

An Overview of **VIETNAM's** Free Trade Agreements (FTAs)

Understanding Free Trade Agreements in the Vietnamese Context

Free Trade Agreements (FTAs) are pivotal instruments in modern global commerce, aimed at reducing trade barriers between countries and fostering economic cooperation. For Vietnam, a country that has undergone significant economic transformation over the past few decades, FTAs have provided an immense opportunity for growth and development of the country, and also for companies seeking to leverage the benefits of these agreements.

Overview of Key Free Trade Agreements

Vietnam is a signatory to several prominent FTAs, each contributing uniquely to its economic landscape. Recent significant FTAs include:

Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP): This agreement, involving 11 countries, aims to reduce tariffs and foster trade relations among its members. For Vietnam, the CPTPP opens markets in the Asia-Pacific region, including diverse economies such as Canada, Mexico, Australia and Japan.

European Union-Vietnam Free Trade Agreement (EVFTA): Effective since August 2020, the EVFTA eliminates almost all tariffs between Vietnam and the EU over a decade. It provides Vietnam with preferential access to one of the world's largest markets, enhancing its export potential for products like textiles, footwear, and electronics.

Regional Comprehensive Economic Partnership (RCEP): Encompassing 15 Asia-Pacific nations, RCEP is the world's largest FTA, covering about 30%

of global GDP. For Vietnam, RCEP strengthens economic ties with key regional partners like China, Japan, and South Korea.

How FTAs Work in Vietnam

FTAs function by reducing or eliminating tariffs, quotas, and other trade barriers on goods and services traded between member countries. They also set out rules and standards to facilitate trade and investment. For Vietnamese companies, understanding and navigating these agreements is crucial to maximizing their benefits.

Tariff Reductions and Eliminations

One of the most tangible benefits of FTAs is the reduction or elimination of tariffs on exported and imported goods. For instance, under the EVFTA, the EU commits to eliminating tariffs on 99% of Vietnamese exports over ten years. This significantly enhances the competitiveness of Vietnamese products in the European market.

Rules of Origin

Rules of origin are critical in determining whether a product qualifies for preferential treatment under an FTA. These rules ensure that only goods substantially produced or transformed within member countries benefit from tariff concessions. Vietnamese companies must understand and comply with these rules to access FTA benefits. This often involves meticulous documentation and certification processes.

Customs Procedures and Trade Facilitation

FTAs aim to simplify customs procedures and enhance trade facilitation. This includes adopting standardized forms, electronic data interchange systems, and streamlined customs clearance processes. For Vietnamese businesses, this translates to reduced administrative burdens and faster, more predictable cross-border trade.



Non-Tariff Measures (NTMs)

While FTAs focus on tariff reduction, they also address non-tariff measures (NTMs) that can impede trade. These include technical barriers to trade (TBT), sanitary and phytosanitary (SPS) measures, and other regulatory standards. Understanding and complying with these standards is essential for Vietnamese exporters to gain market access.

Technicalities for Vietnamese Companies Utilizing FTA Benefits

To fully capitalize on the advantages offered by FTAs, Vietnamese companies must navigate several technical aspects. The process for taking advantage and effectively utilizing FTA benefits:

1. Identifying Applicable FTAs

The first step is to identify which FTAs are applicable to the company's products and target markets. Vietnamese companies need to stay informed about the various FTAs Vietnam is a part of and understand the specific provisions relevant to their industries.

2. Understanding Tariff Schedules and Concessions

Each FTA has a tariff schedule detailing the phased reduction or elimination of tariffs for different product categories. Businesses must study these schedules to understand the current and future tariff rates applicable to their products. This information helps in pricing strategies and long-term planning.

3. Compliance with Rules of Origin

As mentioned earlier, compliance with rules of origin is crucial. Vietnamese companies must determine whether their products qualify for preferential treatment under the relevant FTA. This involves understanding the specific criteria set out in the agreement, such as minimum value addition, change in tariff classification, or specific processing requirements.

4. Obtaining Certificates of Origin

To prove compliance with rules of origin, businesses need to obtain certificates of origin (CO). In Vietnam, these certificates are issued by authorized bodies such as the Vietnam Chamber of Commerce and Industry (VCCI). Companies must provide detailed documentation on the production process, sourcing of raw materials, and other relevant information.

5. Navigating Customs Procedures

FTAs often include provisions for simplified customs procedures. Vietnamese companies should familiarize themselves with these procedures and take advantage of any available trade facilitation measures. This includes using electronic customs systems, understanding preferential tariff codes, and ensuring accurate and timely submission of required documentation.

6. Adhering to Non-Tariff Measures

Compliance with NTMs, such as TBT and SPS measures, is essential for accessing FTA benefits. Vietnamese exporters must ensure their products meet the regulatory standards of the importing countries. This may involve obtaining relevant certifications, conducting product testing, and adhering to labeling and packaging requirements.

7. Leveraging Trade Promotion Programs

Vietnamese companies can benefit from various trade promotion programs and support services provided by government agencies and industry associations. These programs offer assistance in market research, capacity building, and connecting with potential buyers and partners in FTA markets.

8. Staying Informed and Adapting to Changes

FTAs are dynamic, with periodic reviews and updates. Businesses must stay informed about any changes in FTA provisions, new agreements, and emerging opportunities. This requires ongoing engagement with trade authorities, industry associations, and trade advisory services.

Sectors Benefiting from FTA Access, include:

Textile and Apparel Industry

Vietnam's textile and apparel industry has been a significant beneficiary of FTAs. Under the EVFTA, tariffs on Vietnamese textiles and garments exported to the EU are being progressively reduced. This has enhanced the competitiveness of Vietnamese products in the European market. Garment companies have strategically invested in upgrading their production facilities and sourcing raw materials to meet the rules of origin requirements, thereby maximizing FTA benefits.

Agriculture and Food Processing

The agricultural sector, particularly seafood and fruits, has also benefited from FTAs. The CPTPP and EVFTA have opened new markets for Vietnamese seafood in countries like Japan and the EU.

Electronics and Machinery

Vietnam's electronics sector, with giants like Samsung and LG investing heavily in the country, has gained from FTAs such as the VKFTA and RCEP. These agreements facilitate the import of essential components and machinery at reduced tariffs, boosting the production and export of finished electronic goods. Compliance with technical standards and efficient customs procedures have been key to accessing these benefits.

VIETNAM'S FREE TRADE AGREEMENTS

Visual Map of Vietnam's Free Trade Agreement Parties

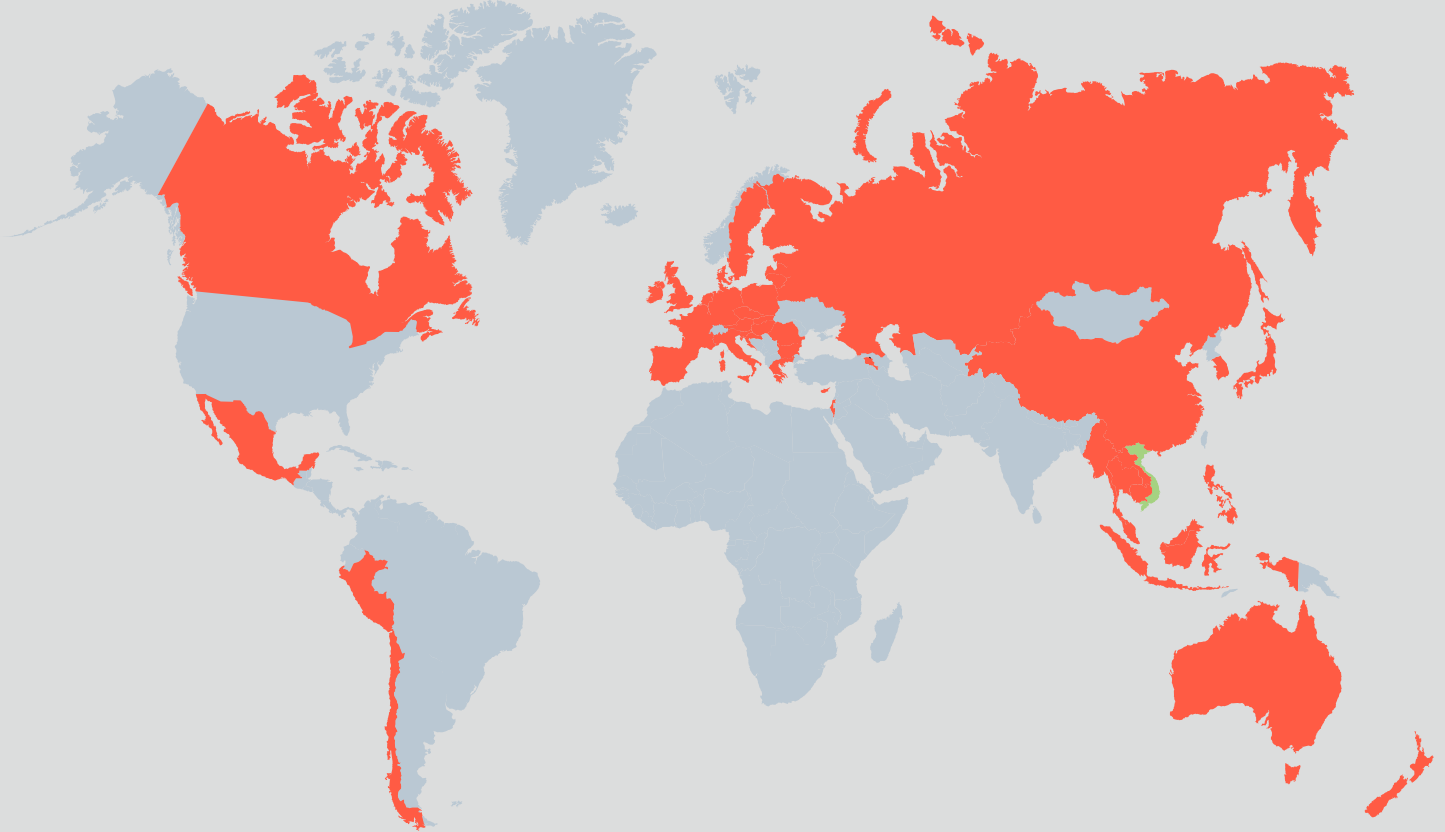


Table of Vietnam's Active Free Trade Agreements

Free Trade Agreements in Effect	Date of Effect
ASEAN Free Trade Area (AFTA)	1 January 1993
ASEAN - China Free Trade Agreement (ACFTA)	1 January 2005
ASEAN - Korea Free Trade Agreement (AKFTA)	1 June 2007
ASEAN - Japan Comprehensive Economic Partnership (AJCEP)	1 December 2008
Vietnam - Japan Economic Partnership Agreement (VJEPA)	1 October 2009
ASEAN - India Free Trade Agreement (AIFTA)	1 January 2010
ASEAN - Australia - New Zealand Free Trade Agreement (AANZFTA)	1 January 2010
Vietnam - Chile Free Trade Agreement (VCFTA)	1 January 2014
Vietnam - Korea Free Trade Agreement (VKFTA)	20 December 2015
Vietnam - Eurasian Economic Union Free Trade Agreement (VN-EAEU FTA)	5 October 2016
Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP)	14 January 2019
ASEAN - Hong Kong (China) Free Trade Agreement (AHKFTA)	11 June 2019
Vietnam - European Union Free Trade Agreement (EVFTA)	1 August 2020
Vietnam - United Kingdom Free Trade Agreement (EKVFTA)	31 December 2020
Regional Comprehensive Economic Partnership (RCEP)	1 January 2022
Vietnam - Israel Free Trade Agreement (VIFTA)	25 July 2023

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