



# Free Trade Agreements in Vietnam

**Asia Business Consulting**



# Free Trade Agreements of Vietnam with other countries

*Since the early years of 1990s, along with globalization, regionalism has developed strongly in both quality and quantity. Previously, regionalism often take the form of Free Trade Area, but from 1990s, the bilateral or multilateral Free Trade Agreement has become more common, with more broad cooperation, not only limited to the implementation of trade liberalization of goods and services, but also the promotion and liberalization of investment, technology transfer cooperation, facilitating customs procedures, build capacity and many other new matters such as labor and environment.*

In the context of opening international trade as it is today, Vietnam has been making great efforts in accessing, negotiating and signing free trade agreements with countries around the world.

Viet Nam's efforts must be mentioned from 1992 when Vietnam joined the Treaty of Amity and Cooperation in Southeast Asia (TAC) and became an Observer, attending the ASEAN Ministerial Meetings annually. By 1995, Vietnam officially joined ASEAN and became the 7th member of this organization.

Continue with the objective to strengthen the deep cooperation with the world, in 1995, Vietnam applied for joining the World Trade Organization (WTO). After 11 years of conducting series of bilateral and multilateral negotiations and consultations, in 2006, WTO officially admitted Vietnam to the WTO. In 2007, National Assembly of Social Republic of Viet Nam ratified the participation of Viet Nam to WTO. Since then, Vietnam has become an official member of the WTO, officially embarked on an effort to intensify and further promote international economic integration.

Along with Regional Trade Agreements (RTA), Free Trade Agreements (FTA) are also becoming the trend in the world. Governments of many countries around the world have signed, are negotiating, or contemplating new bilateral, multilateral investment and free trade agreements. And Vietnam is no exception to this trend. As of 2019, Vietnam has signed, implemented, is in process of negotiations of total 16 Free Trade Agreements (FTAs) both as member of ASEAN and an independent party.

So far, Vietnam has signed and implemented 11 FTAs, signed and is in the process of ratifying one FTA, has just

concluded negotiating an FTA and is negotiating three other FTAs.

In the 11 FTAs signed and implemented, there are 6 FTAs signed as ASEAN members (including AFTA, 5 FTAs between ASEAN and Chinese, Korean, Indian, Japanese, Australian and New Zealand partners). , 4 FTAs signed as an independent party of a bilateral agreement (Chile, Japan, South Korea, Eurasian Economic Union), and a newly-signed FTA effective from January 14 2019 is CPTPP as a member of a multilateral agreement.

- One FTA was signed and is in the process of ratifying is FTA of ASEAN with Hong Kong

- Three FTAs are in process in negotiations including: Regional Comprehensive Economic Partnership (RCEP), FTA of Vietnam with Israel and an FTA with European Free Trade Association (EFTA includes of 4 countries: Sweden, Norway, Iceland, Liechtenstein)

With respect to the EU – Vietnam Free Trade Agreement, on December 1, 2015, negotiations on this Agreement officially concluded and on February 1, 2016, the agreement was published. On June 26, 2018, a new step of EVFTA was unanimous. Accordingly, EVFTA is separated into two agreements, one for trade and one for investment. On the same day, the two parties announced to officially complete the legal review of the Trade Agreement. However, with the Investment Protection Agreement (now called IPA), the two sides only concluded their initial discussions. This agreement, signed and in effect in the coming time, is expected to strongly boost Vietnam's economic development, especially in the

field of import and export, trade in goods with important partners like the EU.

### **The Comprehensive and Progressive Agreement for Trans-Pacific Partnership**

On March 8, 2018, 11 countries, including Vietnam, officially signed CPTPP. CPTPP is considered a strong message against the current trend of protection in the world. CPTPP creates a huge free economic region with a market size of about 500 million people and accounts for 13.5% of global GDP.

According to calculations of the National Center for Socio-Economic Information and Forecasting (Ministry of Planning and Investment), CPTPP will help Vietnam GDP increase by 1.7 billion USD, export more than 4 billion USD; and these figures will increase by 1.32% and 4.04% by 2035, respectively.

CPTPP officially comes into effect on 30/12/2018 in 6 countries which first completed the procedures of ratifying the Agreement including Mexico, Japan, Singapore, New Zealand, Canada and Australia. And on 14/1/2019, CPTPP officially comes into effect in Vietnam.

All members of CPTPP commit to eliminating import taxes on nearly all of their import tariffs.

In CPTPP, Vietnam commits to eliminating nearly 100% tariff lines, in particular:

- 65.8% of tariff lines have 0% tax rate right after the Agreement comes into effect.

- 86.5% of tariff lines have a 0% tax rate in the 4<sup>th</sup> year since the entry into effect of the Agreement;

- 97,8% of tariff lines have a 0% tax rate in the 11<sup>th</sup> year since the entry into effect of the Agreement;

- Other goods are committed to eliminating import taxes with progress of maximum tariff duties elimination in 16<sup>th</sup> year or in accordance with tariff – rate quotas.

### **EU – Vietnam Free Trade Agreements (EVFTA)**

Vietnam and 28 member countries. EVFTA along with CPTPP are two FTAs having wide range of commitments and highest level of commitment of Vietnam ever.

Major areas of commitment in EVFTA include: Trade in goods; Rules of Origin, Customs and Trade Facilitation, Sanitary and phytosanitary measures (SPS); Technical barriers in trade (TBT); Trade Remedies (TR); Cross-border Trade in Services; Investment; Competition; State-owned enterprises; Government procurement; Intellectual Property; Sustainable development (including environment, labor); Legal issues; Cooperation and capacity building.

In EVFTA, 65% import tariff lines will be eliminated right after the Agreement comes into effect, majority of remaining tariff lines will be gradually eliminated in the progress of 10 years, including products that are advantages of EU such as automotive, accessories, champagne,... Besides, Vietnam also commits to eliminating nearly all export duties with goods exported to EU and commits not to increasing remaining taxes (including oil and coal). The agreement also has a separate annex that regulates non-tariff barriers for the automotive sector, and also has a

separate pharmaceutical annex to facilitate trade between Vietnam and EU in two fields.

"Vietnam - EU Free Trade Agreement (EVFTA) may be ratified in June, July, after the European Parliament (EP) ends its election and begins its new term", Chairman of the International Trade Commission of the EP, Bernd Lange confirmed at the recent meeting with National Assembly Chairman Nguyen Thi Kim Ngan.

The tour lasts 10 days, from March 28 to April 8 by National Assembly Chairman Nguyen Thi Kim Ngan, with the emphasis on promoting the process of ratifying the Vietnam-EU Free Trade Agreement (EVFTA). continue to light up Vietnam's hope for the purpose of this agreement.

### **The impacts of Free Trade Agreements on Vietnam**

Free trade agreements that Vietnam has participated in and implemented have helped to increase import and export turnover, attract more foreign direct investment from foreign countries (FDI)

The General Department of Customs has just released preliminary statistics on Vietnam's import and export situation in 2018. Accordingly, the total import and export value of Vietnam in 2018 reached 480.17 billion USD, up 12,2%, respectively, increased 52.05 billion USD in absolute numbers compared to 2017.

Meanwhile, enterprises with foreign direct investment (FDI) reached 313,21 billion USD, up 11,7% (equivalent to an increase of 32,83 billion USD) compared to 2017. Value of export and

import of domestic enterprises is 166,96 billion USD, up 13% (equivalent to an increase of 19,22 billion USD) compared to 2017.

Overall, Vietnam's trade balance in 2018 reached a surplus of USD 6.8 billion, 3.2 times higher than the 2017 surplus.

Particularly, report of General Department of Customs says, by the end of December 2018, total export value of Vietnam reached 243,48 billion USD, up 13,2%, equivalent to an increase of 28,36 billion USD compared to 2017.

Some commodity groups with the largest export value in 2018 are telephones, textiles, computers, machinery, footwear, wood and aquatic products.

Thus, through the statistics, it can be seen that there is a big impact of free trade agreements on Vietnam's economy in the past year. The commitment of free trade agreements will enter into a deep tax cut stage will promise big boosts for Vietnam's economy, creating many opportunities for Vietnamese export industries, increase the price competitiveness, promote businesses to produce and export to FTA member countries.

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FTAs will have positive impacts on the establishment and operation of institutions, forming strong national resources. (Artwork. Source: VNA)

## A summary of Vietnam's FTAs as of May 2019

No.	FTA	Status	Partner(s)
<b>FTAs in effect</b>			
1	AFTA	Effective from 1993	ASEAN
2	ACFTA	Effective from 2003	ASEAN, China
3	AKFTA	Effective from 2007	ASEAN, Korea
4	AJCEP	Effective from 2008	ASEAN, Japan
5	VJEPA	Effective from 2009	Vietnam, Japan
6	AIFTA	Effective from 2010	ASEAN, India
7	AANZFTA	Effective from 2010	ASEAN, Australia, New Zealand
8	VCFTA	Effective from 2014	Vietnam, Chile
9	VKFTA	Effective from 2015	Vietnam, Korea
10	VN - EAEU FTA	Effective from 2016	Vietnam, Russia, Belarus, Armenia, Kazakhstan, Kyrgyzstan
11	CPTPP (Formerly known as TPP)	Effective from 30/12/2018, came into effect in Viet Nam from 14/1/2019	Vietnam, Canada, Mexico, Peru, Chile, New Zealand, Australia, Japan, Singapore, Brunei, Malaysia
<b>Signed FTA but not yet in effect</b>			
12	AHKFTA	Signed in 11/2017	ASEAN, Hong Kong (China)
<b>FTAs with concluded negotiations, not yet signed</b>			
13	EVFTA	Ended negotiations in 2/2016	Vietnam, EU (28 members)
<b>FTAs under negotiation</b>			
14	RCEP	Negotiations commenced in 3/2013	ASEAN, China, Korea, Japan, India, Australia, New Zealand
15	Vietnam - EFTA FTA	Negotiations commenced in 5/2012	Vietnam, EFTA (Sweden, Norway, Iceland, Liechtenstein)
16	Vietnam - Israel FTA	Negotiations commenced in 12/2015	Vietnam, Israel

## About Us

Asia Business Consulting is a boutique consulting firm specializing in corporate establishment, legal and business advisory, tax and payroll compliance, HR administration, market research to multinationals investing in Vietnam. For further information or to contact the firm, please email [contact@asiabizconsult.com](mailto:contact@asiabizconsult.com) or download the company brochure. You can stay up to date with the latest business and investment news in Vietnam by subscribing for our newsletters.



### HA NOI OFFICE

8<sup>th</sup> Floor, Anh Minh Building  
36 Hoang Cau Street,  
Dong Da District,  
Ha Noi, Vietnam

**Tel: +84 24 2280 6622**

**Email: [hanoi@asiabizconsult.com](mailto:hanoi@asiabizconsult.com)**

### HO CHI MINH CITY OFFICE

5<sup>th</sup> Floor, PaxSky Building,  
No. 123 Nguyen Dinh Chieu Street,  
Ward 6, District 3,  
Ho Chi Minh City, Vietnam

**Tel: +84 24 2280 6622**

**Email: [hcm@asiabizconsult.com](mailto:hcm@asiabizconsult.com)**