



DEZAN SHIRA & ASSOCIATES

Your Partner for Growth in Asia

Vietnam's Free Trade Agreements

Two Decades of Global Integration

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Dezan Shira & Associates

A pan-Asia specialist FDI and Professional Services firm

1991

Dezan Shira & Associates' establishment

300+

Our team of legal, tax, accounting, audit, and business intelligence professionals

2,000+

Multinational clients that have already chosen us

80+

Countries served by our professional services

28+

Our offices in **China, Hong Kong, India, Vietnam, Singapore**; liaison offices in **Italy, United States** and **Germany**; and alliance offices in **Indonesia, Malaysia, Philippines, and Thailand**

Section 1

Vietnam's FTAs



Vietnam's FTA Network

Signed and in effect

- ASEAN Free Trade Area (AFTA)
- ASEAN-Australia & N. Zealand FTA
- ASEAN-India CECA
- ASEAN-Japan CEP
- ASEAN-PR China CECA
- ASEAN-Ro Korea CECA
- Chile-Vietnam FTA
- Japan-Vietnam EPA
- Ro Korea – Vietnam FTA

Signed, not yet in effect

- Vietnam-Customs Union of Russia, Belarus, and Kazakhstan FTA
- **Trans – Pacific Partnership (TPP)**

Negotiations launched

- ASEAN-Hong Kong, China FTA
- Regional Comprehensive Economic Partnership (RCEP)
- Vietnam and EFTA (including Switzerland, Norway, Iceland and Liechtenstein) FTA
- Vietnam and Israel FTA

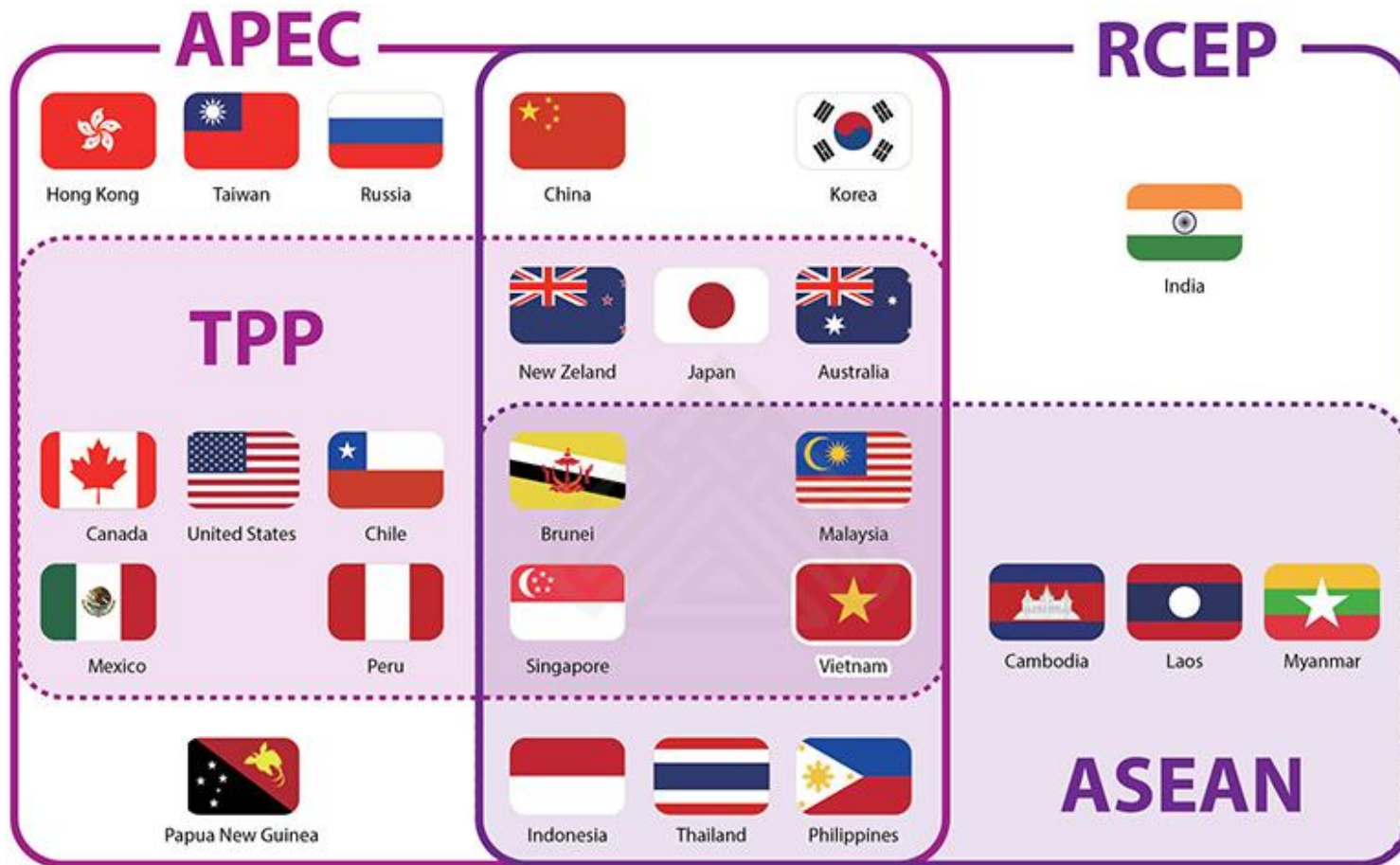
Negotiations concluded

- **Vietnam – EU FTA**

ASEAN FTAs and AEC



Vietnam's Privileged Position



APEC (Asia-Pacific Economic Cooperation); TPP (Trans-Pacific Partnership); RCEP (Regional Comprehensive Economic Partnership); ASEAN (Association of Southeast Asian Nations).

1986-2000: Renovation and Opening Up



- 1986: Đổi Mới (Renovation)
- 1994: U.S. trade embargo lifted
- 1995: ASEAN Free Trade Area (AFTA); WTO membership application
- 2000: USA-Vietnam Bilateral Trade Agreement (normalized trade, introduced MFN status)



2000-2007: Regional Integration and WTO Accession



- 2004: ASEAN-People's Republic of China FTA
- 2006: ASEAN-Korea FTA
- 2007: WTO Accession

WORLD TRADE
ORGANIZATION



2007-Present: FTAs, RTAs, and EPAs



- 2008: ASEAN-Japan FTA
Vietnam-Japan EPA.
- 2009: ASEAN-India FTA
ASEAN-New Zealand-Australia
(AANZ) FTA
- 2012: Vietnam-Chile FTA

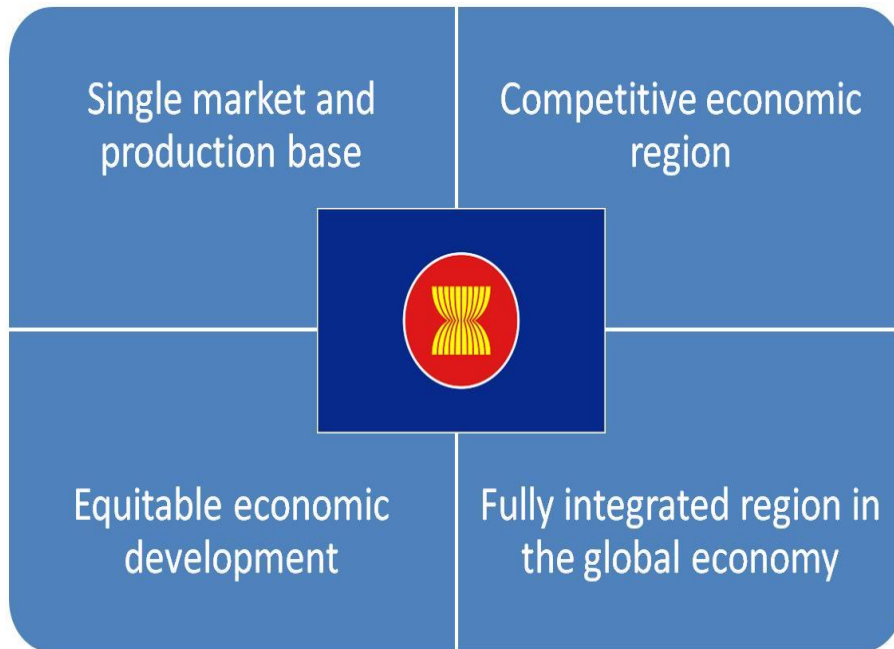


EU-Vietnam FTA (EUVFTA)



- Eliminates 99% of import tariffs within 7-10 years, including textile, garment, footwear, & electronics manufacturing industry, as well as farm produce
- Levels playing field between SOE's and private firms
- Creates permanent investment dispute resolution court with an appeal mechanism
- Allows EU companies to bid for public contracts and participate in government procurement

ASEAN Economic Community (AEC)



- In effect as of 2016
- Integrates ASEAN economies through free movement of goods, services, labor and capital
- Calls for improved physical infrastructure to support cross-border economic integration
- Theoretically allows firms easier access to and expansion in ASEAN market
- In reality, problems remain due to diverse interests and weak ASEAN institutions to enforce rules

Trans-Pacific Partnership (TPP)



- Signed in February 2016, awaiting final ratification
- Drops up to 98% of Vietnam's tariffs, and opens up agricultural sector and SOEs to competition with MNCs
- Benefits Vietnam's apparel (yard-forward), footwear, seafood, and electronics manufacturing industries
- Improves IP protection and enforcement, especially for biologics and plant patents, as well as labor rights

Opportunities in Vietnam for Foreign Businesses

Opportunities	Risks
Vietnam is the best option for a China + 1 AND global strategy to cope with an expensive China	
Privatization and opening up of SOEs in an improving legal environment	Is your current supply chain structure eligible to reap TPP benefits?
Young and driven population	Demanding more and more from employers
Better investment environment within TPP countries	Some sectors expanding to TPP countries but China is still the world's factory? Up for debate...
One Belt One Road, RCEP also will incorporate Vietnam	Awareness of TPP (and OBOR, RCEP) is low among general population
Securities and financial sector	
Textile, apparel and related supply chain	The supply chain is not there, yet. Foreign business can start developing it!
Seafood, aquaculture, agriculture	
Plastic, electronics, engineering, design	
Consulting over integrating supply chain and retailing / e-commerce	Labor costs will begin to rise and capacity may become an issue

Opportunities in Vietnam for SG Businesses

Opportunities	Risks
Manufacturing: favorable tax incentives, low to none tariff on exports, and improving IP protection.	Low credit usage rate due to low awareness; wages are low but rising....
Increasing demand for infrastructure, energy, logistics, and electronic parts due to boom in manufacturing and real estate market and low level of localization.	Drawn-out customs processes and low level of transport infrastructure,.
Consumer goods: growing affluent and educated middle class doubling in size and per capita income, especially HN, HCMC. Family-oriented, status-conscious yet deal-seekers.	
IT sector (e-commerce, fintech, edtech, etc.): high internet and mobile penetration rate.	Low online shopping rate; an often overlooked opportunity!
Offshoring services such as data, BPO, and IT thanks to cheap and growing pool university graduates.	Majority of labor force are low-skilled; can they make the transition up the value chain quick enough to serve the high-tech sector's labor demand?
Healthcare, pharmaceuticals, and insurance: gov.'s drive to privatize healthcare, outdated medical devices, low level of R&D in pharmaceuticals, consumer's preference for foreign healthcare and drugs.	Cumbersome government regulations and bidding process.