

EU-Vietnam Trade Agreement - memo

Creating economic opportunities – defending values.

1. Eliminating customs duties

The EU-Vietnam trade agreement will eliminate over 99% of all tariffs, and partly remove the rest through limited zero-duty quotas, known as Tariff Rate Quotas (TRQs).

65% of duties on EU exports to Vietnam will be eliminated at entry into force, with the remainder gradually removed 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.

The agreement will remove tariffs on a range of key EU export products:

- Almost all **machinery and appliances** will be fully tariff-free at entry into force, and the rest after 5 years. Current duties are up to 35%.
- **Motorcycles** with engines larger than 150 cc will see tariffs fully removed after 7 years (current duty is 75%) and **cars** after 10 years (down from 78%)
- **Car parts** will be duty free after 7 years (current duties are up to 32%).
- Roughly half of EU **pharmaceuticals** exports will be duty free at entry into force and the rest after 7 years (currently facing duties of up to 8%).
- All **textile fabric** exports will see their duties removed at entry into force (currently with a tariff of 12%).
- Close to 70% of EU **chemicals** exports will be duty free at entry into force (current duties up to 5%) and the rest after 3, 5 or, respectively, 7 years (current tariffs up to 25%).
- **Wines and spirits** will be fully tariff-free after 7 years (down from tariffs of 50% and 48% respectively)
- **Frozen pork meat** will be duty free after 7 years, **beef** after 3 years, **dairy products** after a maximum of 5 years and **food preparations** after a maximum of 7 years.

- **Tariffs on chicken** will be progressively reduced to 0% in the next 10 years.

For sensitive agricultural products, the EU will not open its market up to Vietnamese imports completely. Quotas will limit the quantity that can enter the EU duty-free. This includes rice, sweet corn, garlic, mushrooms, eggs, sugar and high-sugar-containing products, manioc starch, other modified starches, ethanol, surimi and canned tuna.

The elimination of duties on imports of some Vietnamese products (for instance in the textile apparel and footwear sectors) will be subject to longer transition periods of up to 7 years. In order to benefit from the preferential access, negotiated rules of origin will require the use of fabrics produced in the EU, Vietnam or in South Korea, another partner with whom the EU has a trade agreement. This will ensure that products from other countries with which the EU does not have a trade agreement do not gain unfair access to the EU through Vietnam.

Besides eliminating tariffs, Vietnam will also do away with its existing export duties in its bilateral trade with the EU, and has agreed not to increase the few that will exceptionally remain in force.

2. Protecting European Geographical Indications

169 distinctive European food and drinks products from a specific geographical origin will be protected from imitation on the Vietnamese market. The use of geographical indications (GIs) such as Champagne, Parmigiano Reggiano cheese, Rioja wine or Feta cheese will be reserved in Vietnam for products imported from the EU regions where they traditionally come from. This will benefit European farmers and small businesses producing these traditional products.

Vietnamese GIs will also be recognised and protected in the EU, further promoting imports of quality products such as Mộc Châu tea or Buôn Ma Thuột 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 increasing the use of 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. Importantly, Vietnam will recognise the EU as a single entity for the purposes of authorising our animal and plant exports.

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.

Also, to account for the increasing EU market integration, Vietnam accepted the marking of origin "Made in EU" for non-agricultural goods (with the exception of pharmaceuticals, which are still to a great extent subject to national approvals in the EU). Member State-specific markings of origin will continue to be accepted as well.

Provisions on import and export licensing, customs procedures, trade in plant and animal products, will also facilitate access of EU goods to the Vietnamese market.

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 robust and comprehensive chapter on trade and sustainable development, with an extensive list of commitments. These include the following:

- To implement effectively the core labour standards and Conventions of the International Labour Organisation (ILO), the Multilateral Environmental Agreements that the EU and Vietnam have ratified, along with an assurance to ratify fundamental ILO Conventions not yet ratified.
- To effectively implement international environmental agreements, such as the Paris Agreement.
- To prevent a race to the bottom: no undermining of domestic labour and environmental laws in order to attract trade and investment.
- Actions in sectors of specific relevance in Vietnam such as the conservation and sustainable management of wildlife, biodiversity, forestry and fisheries.
- Involvement of civil society in the monitoring and giving advice on the implementation of the Trade and Sustainable Development chapter on both sides.
- Tailor-made dispute settlement for the Trade and Sustainable Development chapter.

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. 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 authorisation. 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 sectors, including:

- business services
- environmental services
- postal and courier services
- banking
- insurance
- maritime transport

Moreover, the agreement will contain a clause allowing the best results of other trade agreements being negotiated at the moment to be incorporated in the EU-Vietnam trade agreement.

9. Promoting bilateral investment

Vietnam has committed to open up to investments in manufacturing in key sectors:

- food products and beverages
- fertilisers and nitrogen composites
- tyres and tubes
- gloves and plastic products
- ceramics
- 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. The agreement provides for the possibility of formal consultations and for voluntary mediation to tackle measures that adversely affect bilateral trade and investment.