



Customs Flash Belgium

The EU-Vietnam FTA agreed in principle

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On 4 August 2015, the European Commission [announced an agreement](#) on the substance of the deal reached by the European Union and Vietnam for a Free Trade Agreement (FTA) between the two economies.

The EU Trade Commissioner, Cecilia Malmström and the Vietnamese Minister of Industry and Trade, Vu Huy Hoang, agreed in principle on a comprehensive and ambitious trade and investment agreement. According to the EU Commission, the final legal texts will have to be ironed out by negotiators after the summer break.

Following the EU-Singapore FTA's entry into force, the agreement with Vietnam will represent the second trade deal between the EU and an ASEAN country and a building block towards the EU's objective of a region-to-region EU-ASEAN FTA.

The negotiations for the EU-Vietnam FTA started in October 2012. The goal of this FTA is to eliminate nearly all customs duties (over 99%), except for a small number of tariff lines for which the EU and Vietnam agreed on a partial liberalisation through zero-duty Tariff Rate Quotas.

According to the EU Commission, Vietnam will liberalise 65% of its import duties on EU exports to its country upon the FTA's entry into force, with the remainder of duties being gradually eliminated over a 10-year period. On the other hand, EU import duties will be eliminated over a 7-year period.

Some examples of future liberalisation include the following:

- Almost all EU exports of machinery and appliances will be fully liberalised upon entry into force of the FTA, and the rest after 5 years;
- Motorcycles with large engines will be liberalised after 7 years and cars after 9-10 years. Car parts will be duty free after 7 years;
- Roughly half of EU pharmaceutical exports will be duty free upon entry into force and the rest after 7 years.
- The totality of EU textile fabric exports will be liberalised upon entry into force. In the textile and footwear sectors, the EU will eliminate import duties in the following 7 years;
- Close to 70% of EU chemicals export will be duty free upon entry into force and the rest after 3, 5 and 7 years;
- Etc.

The EU Commission has informed that Vietnam accepted the marking of origin "Made in EU" for non-agricultural goods, with the exception of pharmaceuticals. Member State-specific markings of origin will continue to be accepted as well.

This FTA will also bring several other impacts, such as the opening of service sectors, the protection of European Geographical Indications (GIs), the promotion and protection of investments, public procurement, etc.

What does it mean for you?

The reduction of customs duties and other advantages resulting from this FTA could bring significant opportunities.

The EU-Vietnam FTA's entry into force will have an impact not only on businesses with cross-border operations between the two countries but also on businesses with operations between the EU and other Asian countries.

What to do?

The EU-Vietnam FTA is not applicable yet and its final text will only be published at a later stage. Therefore, it is advisable to follow further developments on this FTA to assess potential opportunities in supply chains.

Deloitte's Customs and Global Trade (CGT) team will monitor this FTA and will report more information on how this FTA could impact businesses.

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