

MOIT



MINISTRY OF INDUSTRY AND TRADE
SOCIALIST REPUBLIC OF VIETNAM

Opportunities and challenges for Vietnam pangasius from FTAs with EU and EFTA

Agency of Foreign Trade, Ministry of Industry and Trade

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Part I: A glance on Vietnam – EU FTA and Vietnam - EFTA

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1. Free Trade Agreement between Vietnam and European Union (EVFTA)

- EU-28 is Vietnam's second biggest importing market → FTA has a major impact on Vietnam's exports of goods in general and pangasius as well as other seafood in particular
- Negotiation rounds started in June 2012 and first round took place in October 2012.
- Target:
 - Tariff reductions → facilitate Vietnam's exports growth → expanding markets → increase exports to the EU
- July 2015: end negotiations but FTA is not officially signed

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2. Free Trade Agreement between Vietnam and EFTA States (FTA VN – EFTA)

- Member States of EFTA comprise of 4 countries: Switzerland, Norway, Iceland and Liechtenstein.
- Negotiations started from the beginning of 2012 and the first negotiation session took place in May 2012.
- Target:
 - Tariff reductions → facilitate Vietnam's exports growth → expanding markets
 - Consolidation of the European markets for exports
- 12 rounds of negotiations have been held and negotiation is expected to end later this year (2015)
- This FTA has several provisions that are more simple and flexible than EVFTA

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Part II. Commitments of EU and EFTA in FTA with Vietnam

1. Commitment on import duties

2. Regulations on Rules of Origin

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Characteristics of pangasius exports to European countries

- Raw pangasius and semi-processed pangasius (Chapter 03: 0302.72, 0303.24, 0304.32 / 62, 0305.31 / 44) is more exported than processed pangasius (Chapter 16: 1604.19 and 1604.20)
- Main exported product: frozen fillets
- Major importing countries: UK, Spain, Netherlands, Germany, Italy
- Competitors: India, Indonesia, Bangladesh, Philippines, Thailand

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Part II

1. Commitment on import duties

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1. Commitment on import duties(1)

1.1. Free Trade Agreement between Vietnam and EU (EVFTA)

* *GSP: MFN – 3.5%.*

Pangasius	MFN in EU	Commitment in EVFTA	Comment
Chapter 03	8 – 14%	-Fresh or chilled fish, chilled or frozen fillet : 3 years -Dried, salted or smoked fish fillets : 7 years	Tariff will be reduced to 0% with a roadmap, at least for 3 years, and at most for 7 years
Chapter 16	14% or 20%	3 or 7 years	

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1. Commitment on import duties(2)

1.1. Free Trade Agreement between Vietnam and EU (EVFTA)

Assessment:

	Bangladesh	India	Thailand	Philippines	Indonesia
FTA with EU?	No	Under negotiation (since 2007).	Partnership Cooperation Agreement but no FTA	No	No
		GSP tax preference	GSP tax preference	GSP tax preference	GSP tax preference

Vietnam and some competing countries such as India, Thailand, Philippines, Indonesia will easily be in a more mature trading relationship with EU

→ *When EVFTA comes into force, Vietnam will have an advantage compared to most competing countries.*

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1. Commitment on import duties(3)

1.2. Free Trade Agreement between Vietnam and EFTA States (FTA VN – EFTA):

Committed to be more open and flexible than EVFTA

- Norway and Iceland: MFN = 0%

Pangasius	MFN in Switzerland and Liechtenstein	Commitment in FTA VN - EFTA	Comment
Chapter 03	-Fresh or chilled fish, chilled or frozen fillet: 3-5% - Dried, or salted or smoked fish fillets: 8-10%	0% right the time FTA comes into force	Market is committed to be totally open
Chapter 16	16%		

1. Commitment on import duties(3)

• 1.2. Free Trade Agreement between Vietnam and EFTA States (FTA VN – EFTA): :

Assessment:

	Bangladesh	India	Thailand	Philippines	Indonesia
FTA with EFTA	No	Under negotiation (since 2008).	Under negotiation (since 2006) but no halted	Under negotiation (since 2015).	Under negotiation (since 2011).

☐ Vietnam FTA - EFTA negotiation is expected to end this year (2015)

→ When FTA VN - EFTA takes effect, Vietnam has the advantage against most competitors

Part II.

2. Regulations on Rules of Origin

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2. Regulations on Rules of Origin (1)

- **2.1. EVFTA:**

Regulations on Rules of Origin are strict and less flexibility

- **Chapter 03:** wholly obtained (allowing imports of a third country and nurturing in a member country)
- **Chapter 16:** Material- Chapter 03 and 16: origin required(CC, excepted for Chapter 03 and 16)

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2. Regulations on Rules of Origin (2)

- **2.1. EVFTA:**

- Provisions on fishing fleets (like Agreement between Vietnam and Japan and Agreement between ASEAN and Japan)
- + / Registered by citizens of EU or Vietnam
- + / Flag of EU member ship or Vietnam's flag
- + / Citizens of EU Member States or Vietnamese own at least 50% ; or company with its head office which operates mainly in the EU or Vietnam with at least 50% of owner's equity belonging to EU or Vietnam

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2. Regulations on Rules of Origin (3)

- **2.2. FTA Vietnam - EFTA:**

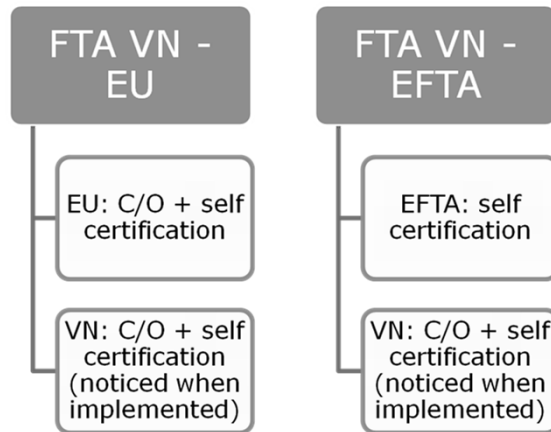
Regulations on Rules of Origin are more simple and flexible

- Chapter 03: wholly obtained (WO), some prepared seafood is allowed to use non-originating materials in Chapter 03 but different HS group (CTH).
 - Chapter 16: allowing to use material not originating from Chapter 03 and 16.
- Regulations on Rules of Origin are not are not a barrier to pangasius exports to EFTA countries

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Other Regulations on Rules of Origin (1)

❖ Certificate of origin



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Other Regulations on Rules of Origin(2)

- Direct transport
- Split consignment: applied in both 2 FTAs
 - Goods must be under customs supervision
 - There is no intervention to the goods, except for loading and unloading, splitting and editing labels, packaging
 - When in doubt, customs in importing country require documented prove

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Other Regulations on Rules of Origin (3)

❖ Verification of origin:

- Time limit for filing: 3 years
- Documents for origin prove
- Verification: G to G
- Plant check: no (different from signed FTAs)

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Other Regulations on Rules of Origin(4)

❖ *Terms for suspension of preferences:*

Applied in EVFTA

- When
 - Systemic fraud in origin
 - No cooperation from exporting country to fight origin fraud
- How
 - MFN (non-preferential)
 - Applied in EU: 3 months +3 months (extension)

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3. Opportunities and Challenges

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Opportunities

- Improving market access, boosting exports
 - Developing production of value added products
- Strong commitment on Technical Barriers to Trade (TBT), sanitary and phytosanitary measures (SPS), rules of origin in FTAs to be signed will help raise added values in exports
- Increasing investment and production growth
 - Labor development
 - Institutional reform, bettering business environment

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Challenges(1)

- Product quality must be improved
 - Compliance with provisions on engineering, sanitation, environment, labor and technological processes
 - Limited capital and technology for manufacturing
- Fulfill rules of origin
- Solving trade disputes
 - Strict regulations on anti-dumping, subsidies and use of trade defense instruments Commitment of the parties on labor standards and environment
 - Trade disputes such as workers, union

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Challenges(2)

- Skilled labor required
 - Qualified
 - Ability to adapt changes and processes applying high-tech
- Business environment, legal environment,

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4. Recommendations

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4.1. Macroeconomic solutions (1)

- *Completing legal system, the business environment for commitments in FTAs*
 - Revising Vietnam's regulations related to commitments and provisions in the FTA Bettering business environment
 - Continuing to reform institution of the market economy
- *Support businesses to seize opportunities and overcome the challenges when FTA takes effect*
 - Planning and building pangasius development programs
 - Supporting businesses build pangasius branding for export
 - Attracting and mobilizing investments to develop production and export
 - Supporting technological innovation and enhancing product quality for enterprises Supporting trade promotion activities

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4.1. Macroeconomic solutions (2)

➤ *Dealing with difficulties and challenges to directly promote exports with FTA*

- Dealing with trade disputes
- Handling non-commercial matters

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4.2. Solutions for Vietnamese companies

- Enhancing the competitiveness of pangasius producers and exporters.
- Pushing trade promotion in markets of the FTAs.
- Strengthening cooperation between enterprises.
- Preparing and dealing with trade disputes promptly
- Developing human resources in enterprises.

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Thank You!