



EU-VIETNAM FTA: WHY BUSINESS SUPPORTS THE AGREEMENT

A) STRATEGIC IMPORTANCE

- In times when trade is being put in question and protectionist trends are flourishing, the EU should aim at strengthening its ties with a fast-growing region like South-East Asia. Vietnam is a very dynamic, young country that has been growing at a steady rate of more than 6% (6,5% GDP growth expected for 2019)¹ It is a country of almost 100 million people.
- This is the first comprehensive agreement that the EU has concluded with a **developing country**. So, we hope it will serve as an example for the other deals the EU is negotiating in South-East Asia, and that ultimately it will serve to promote the integration of ASEAN countries and a building block towards the conclusion of a region-to-region, **EU-ASEAN** agreement. This would allow companies, especially small ones, to take full advantage of global value chains in the region and would have tremendous effects in promoting growth.
- It allows European companies to be present and active in a region that has strong political and economic ties with **China** and it allows the EU to **promote its standards** and rules in the region.

B) LEVELLING THE PLAYING FIELD

- Vietnam is developing fast and the government has chosen trade as one of the means through which it intends to achieve economic growth. Vietnam is involved in 12 trade agreements and in the CPTPP-Comprehensive and Progressive Agreement for Trans-Pacific Partnership. European companies can gain some ground with this agreement and be in **equal footing with competitors** from Canada or Japan.
- The agreement is supporting an economic development in Vietnam that is **more sustainable** by promoting high-level social and environmental standards. This is positive for business and citizens in the EU and in Vietnam.

C) THE OUTCOME IS COMPREHENSIVE AND AMBITIOUS

- The deal offers **new opportunities for growth** to both the EU and Vietnam. Business is particularly pleased with the ambitious **tariff liberalization scheme**. There are products with tariff peaks of 45% for

¹ International Monetary Fund forecast April 2019



which the duties will go to 0. Of course, a phase out period is foreseen for sensitive products, to give the time to these sectors to adapt.

- There are strong **public procurement provisions** (Vietnam committed its ministries, two main cities, hospitals). European companies will be able to participate in tenders without local representation. For the sub central level, Vietnam has offered the two major city/provinces in its territory, Hanoi and Ho Chi Minh City, which roughly account for 50% of procurement currently conducted at provincial level in Vietnam.
- There are extensive disciplines concerning **State-Owned Enterprises (SOEs)**. The role of the state in Vietnam's economy is changing, but competition is still affected by the presence of SOEs and the country needs to continue the path of reform. The agreement is the first to have ambitious provisions in this field and hopefully this will put European companies at a more levelled playing with local enterprises. The agreement goes in the right direction and it will be an important tool to correct market distortions.
- **Rules of Origin**, EU standards were accepted including: the principle of double transformation for textiles and clothing, the non-alteration clause or self-certification of origin by EU exporters. Cumulation is foreseen for certain products with Korea (limited to fabrics used for producing garments) and with ASEAN countries that have FTAs with the EU (limited to squid and octopus), with possibility of extended cumulation for additional products and/or FTA partners in the future.
- On **Services**, substantial improvement was achieved in market access, well beyond the WTO General Agreement on Trade in Services (GATS) in a broad range of sectors, including business services, environmental services, postal and courier services, banking, insurance, maritime transport (including feederling).
- 169 EU **Geographical Indications** and 39 Vietnamese products enjoy direct protection through the FTA.
- The **Trade and Sustainable Development** chapter is ambitious, with binding provisions that will consolidate Vietnam's progress towards a sustainable economy. Vietnam has already undertaken reforms, and further improvements are under way. Vietnam has ratified so far 6 out of 8 core ILO Conventions, including Convention 29 on forced labour, Conventions 100 and 111 on non-discrimination, and Conventions 138 and 182 on child labour. Convention 98 on Collective Bargaining was the last fundamental convention ratified by Vietnam, in July 2019, as a sign of its commitment to the engagements taken with the EU. The Convention will enter into force in July 2020.