

# Vietnam's Free Trade Agreements: An Overview (February 2025)

Understanding Free Trade  
Agreements (FTAs) in the  
**Vietnamese** context

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## Free Trade Agreements in a Global Context

Free Trade Agreements (FTAs) play a crucial role in shaping the modern global economy by promoting trade liberalization, economic integration, and sustainable development. These agreements are designed to reduce or eliminate barriers to trade, such as tariffs, quotas, and import restrictions, fostering a more interconnected and competitive global market.

### The Purpose and Evolution of FTAs

The fundamental objective of FTAs is to facilitate smoother trade between member nations, providing businesses and consumers with increased access to goods and services at competitive prices. By eliminating trade barriers, FTAs encourage foreign direct investment (FDI), stimulate economic growth, and enhance market efficiencies.

The concept of FTAs has evolved significantly over time. Historically, trade agreements were often bilateral and focused primarily on tariff reductions. However, as globalization accelerated, multilateral agreements emerged to address more complex trade dynamics, such as intellectual property rights, labour standards, environmental protections, and digital trade. Landmark agreements such as the General Agreement on Tariffs and Trade (GATT), which later evolved into the World Trade Organization (WTO), laid the foundation for today's comprehensive FTAs.

### General Benefits of Free Trade Agreements

FTAs offer numerous advantages, including:

#### 1. Market Access Expansion

By reducing trade restrictions, FTAs enable businesses to access new markets, increasing export opportunities and diversifying revenue streams.

#### 2. Enhanced Competitiveness

Companies operating within FTA frameworks benefit from reduced costs, improved supply chain efficiencies, and competitive pricing, making them more attractive on the global stage.

#### 3. Foreign Direct Investment Growth

FTAs create a stable and predictable trade environment, attracting FDI by providing clear legal and regulatory frameworks.

#### 4. Innovation and Technology Transfer

Increased international trade fosters knowledge exchange and technological advancements, driving innovation and economic progress.

#### 5. Job Creation and Economic Development

With expanded trade opportunities, businesses grow, leading to increased employment and improved economic conditions.

### FTAs and their Current Global Reliance

In an era of economic uncertainty, geopolitical tensions, and shifting trade policies, FTAs remain vital for global stability and economic resilience. The COVID-19 pandemic highlighted the vulnerabilities of global supply chains, emphasizing the need for diversified trade networks. Additionally, rising protectionist policies in some economies have reinforced the importance of FTAs in ensuring uninterrupted trade flows.

Sustainability and digital transformation have also become central themes in modern FTAs. Agreements now increasingly incorporate environmental standards, labour protections, and digital trade provisions to address contemporary global challenges. For example, the Comprehensive and Progressive Agreement for Trans-Pacific Partnership includes commitments to labour rights and environmental protections, reflecting the evolving priorities of international trade agreements.

As nations navigate complex global challenges, FTAs continue to serve as essential instruments for economic cooperation, fostering trade stability, growth, and innovation in a rapidly changing world.

### Importance of Global Supply Chain Structures and FTAs

In today's interconnected economy, structuring global business operations around a well-planned FTA strategy is no longer optional - it is a fundamental necessity for maintaining competitiveness and resilience. With geopolitical shifts, supply chain disruptions, and evolving regulatory frameworks, businesses that proactively align their operations with FTA benefits can unlock cost efficiencies, enhance market access, and mitigate risks associated with trade barriers. Leveraging FTAs allows companies to optimize their supply chains by sourcing raw materials from preferential trade partners, reducing tariff costs on imports and exports, and improving overall cost structures. This strategic approach is particularly critical for multinational corporations and export-driven enterprises looking to expand into new markets while maintaining compliance with international trade regulations.

Further, as global trade dynamics become increasingly complex, businesses must integrate FTAs into their long-term strategic planning to remain agile and future-proof their operations. A well-structured FTA strategy ensures that companies can quickly adapt to new trade agreements, regulatory shifts, and tariff changes while maximizing preferential trade benefits. It also provides a strong foundation for sustainable growth by fostering economic partnerships, reducing dependence on volatile markets, and enhancing supply chain security. In an era of economic uncertainty, businesses that fully understand and implement structured FTA strategies gain a competitive edge, securing long-term profitability while minimizing exposure to trade-related risks.

## Understanding the Benefits of Free Trade Agreements for Vietnam

Vietnam has undergone a remarkable economic transformation over the past few decades, evolving from a centrally planned economy to one of the most pragmatic and open economies in the world. A key driver of this transformation has been Vietnam's strategic embrace of Free Trade Agreements, which have provided businesses with unprecedented opportunities to access global markets. By actively negotiating and participating in multiple FTAs, Vietnam has positioned itself as a critical link in global supply chains, fostering trade, investment, and economic growth.

As a developing economy with a strong export-oriented strategy, Vietnam has leveraged FTAs to secure preferential market access, attract foreign direct investment, and enhance its competitiveness. These agreements have allowed Vietnamese enterprises - particularly in sectors such as manufacturing, textiles, agriculture, and electronics - to expand their market reach and integrate with international value chains. Additionally, FTAs have played a crucial role in Vietnam's regulatory and institutional reforms, aligning the country with international trade standards and best practices.

With a diverse portfolio of bilateral and multilateral FTAs, Vietnam is uniquely positioned to benefit from deepened economic integration with major global economies. Agreements such as the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP), the European Union-Vietnam Free Trade Agreement (EVFTA), and the Regional Comprehensive Economic Partnership (RCEP) provide Vietnam with preferential access to key markets, reinforcing its status as a competitive global trade hub. However, to fully capitalize on these advantages, businesses in Vietnam must navigate the technicalities of these agreements, ensuring compliance with rules of origin, tariff schedules, and regulatory standards to maximize the benefits of FTAs.

### Overview of Vietnam's 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.

“Utilizing Vietnam’s FTAs is not just an advantage - it is the foundation of Vietnam’s trade future.”

### 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.

## Vietnamese Sectors Benefiting from FTA Access, include:

### Textile and Apparel Industry

Vietnam's textile and apparel sector has been one of the largest beneficiaries of FTAs, with agreements such as the EVFTA and CPTPP significantly reducing tariffs on exports to key markets like the EU, Canada, and Japan. The gradual elimination of duties under these agreements has strengthened the competitiveness of Vietnamese garments, making them more attractive to international buyers. To fully capitalize on FTA benefits, many Vietnamese manufacturers have invested in upgrading their production capabilities and securing local or regionally sourced raw materials to comply with stringent rules of origin requirements.

### Agriculture and Food Processing

Vietnam's agricultural sector, particularly seafood, fresh produce, and processed foods, has experienced substantial growth due to FTAs. The CPTPP and EVFTA, for instance, have provided Vietnamese seafood exporters with reduced tariff access to Japan and the EU, boosting demand for products such as shrimp, pangasius, and tuna. Additionally, improved market access for tropical fruits like dragon fruit, lychee, and mango has opened up lucrative opportunities for Vietnamese farmers and food processors to expand their global reach. However, to sustain long-term success, businesses must continue to meet international sanitary and phytosanitary (SPS) standards.

### Electronics and Machinery

Vietnam's electronics sector, driven by foreign direct investment from global giants like Samsung, LG, and Intel, has greatly benefited from FTAs such as the VKFTA and RCEP. These agreements have facilitated the import of key components and high-tech machinery at lower costs, allowing Vietnam to strengthen its position as a regional electronics manufacturing hub. By leveraging reduced tariffs and streamlined trade facilitation measures, the industry has expanded its exports of smartphones, semiconductors, and consumer electronics to major markets worldwide. Ensuring compliance with international quality standards and technical regulations remains crucial for Vietnamese electronics exporters.

### Automotive and Supporting Industries

The automotive industry and its supporting industries—such as auto parts manufacturing—have seen significant advantages from FTAs, particularly in trade agreements with key markets in Asia and Europe. Vietnam's participation in RCEP, for example, has allowed for the easier sourcing of components from regional partners like Japan, South Korea, and China at reduced tariffs. Meanwhile, the EVFTA has created opportunities for high-quality Vietnamese-made auto parts and accessories to enter the European market. As Vietnam continues to develop its automotive supply chain, FTAs are helping local manufacturers integrate into global production networks.

### Logistics and Supply Chain Services

Vietnam's logistics and supply chain sector has also gained from FTAs, as increased trade volumes drive demand for efficient transportation, warehousing, and supply chain solutions. With agreements like the CPTPP and EVFTA promoting cross-border trade, Vietnam has become a critical logistics hub in Southeast Asia, benefiting from infrastructure development, expanded port operations, and investments in digital trade facilitation. FTAs have encouraged foreign logistics firms to enter the Vietnamese market, increasing competition while improving service quality and efficiency. The continued liberalization of logistics services under these agreements is expected to further modernize the sector and support Vietnam's growing role in global trade.

# VIETNAM'S FREE TRADE AGREEMENTS

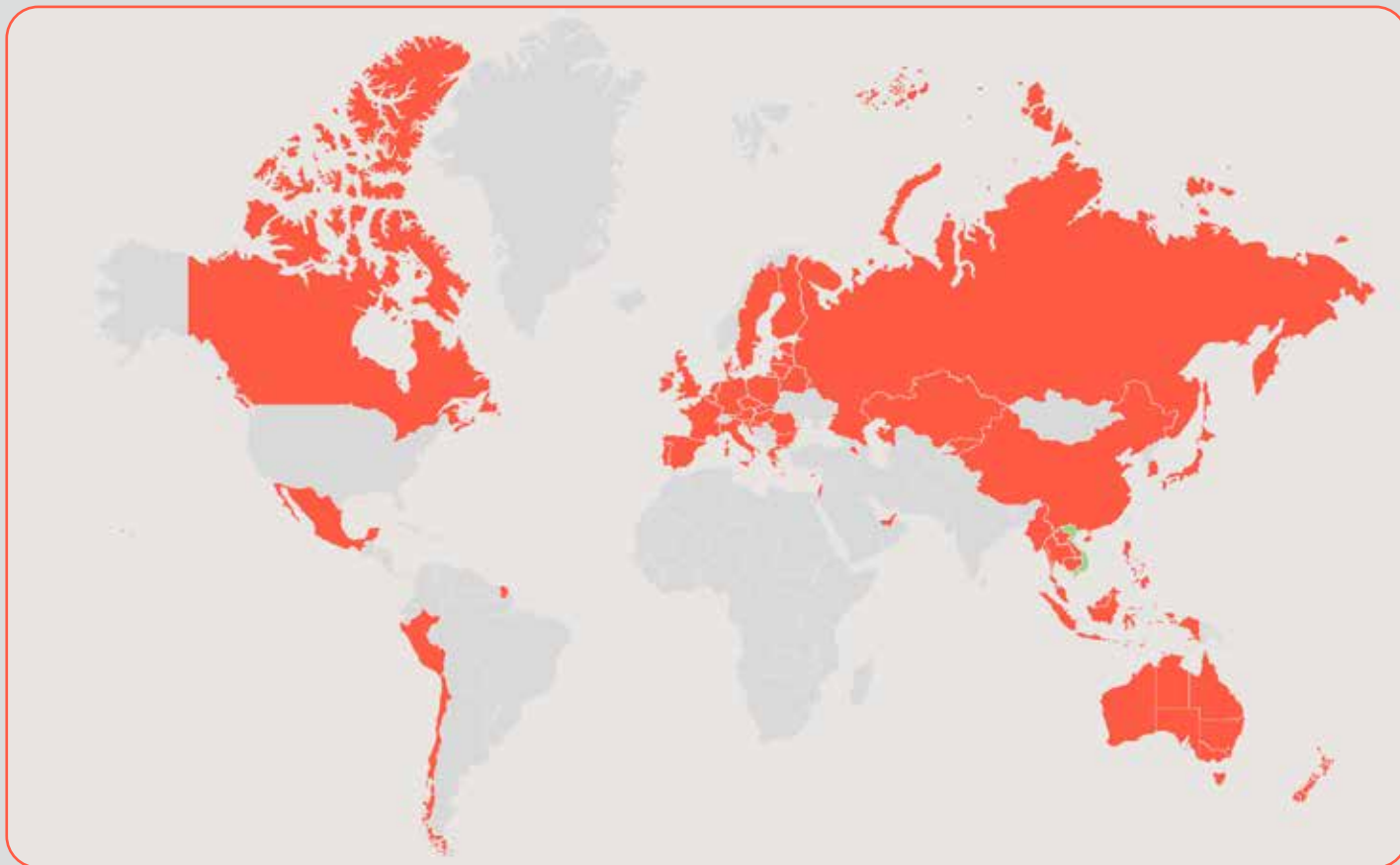


Table of Vietnam's Active Free Trade Agreements

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
Vietnam - UAE Comprehensive Economic Partnership Agreement (CEPA)	29 October 2024

# About Alitium

Alitium provides professional support in Vietnam for foreign investors. Looking after Market Entry, Company Establishment, Taxation, Advisory and Ongoing Compliance services, Alitium's professionals are focussed on ensuring international best practice and governance standards are maintained at all time for foreign investors.

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## Alitium


Level 5, L'Mak Signature Building  
147 Hai Ba Trung, District 3  
Ho Chi Minh City  
Vietnam


P: +84 (28) 3535 6460


E: vietnam@alitium.com


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