



**Nicolas Audier**

**Chairman of the European Chamber of Commerce in Vietnam**

**The Perspectives of EuroCham Members on the EVFTA and What is  
Needed for a Successful Implementation**

25<sup>th</sup> September 2020

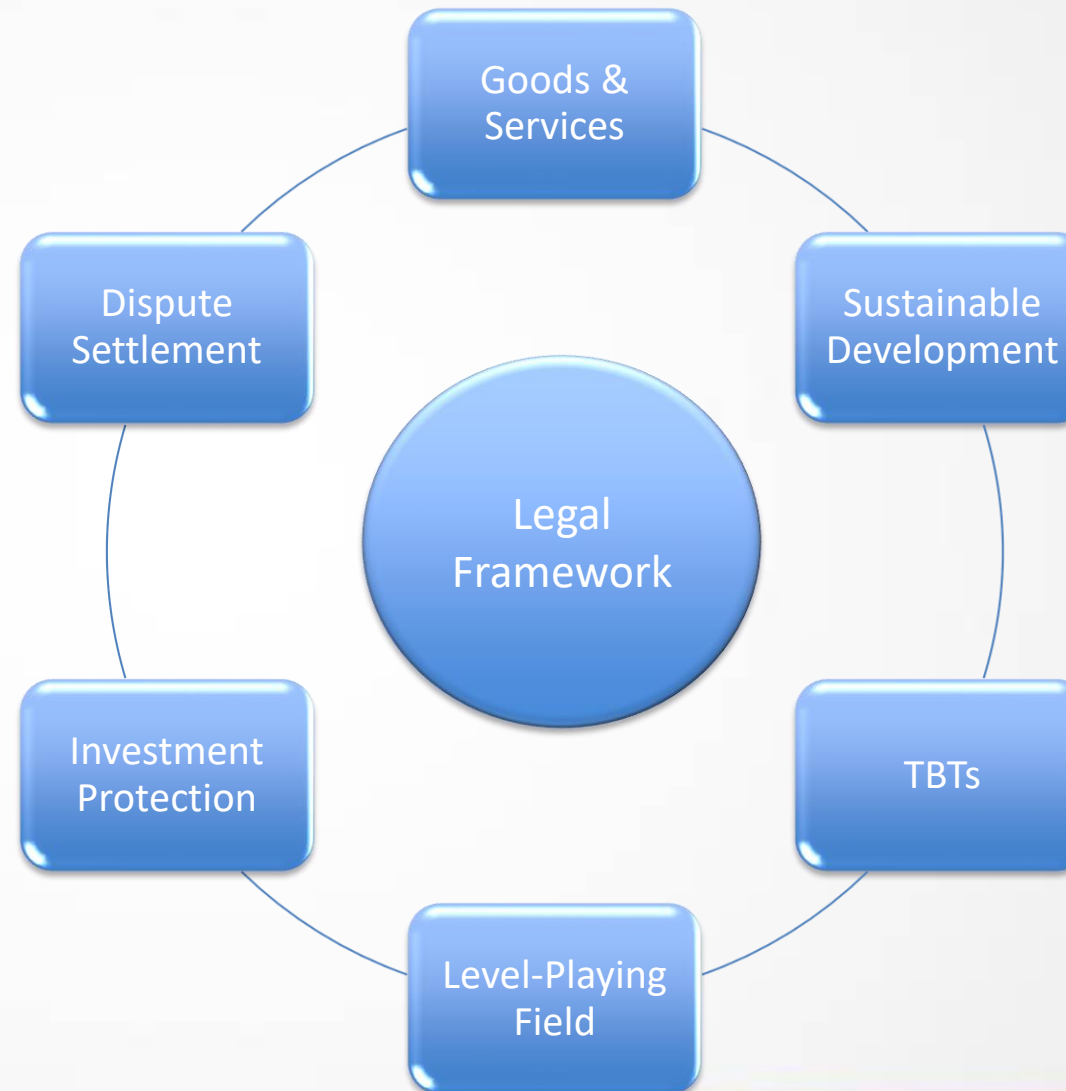


## The EVFTA: a New Chapter in EU-Vietnam Relations

- Now ratified and implemented: The EVFTA will boost trade and investment between the EU and Vietnam.
- Over the course of the next decade, tariffs and barriers will be reduced across the board while new sectors will be opened to European investment.
- This will open up new opportunities for companies and consumers on both sides.



# The EVFTA: A Quick Introduction





The EVFTA is more than a simple free trade agreement. It is a new-generation trade agreement which includes non-trade issues. It is the most ambitious and comprehensive agreement that the EU has ever concluded with a middle income country, and includes:

- Tariff elimination.
- Technical barriers to trade.
- Intellectual Property Rights.
- Market access for investment.
- Trade & sustainable development.
- Non-tariff barriers and investment in renewables.
- Anti-trust and mergers, subsidies and State-owned Enterprises.
- Trade remedies and dispute settlement.





## Major Gains for European Enterprises:

European investors and enterprises will gain from having preferential access to Vietnam's fast-growing market. In particular, once the implementation period has run its course, European goods such as cars and pharmaceutical goods will be able to compete on a level playing field with those from ASEAN and others countries like Japan, Korea or India who already have a free trade agreement in place with Vietnam.

Meanwhile, investors will benefit from preferential access to new sectors and better terms. EU Investors will have access to Vietnam but also to the whole ASEAN region. As for the EU, we anticipate more FDI in Vietnam; EU companies wishing to invest in Vietnam and access the whole ASEAN Market but also FDI to access the EU Market. Shift of the textiles, garment and sportswear industries from China to Vietnam. This trend has been amplified by the US/China trade war but we have noticed this shift before.





# Tariff Reductions:

The EVFTA will phase out almost 99% of tariff lines over the next decade. However, a large number of tariffs were eliminated the moment the EVFTA entered into force. 65% of EU exports to Vietnam became duty-free on August 1st, as did 71% of Vietnamese exports to the EU. For example:

- Almost all EU exports of machinery and appliances were fully liberalized at entry into force, as were around half of pharmaceuticals, 70% of chemicals, and all textile exports.
- Tariffs on other goods, such as wines & spirits, motorbikes, and car parts will be liberalized over a longer period (7-10 years).
- For Vietnamese products entering the EU: tariffs on non-processed shrimp were reduced to zero at entry into force, while tariffs on broken rice were cut in half.
- Meanwhile, duties on textiles and apparel will be phased out over the next five to seven years, as will those on footwear.







# Technical Barriers to Trade:

Tariff elimination and Technical Barriers are connected. It does not make sense to eliminate custom tariffs if, at the same time, a product is still subject to Technical Barriers.

We have seen the case over the years before the entry into force of the EVFTA in the Car industries where new Technical Barriers were created. EuroCham was extremely active on that. We have also witnessed an increase of the Special Consumption Tax in the Wine and Spirit Industries anticipating the free import duties.





## In the EVFTA Vietnam has agreed to:

- Encourage its standardizing bodies to participate in the preparation of international standards;
- To use relevant international standards as a basis for developing its own domestic standards;
- To review its own standards at regular intervals in order to increase their alignment with international standards, and;
- To ensure that all technical regulations and assessment procedures are available online and free-of-charge.





# Intellectual Property Rights

In the EVFTA, Vietnam has agreed to a range of provisions which will better protect the IP rights of European enterprises and investors, including:

- The WIPO recommendations on the protection of well-known trademarks and the Hague Agreement concerning the International Registration of Industrial Designs.
- Better enforcement of IP violation, including an obligation to provide for provisional measures and injunctions against intermediaries and requiring parties other than the infringer to provide information.
- 169 European food and beverage products will be better protected in the Vietnamese market through Geographic Indications (or GIs). This will protect products like Champagne and Feta from counterfeit or misuse.



# Market Access for Investment

The EVFTA will also open up new opportunities for European investment. It will further liberalize the service sector in Vietnam, some specific examples include:

- **Higher education:** The provision of cross-border higher education services by EU service providers is now possible. This would allow the provision of such services from the EU directly to consumers in Vietnam.
- **Environmental services:** EU investors will now be allowed to provide services like sanitation, nature, and landscape protection services.
- **Distribution services:** After 5 years from the EVFTA's entry into force, Vietnam will eliminate the Economic Needs Test on outlets for retail services.
- **Maritime transport services:** Vietnam has liberalized cross-border freight and passenger transportation, and EU enterprises will also be able to supply cross-border container and depot handling services.



# Trade & Sustainable Development

The EVFTA's chapter on trade and sustainable development is designed to ensure that Vietnam's economic growth does not come at the cost of its environment or labour force. It contains a number of important provisions, including:

- A requirement that Vietnam ratifies all outstanding core ILO conventions;
- A commitment to the effective implementation of Multilateral Environmental Agreements;
- Specific disciplines to avoid a “race to the bottom” on labour and environmental standards, and;
- It also sets commitments on biodiversity, and aims to tackle issues such as the illegal trade in wildlife, IUU fishing, and illegal logging.



# Non-tariff Barriers & Investment in Renewable Energy

The EVFTA contains a dedicated chapter on *Non-tariff Barriers to Trade and Investment in Renewable Energy*. It covers specific rules for the renewable energy sector on non-discriminatory treatment and on the use of international standards.

This chapter has the potential to unlock significant benefits for both sides. Vietnam has huge potential in renewable energy, whereas the EU has a huge amount of knowledge and expertise in this area. The clear rules outlined in this chapter will create better opportunities for trade while also boosting investor confidence.





## Anti-trust & Mergers, Subsidies & SOEs

The EU is interested in ensuring a level playing field for both EU and Vietnamese companies and avoiding a situation where the benefits of the EVFTA are neutralized by anti-competitive practices.

This benefits both sides, since developing countries are more vulnerable to anti-competitive practices, while it will be easier for Vietnam to attract EU investment if it can show that fundamental laws on competition will be respected.

The EVFTA contains an obligation that both parties must maintain competition laws and apply these in a transparent and non-discriminatory manner. In practice, this means that there must be no abuse of a dominant commercial position, and no anti-competitive agreements between enterprises.





# Trade Remedies & Dispute Settlement

**For trade remedies:** The use of trade defence instruments in the EVFTA is based on WTO rules. These instruments – including anti-dumping, anti-subsidy, and safeguard measures – allow both parties to defend their producers against competitive distortions in the form of dumped or subsidized imports.

**For dispute settlement:** The bilateral dispute settlement mechanism in the EVFTA is a useful tool in situations where both parties have a different view on the interpretation and application of the agreement. If this situation arises, and if both parties cannot find an agreed solution, the dispute resolution mechanism provides a way to resolve trade disputes through binding decisions of a panel.







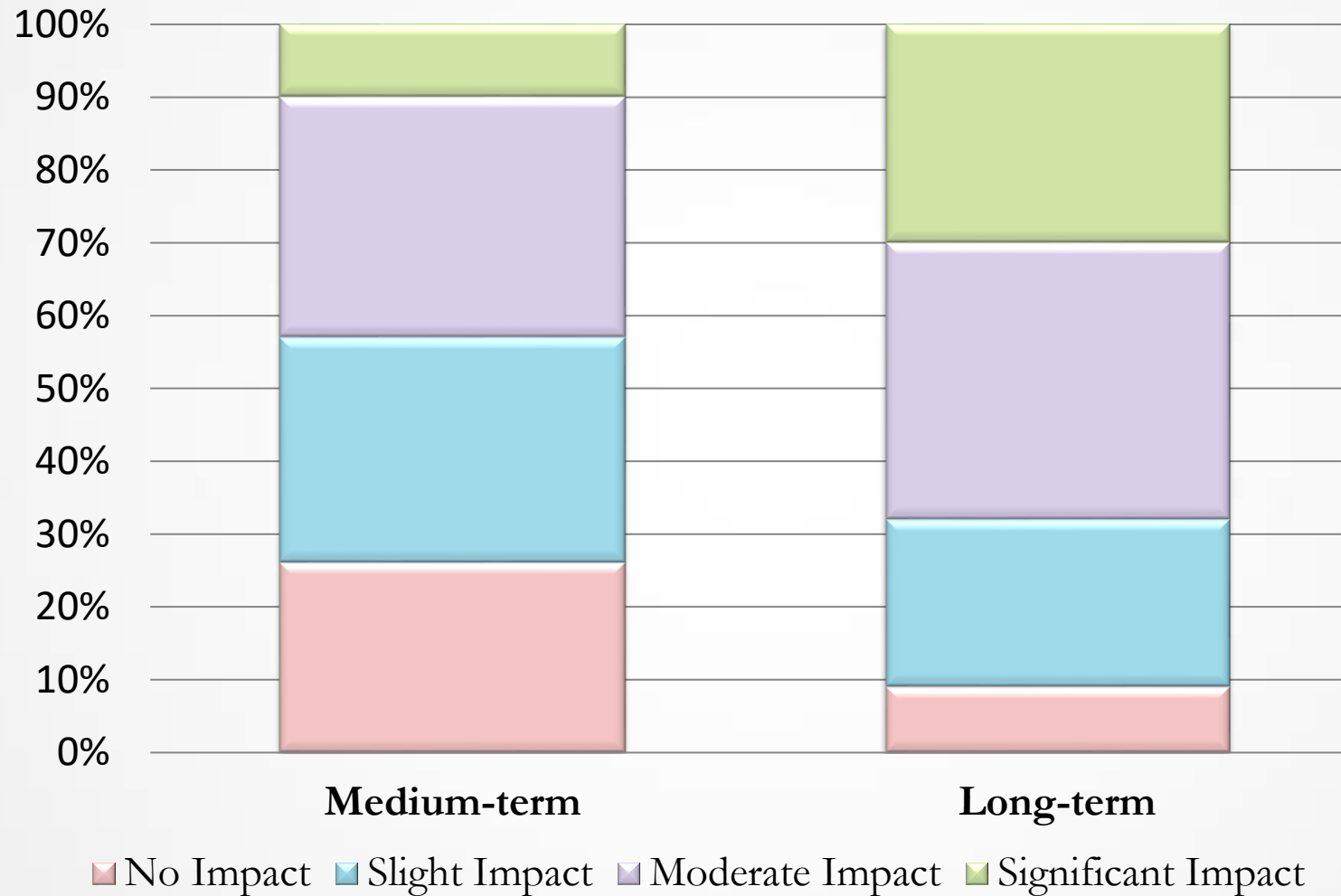
# Investment Protection Standards & Dispute Settlement

- This will be covered in the EU-Vietnam Investment Protection Agreement (EVIPA). Unlike the EVFTA, the EVIPA will take a little longer to enter into force. That's because it also requires ratification in each individual EU Member State. Simply put, this is because trade is an “exclusive competence” of the European Union, whereas investment protection is a matter for Member States.
- Nevertheless, once the EVIPA does enter into force, it will introduce reformed, modern investment protection rules between Vietnam and the 28 EU Member States. These rules will replace the 21 bilateral investment protection agreements in place today.
- The EVIPA includes new, more precise standards on investment protection. This means that the Government must respect five fundamental principles: provisions on non-discrimination, allowing investors to transfer or repatriate investment-related funds, prompt and adequate compensation in cases of expropriation, a commitment to fair and equitable treatment, and a guarantee that contractual and legal obligations toward investors will be honoured.

# Investment Protection Standards & Dispute Settlement

- The EVIPA also contains a clearer definition of “fair and equitable treatment”. This will ensure a more consistent trade and investment climate, since it will remove the possibility of discretionary interpretation. Together, these provisions will ensure that investors and their investments are protected from discrimination and unfair treatment.
- This will be enforced through an innovative dispute-resolution mechanism to settle state-investor disputes. This permanent ‘Tribunal’ contains two important provisions. First, it will be independent. This is essential, as it means that courts on either side are unable to overturn its judgments and must implement them. This will ensure fair, transparent, and impartial decision making. Second, the Tribunal will be balanced. Of its nine members, three will come from Europe and Vietnam respectively and a further three from another state.

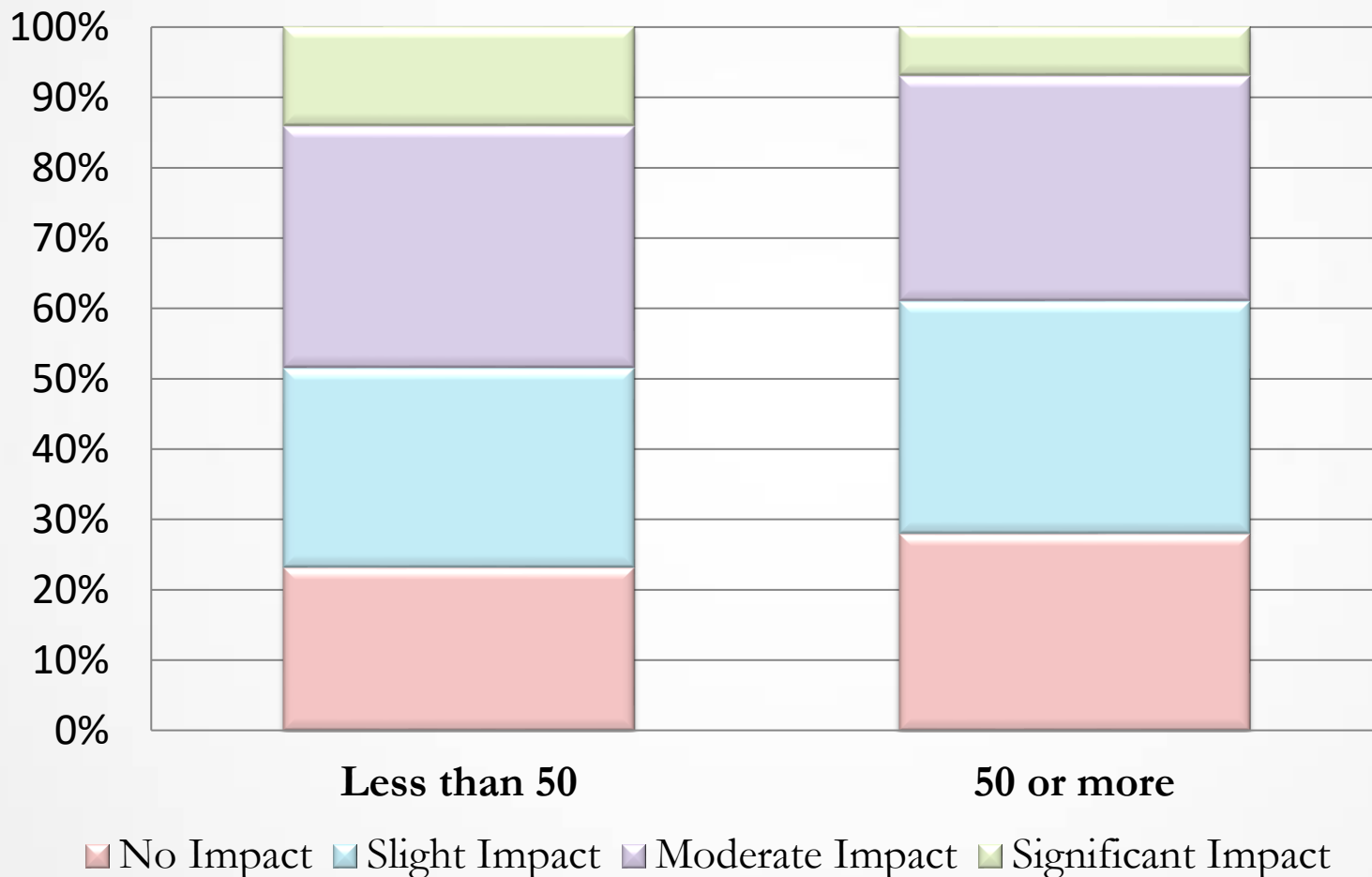
# The EVFTA's Impact on our Members' Business Plans



**74%** of EuroCham members said that the EVFTA would have a positive impact on their business plans in the medium-term, rising to **91%** over the long-term.

# The EVFTA's Impact on Enterprises of Different Sizes

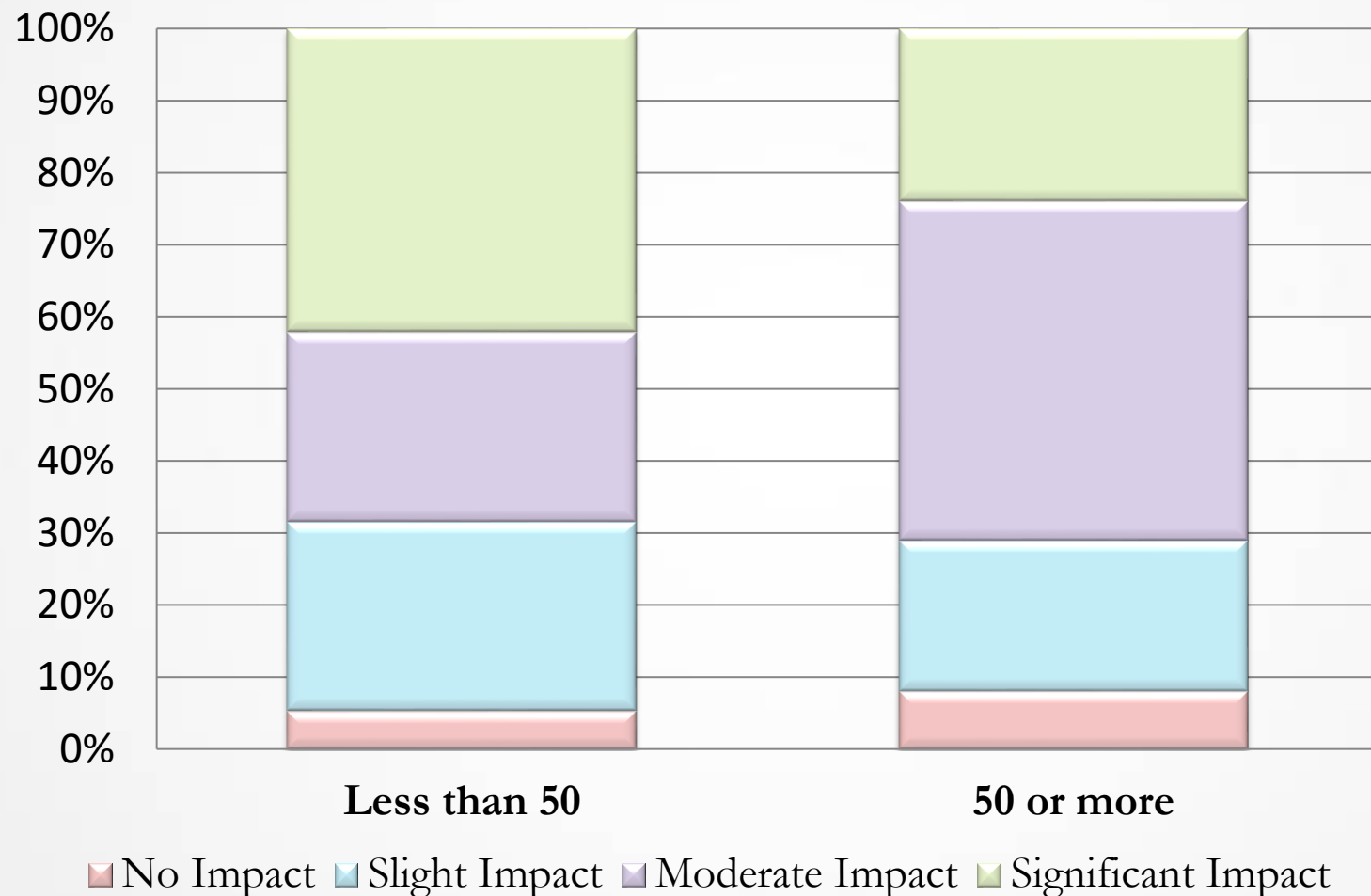
## Medium Term



In the medium-term, **72%** of companies with more than 50 workers said the EVFTA would have a positive impact on their business. That rises to **76%** for smaller companies with fewer than 50 workers.

# The EVFTA's Effect on Enterprises of Different Sizes

## Long-Term



Over the long-term, the picture is even more positive, with **90%** of small companies and **92%** of larger companies predicting a positive impact.

# The Impact on Vietnam's Business Environment



## THE EVFTA WILL ENHANCE VIETNAM'S COMPETITIVENESS



**80%** of respondents agree that the EVFTA is *very likely/likely* to **enhance Vietnam's competitiveness** compared to other countries such as China, Japan, Korea and the U.S.



**72%** of respondents either *strongly agree* or *agree* that the EVFTA will help Vietnam **become a hub for EU companies** to access the ASEAN market.



# The Impact on Vietnam's Socio-Economic Development



## BUSINESSES HAVE HIGH EXPECTATIONS OF THE EVFTA

**36%**

...report that the EVFTA will **significantly improve** "Economic Development and Welfare Improvement"

**33%**

...report that the EVFTA will **significantly improve** "Sustainable Development and Environmental Protection"

**37%**

...report that the EVFTA will **significantly improve** "Knowledge Transfer and Local Workforce Advancement"



**21%**

report that the EVFTA will **significantly improve** "Rule of Law", while **58%** believe that EVFTA will **moderately enhance** this dimension

**51%**

report that the EVFTA will **moderately improve** "Transparency and Accountability in Public Administration"

**44%**

report that the EVFTA will **moderately improve** "Human Rights and Social Justice", while **37%** doubt that this agreement would have any impact on this dimension

**53%**

report that the EVFTA will **moderately improve** "Workers' Rights and Civil Society", while **32%** doubt that this agreement would have any impact on this dimension



## A Successful Implementation of the EVFTA

- Now the EVFTA has entered into force, the challenge is to ensure a smooth and successful implementation... to ensure that the benefits agreed to in principle are realized in practice.
- That requires co-ordination between public and private sectors – between government and business communities – to highlight barriers on the ground and resolve them together.
- EuroCham is working with our partners in Vietnam to establish channels of communication and joint bodies to ensure that the EVFTA can reach its full potential.



# MoU with Vinamarine & Ministry of Transport



We have signed an MoU with Vinamarine to increase information sharing and knowledge transfer between European and Vietnamese companies in the maritime transport and logistics sector.



We will soon establish  
an EU-Vietnam  
Business Council with  
VCCI to connect our  
Sector Committees and  
resolve issues that arise  
during the EVFTA's  
implementation period





## **The EVFTA: a New Chapter in EU-Vietnam Relations**

The EVFTA will do more than reduce tariffs and barriers to trade – essential though this is. It will also open up new opportunities for European business – for start-ups and SMEs, as well as large multi-national companies – and help Vietnam further align itself with global norms.

