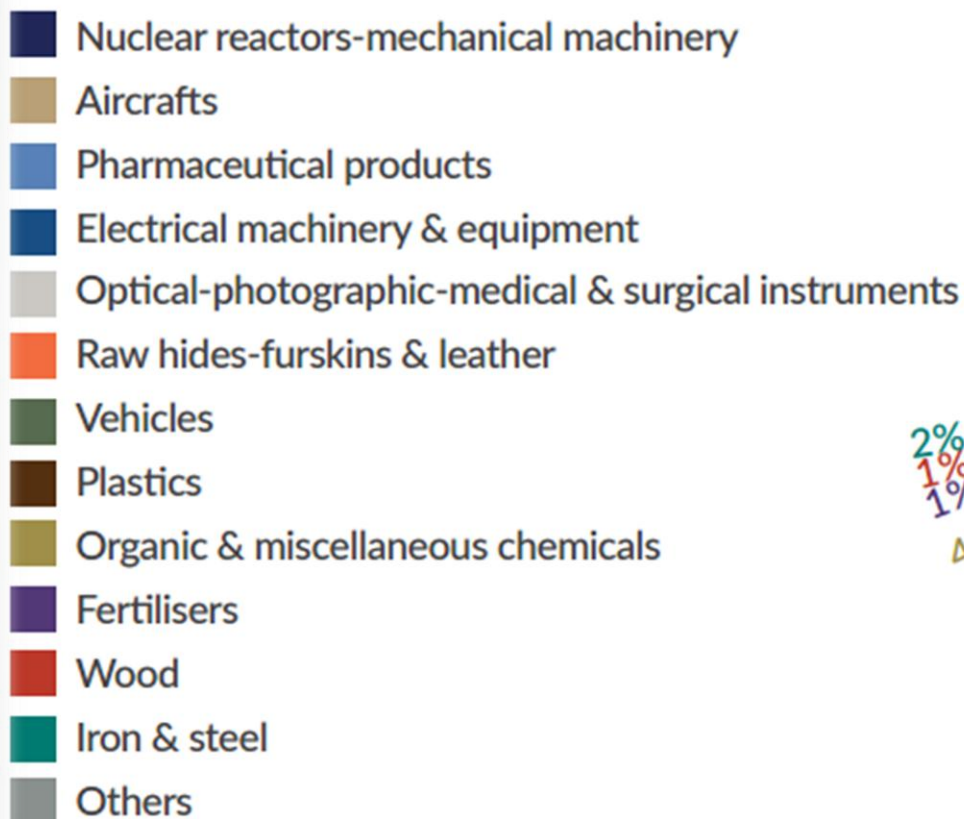
- Customs and Trade Facilitation
- Rules of Origin
- Geographical Indications
- Bilateral Dispute Settlement
- Investment Protection
- IPRs
- Others

**Vietnam and the EU gain preferential Access to each other's Markets**  
**Potentially Large Economic Impact**

# Benefits of EVFTA

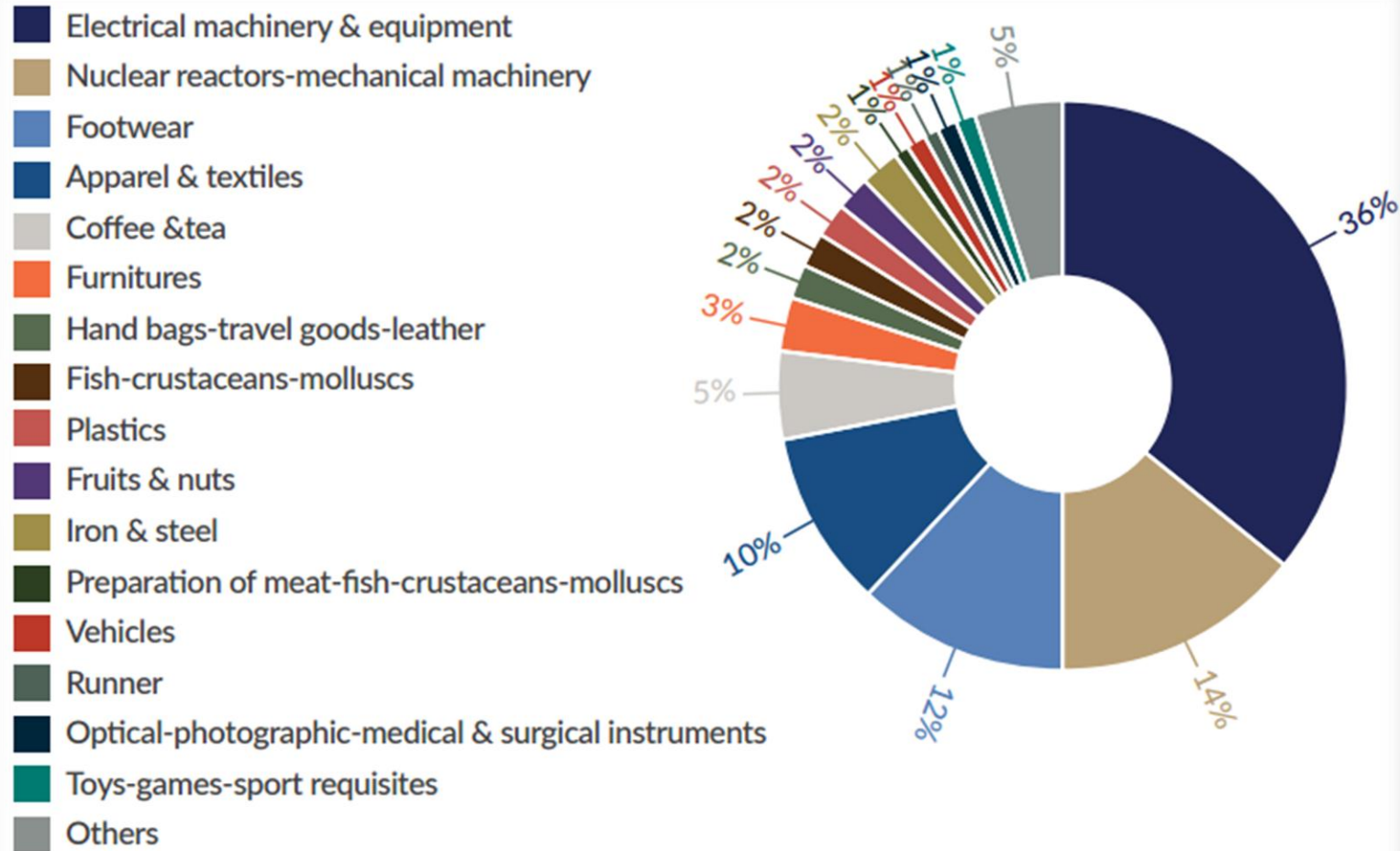


# EU exports to VN



*EU28's main export products to Vietnam in 2015*  
*Source: Eurostat; Update: 24 April 2016*

# VN exports to EU



*Vietnam's main export products to the EU-28 in 2015*  
*Source: Eurostat; Update: 24 April 2016*

# Expected changes after EVFTA



- **The value of Vietnam's export to EU will increase 20% in 2020 and 44,37% in 2030. EVFTA will help to increase 2,18-3,25% GDP of Vietnam (2019-2023) and 4,57-5,30% (2024-2028)\***
  - VN is among top **10 exporting countries** of the EU
  - EU exports to Vietnam ranked among **top 5 in 2016** and is estimated to increase by more than **3%** annually.
  - Within ASEAN, **Vietnam is EU's 2<sup>nd</sup> biggest trade partner, largest exporter of goods**
  
- **Tariff reduction and tariff elimination for EU companies:**
  - Machinery & appliances: Almost all EU exports fully liberalised at entry into force (EIF); The rest after 5 years
  - Automotive: Car parts: After 7 years; Cars: 10 years, except large engines after 9 years
  - Wines and Spirits: After 7 years
  - Food: Dairy after 5 years; Frozen pork meat will be duty free after 7 years, etc.
  - Pharmaceuticals: Around half are duty free at EIF; The rest after 7 years
  
- **Tariff reduction and tariff elimination for VN companies:**
  - Coffee, fresh fruit and vegetables will be liberalised upon EIF
  - Rice: applicable quotas 80.000 tones/year with the 0% duty tariff
  - Seafood: 50% reduction upon EIF and the rest will liberalised 3-7 years
  - Textile: 42,5% of tariffs will beliberalised upon EIF, the rest will be removed 3-7 years.
  - Computers and electronic: 74% of tariffs will beliberalised upon EIF, the rest will be removed 3 - 5 years

# Expected changes after EVFTA

- **Removal of non-tariff barriers:**
  - ❖ Vietnam accepts the marking of origin “Made in EU” for non-agricultural goods (except pharmaceuticals).
  - ❖ Member State-specific markings of origin will continue to be accepted as well.
  - ❖ This provision will allow manufacturers to reflect the increasing EU market integration.
  - ❖ Automotive: Recognition of EU vehicle whole certificate of conformity 5 years after EIF.



# Expected changes after EVFTA

- **Better protection of the Foreign Direct Investment (FDI) under EU – Vietnam Investment Protection Agreement (EVIPA)**
  - ❖ Bilateral agreements on the protection of foreign direct investments (FDI) will be replaced by the EVIPA
  - ❖ Investment disputes will be adjudicated by highly qualified, independent and impartial Tribunal Members (Tribunal and Appeal Tribunal).
  - ❖ Decisions that have been made by this Tribunal couldn't be revised or annulled by local jurisdictions.
  
- **Better Protection of the Intellectual Property Rights**
  - ❖ Extension term of protection for design to 15 years
  - ❖ Recognition of the **Geographical Indications**, as distinctive sign used to identify a product as originating in a territory of a particular country, region or locality where its quality reputation or other characteristics are linked to its geographical origin.
  - ❖ Specific protection in the pharmaceutical sector



# Expected changes after EVFTA

## ▪ Public markets access

- ❖ Upon entry into force of the Agreement, EU companies will be able to bid for public procurement contracts under the same conditions as the Vietnamese companies.
  - ➔ Public entities: all ministries at central level including infrastructure such as road and ports, 42 other entities such as Electricity of Vietnam, 34 public hospitals, 2 majors universities
  - ➔ Public markets (except construction): Initial threshold of 1.5 million that would gradually reduced to €160.000
- ❖ Europeans companies could bid for Aviation Corporation of Vietnam public procurement contracts for the construction of Long Thanh airport by 2019.

## ▪ Transparency and effectiveness of customs procedures

- ❖ Modernisation and simplification of customs procedures
- ❖ Establishment of a Special Committee on Custom where issues of concern can be addressed between EU and Vietnam

# Investment trends in key sectors

## Clean energy

- Attract private sector investment and innovation in efficiencies
- Investment in the use of domestic natural gas
- Investments in renewables for local and foreign investors, technology and service providers

## Food, Agriculture & Aquaculture Business

- More processing companies (*reasonable labor cost and available produce*)
- More investments in high-tech agriculture (*increase of machinery products, adapting new technology solutions*)

## Machinery

- Increased FDI in production of machinery (*followed the manufacturing investment in food products and beverages, gloves and plastic products, construction materials and agriculture machinery*)
- Promote supporting industries (*for automotive, electronics industries*)

## Pharmaceuticals

- Opportunity for Vietnam to become the ASEAN hub for innovative pharmaceutical manufacturing: enablers and incentives required

# Investment trends in key sectors – improvements to be made in Vietnam

## Automobile & Motorcycle

- Improvement of customs procedures and tariffs for imported vehicles
- **Opportunities to allow the import of remanufactured goods**

## Food, Agriculture Aquaculture

- Improvement of administrative procedures related to import / export of food products
- **Improvement of food safety and quality**
- More protection of IPR (GIs, etc.)

## Green Growth

- **Public bidding for public contracts in area of:**
  - Sustainable Building
  - Water & Waste Management
- Renewable energy
- Common definition renewable energy & renewable energy law in VN

## Intellectual Property Rights

- **Geographical Indications (GIs) are largely protected (VN commit to register and protect 169 listed GIs of the EU, and this list can be further added).**
- More active involvement of many other authorities in detecting infringement of IPRs and therefore better coordination and protection

## Nutritional Foods

- Import tariffs will gradually disappear, enabling importation of high quality infant formula products to Vietnam.
- Increase the market competitiveness and innovation

## Pharmaceuticals

- **Clearer legal framework to facilitate foreign direct investment**
- Removal of requirement on local clinical trial
- Increase access of foreign companies to public procurement
- Vietnam to become regional pharmaceutical hub

## Transportation & Logistics

- **Improvement of customs procedures to facilitate flow of goods**
- Clear legal framework to facilitate foreign direct investment
- Vietnam to become regional transportation hub

# EVFTA with broader perspective – access & opportunities to ASEAN



- Vietnam will join a select group of countries with **privileged, tariff-free access to Europe's over than 500-million-strong consumer market;**
- EU may provide **additional incentives to speed up the process of aligning national policies with ASEAN** regional goals and become a tool enhancing the ASEAN integration;
- The EVFTA should also **speed up the reduction of tariffs and increase consultation with European sectorial and industrial stakeholders operating within ASEAN;**
- Vietnam can become a **reference point, role model of the ASEAN countries** for trade and investment with EU, a hub within ASEAN

# Vietnam within ASEAN - Challenges

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- Ratification and implementation of EVFTA is only an initial step towards the progress of promoting EU-ASEAN FTA;
- Rules of Origin will continue to strictly apply free circulation for Vietnamese goods only or incorporating goods from countries having FTAs with EU such as Korean, soon Japan and Singapore. This is not applicable for other ASEAN origin.
  - Examples

# How to fully unlock EVFTA benefits

## for businesses?



- Work with Eurocham to call the Government to open up the **market and enhance free movement** of goods and services; moving from protectionism to the **market economy status**;
- Be aware of and promote EVFTA benefits and other EU values: **fair competition, transparency & integrity, adding values to society** (CSR, actions against global climate change, environment protection);
- Promote **connectivity and development enhancing connectivity & development** of rural and urban centers to **ensure balanced benefits** under the FTAs is very important for European businesses to invest in Vietnam and South-East Asia;
- Continuing advocacy efforts to **reduce and simplify domestic administrative procedures, harmonize the standards and promoting, raising awareness** on the FTA benefits to both central and local authorities;
- **Engaging the local stakeholders & private sector in the implementation, monitoring, evaluation process for trade & FTAs** and effective usage of business insights/expertise as they are considered by the Government as a **key driving force for facilitating trade and investment..**



# EVFTA- Useful sources

- **EVFTA text:**

<http://trade.ec.europa.eu/doclib/press/index.cfm?id=1437>

- **Tariff schedule of EU:**

[http://trade.ec.europa.eu/doclib/docs/2018/september/tradoc\\_157341.pdf](http://trade.ec.europa.eu/doclib/docs/2018/september/tradoc_157341.pdf)

- **Tariff schedule of Vietnam:**

[http://trade.ec.europa.eu/doclib/docs/2018/september/tradoc\\_157342.pdf](http://trade.ec.europa.eu/doclib/docs/2018/september/tradoc_157342.pdf)

- **Eurocham EVFTA Report:**

<https://www.eurochamvn.org/The-EVFTA-Report>

- **Guide on EVFTA of EU Delegation to Vietnam:**

[https://eeas.europa.eu/sites/eeas/files/eu\\_fta\\_guide\\_final.pdf](https://eeas.europa.eu/sites/eeas/files/eu_fta_guide_final.pdf)

- **Legislative train of EU Parliament:**

<https://www.europarl.europa.eu/legislative-train/theme-a-balanced-and-progressive-trade-policy-to-harness-globalisation/file-eu-vietnam-fta>





# THANK YOU!





# STAY CONNECTED!



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