# EU/Vietnam Free Trade Agreement

2018/0356(NLE) - 17/10/2018

URPOSE: to conclude the Free Trade Agreement between the European Union and Viet Nam.

PROPOSED ACT: Council Decision.

ROLE OF THE EUROPEAN PARLIAMENT: Council may adopt the act only if Parliament has given its consent to the act.

BACKGROUND: the dynamically growing Southeast Asian economies, with their over 600 million consumers and a rapidly rising middle class, are key markets for European Union exporters and investors. With a total EUR 227.3 billion of trade in goods (2017) and EUR 77 billion of trade in services (2016), the Association of Southeast Asian Nations (ASEAN) taken as a whole is the EU’s third largest trading partner outside Europe, after the US and China.

**Vietnam has become the EU's second biggest trading partner in ASEAN after Singapore and ahead of Malaysia**, with trade between the EU and Vietnam worth EUR 47.6 billion in 2017.

Vietnam is one of the fastest growing countries in ASEAN, with an average GDP growth rate of around 6% in the past decade that is forecasted to be maintained in the future.

In 2007, the Council authorised the Commission to enter into negotiations for a region-to-region Free Trade Agreement (FTA) with countries of the ASEAN.

On the basis of the negotiating directives adopted by the Council in 2007, and supplemented in October 2013 to include investment protection, the Commission has negotiated with Vietnam an ambitious and comprehensive FTA and an Investment Protection Agreement (IPA), with a view to creating new opportunities and legal certainty for trade and investment between both partners to develop.

CONTENT: the Commission called on the Council to adopt the Decision to conclude the **Free Trade Agreement** between the European Union and Viet Nam. In line with the objectives set by the negotiating directives, the Commission secured the following:

- **Liberalisation of services**: the FTA includes the comprehensive liberalisation of services and investment markets, including crosscutting rules on licensing and for the mutual recognition of diplomas, and sector specific rules designed to ensure a level playing field for EU businesses.
- **Procurement**: new tendering opportunities for EU bidders in Vietnam, who is not a member of the WTO Agreement on Government Procurement.
- **Trade barriers**: the removal of technical and regulatory trade barriers to trade in goods, such as duplicative testing, in particular by promoting the use of technical and regulatory standards familiar in the EU in the sectors of motor vehicles, pharmaceuticals and medical devices, as well as green technologies.
- **GI protection**: a high level protection of intellectual property rights, including with regard to the enforcement of these rights, also at the border, and a TRIPs-plus level of protection of EU GIs.
- **Sustainable development**: the FTA includes a comprehensive chapter on trade and sustainable development, which aims at ensuring that trade supports environmental protection and social development and promotes the sustainable management of forests and fisheries. The chapter also sets out how social partners and civil society will be involved in its implementation and monitoring.

- **Dispute mechanism**: a swift dispute resolution mechanisms is proposed through either panel arbitration or with the help of a mediator.
- **Investment protection**: the EU-Vietnam IPA will ensure a high level of investment protection, while safeguarding the EU's and Vietnam's rights to regulate and pursue legitimate public policy objectives such as the protection of public health, safety and the environment.

**Trade committee**: the institutional chapter of the FTA establishes a trade committee that has as its main task to supervise and facilitate the implementation and application of the agreement. It shall be comprised of representatives of the EU and of Vietnam who will meet every year or at the request of either side.

BUDGETARY IMPLICATIONS: the EU-Vietnam FTA will have a financial impact on the EU budget on the side of the **revenues**. It is estimated that foregone duties could reach an amount of EUR 1.7 billion upon full implementation of the agreement. The estimate is based on average imports projected for 2035 in the absence of an agreement and represents the annual loss in revenues resulting from the elimination of EU tariffs on imports originating in Vietnam.

The EU-Vietnam IPA is expected to have a financial impact on the EU budget on the side of the **expenditures**. The agreement will be the EU's third (after the EU-Canada Comprehensive Economic and Trade Agreement, and the EU-Singapore) to incorporate the Investment Court System (ICS) for the resolution of disputes between investors and states. An amount of EUR 700 000 of additional yearly expenditure is foreseen from 2019 onwards (subject to the entry into force of the agreement) to finance the permanent structure comprising a First Instance and an Appeal Tribunal.