

What is the impact of the entry into force of the European Union - Vietnam Trade Agreement?

One year and a month after the signing of the Free Trade Agreement between the European Union (EU) and Vietnam - the most ambitious agreement of its kind ever concluded by the EU with a developing country - it has entered into force. Thus, from August 1st, 2020, EU exports to Vietnam will be taxed less and the duties on 99% of all goods traded between the two countries will be eliminated. Doing business in Vietnam will also become easier for European companies: the European business people will now be able to invest and pitch for government contracts with equal chances to their local companies.

EU-Vietnam Trade Agreement Benefits for SMEs

For small and medium-sized enterprises (SMEs), barriers to trade are much harder to overcome than for larger companies. This is why SMEs have to struggle harder to transport their goods to other countries or to meet local requirements for the service they want to deliver on other markets. And yet, SMEs represent 80% of all EU exporters, accounting for more than one-third of the value of EU exports.

In order to support this important segment, the European Union has developed the Agreement with Vietnam in such a way as to increase trade between the two parties and, in particular, the volume of exports provided by SMEs. This becomes feasible due to the following provisions:

1. Eliminating customs duties

The EU-Vietnam trade agreement will eliminate more than 99% of all tariffs, and partially remove the remaining tariffs. Thus, 65% of taxes on EU exports to Vietnam will be eliminated upon the entry into force of the agreement, the rest being phased out over a 10-year period. EU duties on imports from Vietnam will be eliminated progressively over a 7-year period. This asymmetric approach takes into account the fact that Vietnam is a developing country.

2. Protecting European Geographical Indications

169 distinctive European food and drinks products will be protected from imitation on the Vietnamese market. The use of geographical indications (GIs) such as Champagne sparkling wine, Bayerisches Bier, Parmigiano Reggiano cheese, Tiroler Speck ham, Rioja wine or Feta cheese will be reserved in Vietnam for products imported from the EU regions where they traditionally come from.

Vietnamese GIs will also be recognized and protected in the EU, further promoting imports of quality products such as Mộc Châu tea or Buôn Ma Thuật coffee. The agreement will allow new GIs to be added in the future to the list of protected GIs.

3. Reducing non-tariff barriers to European exports

The EU and Vietnam have agreed to go beyond the rules set out in the WTO Technical Barriers to Trade agreement. In particular, Vietnam has committed to apply the international standards when drafting its regulations.

The agreement also contains a chapter on sanitary and phytosanitary measures, to make trade in plant and animal products easier. The agreement also contains a specific annex with far-reaching

provisions to address non-tariff barriers in the automotive sector, including the recognition of the EU whole vehicle certificate of conformity five years after the entry into force of the agreement.

4. Public procurement

Thanks to the agreement, EU companies will benefit from a level of access to Vietnamese procurement markets that companies from no other country do. EU companies will be able to bid for public contracts with Vietnamese ministries and important state-owned enterprises, as well as the two biggest Vietnamese cities, Hanoi and Ho Chi Minh City. The agreement is fully in line with the rules of the WTO Government Procurement Agreement, thus achieving a degree of transparency and procedural fairness comparable to other EU trade agreements with developed countries and more advanced developing countries.

5. Safeguarding social and environmental protection standards

The EU and Vietnam have agreed on a comprehensive chapter on trade and sustainable development, with an extensive list of commitments. These include the effective implementation of core labor standards and the International Labor Organization (ILO) Conventions, the multilateral environmental agreements that the EU and Vietnam have ratified, such as the Paris Agreement, and personalized settlement of disputes for Trade and Sustainable Development.

6. Promoting democracy and respect for human rights

There is an institutional and legal link between the Free Trade Agreement and the EU-Vietnam Partnership and Cooperation Agreement (entered into force on October 1, 2016). This link allows measures considered as appropriate in the case of breaches of human rights, including the suspension of the Trade Agreement.

7. Creating a level playing field for EU companies and innovative products

The EU-Vietnam Trade Agreement will level the playing field between state-owned enterprises and private enterprises when state-owned enterprises are engaged in commercial activities. There are also rules on transparency, and consultations on domestic subsidies. These are the most ambitious rules that Vietnam has ever agreed to in an international agreement.

On intellectual property rights, Vietnam has committed to a high level of protection that goes beyond the standards of WTO Trade-Related Aspects of Intellectual Property Rights (TRIPS) agreement. With this agreement, EU innovations, artworks and brands will be better protected against being unlawfully copied, including through stronger enforcement provisions.

The EU pharmaceutical sector in particular will benefit from improved protection of test data and from the possibility to get an extension of the term of the patent up to two years if there are delays in the marketing authorization. Vietnam has also taken ambitious commitments concerning the procurement of pharmaceutical products, for instance allowing companies with European capital to import and sell medicines to distributors and wholesalers within the country.

8. Opening the Vietnamese market for EU services providers

Vietnam has committed to substantially improve the access for EU companies to a broad range of services: (1) Business services, (2) Environmental services, (3) Postal and courier services, (4) Banking, (5) Insurance and (6) Maritime transport.

9. Promoting bilateral investment

Vietnam has committed to open up to investments in manufacturing in key sectors: (1) Food products and beverages, (2) Fertilizers and nitrogen composites, (3) Tires and tubes, (4) Gloves and plastic products, (5) Ceramics and (6) Construction materials.

10. More effective dispute resolution

The dispute resolution mechanism set up by the agreement is faster and more efficient than the dispute settlement mechanism in the WTO framework. It applies to most areas of the agreement and is intended as a last resort, should the EU and Vietnam fail to find a solution by other means.

How will SMEs benefit from this Agreement?

Vietnam is one of the fastest growing economies in the world. It is also a hub for European companies wishing to open production and export points, Vietnam being a central location in the countries of the Association of Southeast Asian Nations (ASEAN).

Thanks to the entry into force of this trade agreement, the EU has for the first time preferential access to this vibrant economy of almost 100 million people, with the fastest growing middle class in ASEAN and a young and dynamic workforce. In addition, this agreement with the European Union helps to intensify and strengthen Vietnam's integration process into the global economy.

By eliminating taxes, EU SMEs will be able to export to Vietnam without having to pay additional tariffs. Some products, like almost all machinery and appliances and all textiles, are exempt from any tax from August 1, 2020, the date of entry into force of the Agreement. The same applies to around half of the EU's pharmaceutical products. For other products, tariffs will be reduced over time and will be eliminated no later than ten years after the entry into force of the trade agreement, by 2030 at the latest.

Sanitary and phytosanitary measures for agri-food exports will be facilitated thanks to the recognition of the EU as a single entity, which will introduce transparency and streamlined procedures for the approval of EU exports.

Nevertheless, Intellectual Property Rights (IPR) holders will be granted strengthened legal protection and can take more effective and efficient action against IPR infringements.

EU-Vietnam Commercial Relations

Vietnam is the EU's second largest trading partner in the ASEAN countries after Singapore. In 2019, the value of trade in goods was worth € 45.5 billion and the value of trade in services was approximately € 4 billion (2018).

The EU's main exports to Vietnam are high-tech products, including electrical machinery and equipment, aircrafts, vehicles, and pharmaceutical products. Vietnam's main exports to the EU are electronic products, footwear, textiles and clothing, as well as coffee, rice, seafood, and furniture.

With a total foreign direct investment stock of €7.4 billion (2018), the **EU is one of the largest foreign investors in Vietnam**. Most EU investments are in industrial processing and manufacturing.

The agreement with Vietnam is the second trade agreement the EU has concluded with an ASEAN member state, following the recent agreement with Singapore. This achievement is an important step in the European Union's efforts to intensify and strengthen trade relations with Asian countries, adding another functional free trade agreement to the existing ones with Japan and the Republic of Korea.

Romania-Vietnam bilateral trade

In 2019, the volume of bilateral trade increased by 31.2% compared to the previous year. The import of Vietnamese products in Romania registered the amount of 185.10 million Euros and the export of Romanian products reached the amount of 53.40 million Euros, the balance being - 131.60 million Euro for Romania.

The main products exported by Romania to Vietnam in the previous year were: medicines, fertilizers, flour, meat powders and pellets, cut or carved wood, woolen fabrics, oscilloscopes, spectrum analyzers, antibiotics, meat and edible poultry, winches and winches, jacks, machines, mechanical devices, piston engines, compression ignition, etc.

The products imported by Romania from Vietnam are the following: electric accumulators, synthetic filament yarns, polyacetals, faucets and other articles for pipes, vehicle parts and accessories, coffee, screws, bolts, nuts, convertible seats, furniture and parts of furniture, electromechanical tools with built-in electric motor, packaging articles for transport, coffee extracts, essences and concentrates, tea, chests and suitcases, processed monumental or building stones, fish meat, tires, rubber, wires, cables, insulated electrical conductors, footwear, calculating machines, sewing machines, different types of nuts, etc.

Useful information for companies

In order to facilitate the understanding of the EU-Vietnam Agreement, the EU has prepared a practical Guide (updated in 2019) which explains in clear and simple language the main outcomes and achievements of the agreements with Vietnam:

https://trade.ec.europa.eu/doclib/docs/2016/june/tradoc_154622.pdf.

The South East Asia IPR Helpdesk provides information and services on Intellectual Property Rights. Training materials and online resources are available at no cost: <https://www.southeastasia-iprhelpdesk.eu/>.

The Market Access Data Base platform operated by the European Commission also provides information free of charge about import conditions in Vietnam to companies exporting from the EU: <https://madb.europa.eu/madb/>.

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