

26th june 2020

## **August 1<sup>st</sup> : entry into force of the EU-Vietnam trade agreement**

*As a reminder: the negotiations with Vietnam, a fast-growing and competitive economy whose bilateral trade with the EU has increased fivefold over the past ten years, lasted from 2012 to December 2015.*

*The free trade agreement (FTA) and the investment protection agreement (IPA) were initially negotiated in a single text, but in 2018 the EU and Vietnam decided to separate them, following the approach chosen for trade and investment agreements with Singapore. The FTA covers exclusive EU competences and can therefore be ratified by itself, without involving the Member States. The API, on the contrary, covers non-direct investment and investor-state dispute settlement mechanisms, powers over which the EU shares decision-making powers with the member states, which means that the agreement must also be ratified by them.*

The two texts were signed by the EU and Vietnam in Hanoi on June 30, 2019. On February 12, 2020, the European Parliament gave its agreement to the two texts followed by that of the Council on March 30, 2020 by [decision 20202/753](#) published in the OJEU on June 12, 2020. The FTA will enter into force one month after Vietnam and the EU have informed each other that the legal procedures have been completed, that is on August 1, 2020. The IPA will still have to be ratified by all Member States.

The FTA with Vietnam is the most ambitious ever concluded with a developing country because it will remove more than 99% of all tariffs and set limited quotas at zero duty in the form of tariff quotas.

65% of the duties on EU exports to Vietnam will be eliminated upon entry into force, the rest being phased in over 10 years. EU duties on imports from Vietnam will be phased out over a period of 7 years. This asymmetrical 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 **rules of origin** included in the FTA with Vietnam are identical to those of the EU rules of origin applied in the General Scheme of Preferences (GSP) as well as the EU Trade Agreement with Singapore. They contain, however, a number of limits and flexibilities, which take into account the specific situation of Vietnam and the EU, for example with regard to products containing sugar and dairy products, to steel products, machines mechanical, electrical and other machines.

The protocol contains the **principle of non-alteration**, which means that products can transit through third countries, provided that they have not been modified, transformed or subjected to operations other than their conservation in good condition or add / affix marks, labels, seals or any other documentation to ensure compliance with the domestic needs of the importing country.

Regarding **proof of origin**, the trade agreement with Vietnam is based on the standard EU system available in other agreements:

- EU exports to Vietnam will benefit from the preferential tariff treatment provided for in the agreement, exclusively on presentation of established declarations of origin: (i) by exporters registered in the EU REX system; or (ii) by any exporter for any shipment whose total value does not exceed 6,000 EUR. More information on the declarations of origin is available in [Notice 2020/C 196/06](#).
- the Vietnamese Minister of Industry and Trade, Trần Tuấn Anh, signed on June 25, 2020 circular N ° 11/2020 which regulates the rules of origin of the goods stipulated in accordance with the agreement.

The agreement also provides for the **cumulation** of bilateral agreements, for example with **South Korea** on textiles. Vietnam will also benefit from cumulation with the ASEAN countries with which the EU has an FTA in force for two fishery products: squid and octopus. A review clause provides for the possibility of accepting extended cumulation for more products and/or more countries with which both parties have an FTA in the future.

Vietnam is the EU's second largest trading partner in ASEAN after Singapore, trading in goods worth € 47.6 billion. This is the second agreement the EU has concluded with a country in South East Asia, after Singapore. The agreement thus constitutes an important stepping stone towards the EU's longer-term goal of a region-to-region EU-South-East Asia trade agreement.

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**Our Customs and International Trade team and our office in Vietnam are at your disposal to provide you with any additional information.**

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