Vietnam and the EU

EU Relations with Vietnam

Political and economic relations

Since establishing diplomatic ties in October 1990, Vietnam has become one of EU's main partners in Southeast Asia. The EU and Vietnam have since established cooperation in areas concerning political issues, global challenges, trade and development.

Established in 1996, the EU's diplomatic representation in Hanoi has aimed at;

- Supporting Vietnam's sustainable economic development and improvement of the living conditions of the poor
- Encouraging Vietnam's integration into the global economy via trade and support of socio-economic reforms.
- Supporting Vietnam's transition into an open society based on good governance, rule of law and the respect for Human Rights.
- Raising the profile of the European Union in Vietnam.

After the establishment of diplomatic ties, and opening of the European Commission Delegation, the next important milestone in the EU-VN bilateral relations was the signing of an EU-Vietnam Framework Cooperation Agreement (FCA) in 1995 that entered into force on 1 June 1996. The FCA defined the terms and broadened the EU's relationship with Vietnam beyond the humanitarian dimension of early years.

In 2012, the signing of the EU-Vietnam Framework Agreement on Comprehensive Partnership and Cooperation (PCA) marked the EU's commitment to strengthen and broaden the scope of the mutually-beneficial partnership with Vietnam. The PCA which entered into force in 2016 broadens EU-VN cooperation scope in the areas of trade, environment, energy, science and technology, good governance, human rights, as well as, tourism, culture, migration and the fight against corruption and organized crime.

By incorporating the EU and its Member States, the PCA provided an opportunity for increased coherence and synergy between EU and Member State policies. It allows high-level discussions on political, trade, economy and development issues, as well as on the implementation of EU cooperation programs. As a result, the annual EU-Vietnam enhanced Human Rights Dialogue and the EU-Vietnam Political Consultations at Vice-Ministerial Level were established in order to implement some key
aspects of the PCA Agreement.

The political and Human Rights dialogues will be upgraded with the first meeting of the PCA Joint Committee, which will take place in 2019. As established by the PCA, the Joint Committee will create a series of sub-Committees, which will cover the most relevant aspects of EU- Vietnam relations, namely: Political issues, Trade and Investment, Sustainable Development, Good Governance, Rule of Law and Human Rights.

On security matters, Vietnam and the EU signed a Framework Participation Agreement (FPA) on 17 October 2019 to strengthen bilateral security and defence cooperation. This agreement also facilitates Vietnam's contribution to the EU's Common Security and Defense policy (CSDP) operations.

After eight years of negotiations, the European Parliament ratified the EU-Vietnam Free Trade Agreement (FTA) - along with the EU-Vietnam Investment Protection Agreement - on 12 February 2020. The FTA needs to be approved by the Vietnamese National Assembly before entering into force while the IPA also needs the approval of each European national parliament. The FTA will bring EU-Vietnam trade and investment to new levels, removing 99% of all tariffs between the two parties in ten years, facilitating access to the Vietnamese market for EU firms, and foster sustainable development on climate, labour and human rights.

After completing the three-year negotiations of an EU-Vietnam Free Trade Agreement (FTA) at the end of 2015, the EU looks forward to realizing the trade and investment principles established in the PCA. The FTA, which is expected to enter into force in 2019, will bring EU-Vietnam way trade and investment to new levels.

Lastly, in the area of development cooperation, through the EU and its Member States' engagement, the EU has become the largest grant donor in Vietnam. The EU will contribute with €400 million for development cooperation during the period of 2014-2020 focusing on good governance, energy and climate change.

Further information on EU-Vietnam political and economic relations can be found in the following links:

- Political and Human Rights Dialogue
- Vietnam in the EU-ASEAN relations
- Chronology of bilateral relations

**Trade**

Over the last decades, the European Union has been a committed partner supporting Vietnam's integration into the global economy. Continuous assistance from the EU complemented the successful implementation of the market oriented reform policies known as Đổi Mới in 1986 and has led to Vietnam's remarkable economic progress. Vietnam with improved living standards has left behind its status as one of the least developed countries in the world. With an average per capita income of US$2342, Vietnam is now classified as a lower middle-income country.

In 2018, the EU constituted one of the most important overseas markets for Vietnam (EU came second after the US). The EU purchased as much as 17% of the country's global exports in 2018. The two way trade expanded to US$56.3 billion (according to the GSO) mainly owing to the impressive growth rate of Vietnam's exports to the EU which made year-on-year increase of 11% (US$42.5 billion). The EU was also the fourth largest trading partner of Vietnam after China, South Korea and
the United States of America. In particular, the continuous surplus of US$28.7 billion that Vietnam enjoys in its bilateral commercial links with the EU significantly helped to balance Vietnam's huge trade deficits with China and South Korea and led to an estimated global trade surplus of about US$7.2 billion. Thus, 2018 marks another year in which Vietnam enjoys a record-high trade surplus with the EU.

Vietnamese exports to the EU concentrated on labour intensive products including assembly of electronic items/telephone sets, footwear, garments and textiles, coffee, seafood and furniture. The main commodities of EU exports to Vietnam are high-tech products, including boilers-machinery & mechanical products, electrical machinery & equipment, pharmaceutical products, and vehicles.

The expansion of Vietnamese exports to the EU market benefit considerably from the EU's Generalised Scheme of Preferences (GSP) which facilitates exports of goods from developing countries into the EU. Comprehensive information on EU import tariffs and other market access conditions can be found at the EU's Export Helpdesk.

- Guide to the EU-Vietnam Trade Agreement

**Investment**

The European Union is one of the most important sources of foreign investments for Vietnam. According to the Foreign Investment Agency of the Vietnamese Ministry of Planning and Investment, investors from 23 out of 28 EU Member States injected a total committed FDI worth more than US$23.9 billion into 2,133 projects over the course of the past 28 years (by the end of 2018).

In 2018 investors from the EU poured more than US$1.068 billion in 139 projects in Vietnam. The EU's ranking has been shifted up to the sixth position from the seventh position in 2016 among the biggest FDI partners of Vietnam. During this period, Japan was the largest investment partner of Vietnam with committed FDI worth US$6.59 billion followed by South Korea (US$3.66 billion), ASEAN (US$2.65 billion), China (US$1.2 billion) and Hong Kong (US$1.13 billion).

**Managing the relationship**

The European Commission represents the EU as a whole on trade policy issues, in close consultation with EU Member States. Regular meetings between the Economic and Commercial Counsellors of all EU missions and the EU Delegation to Vietnam ensure a vital exchange on issues of importance. In addition, the EU Delegation also regularly seeks views of European business, represented by the European Chamber of Commerce.

Moreover, as part of the European Market Access partnership, the European Market Access Team for Vietnam was established in 2008. This serves as a forum for discussions between the business community, Member States Trade Counsellors and the EU Delegation in Vietnam aiming at addressing market access barriers in a more systematic and effective manner.

Both the Trade Counsellors and EuroCham follow thoroughly developments of the business climate in Vietnam and possible protectionist measures introduced by Vietnamese authorities that could affect trade. Some of these issues are featured in EuroCham's 'White Book of Trade / Investment Issues & Recommendations'.

The European Trade Policy and Investment Support Programme (EU-MUTRAP) is a key ongoing project promoting economic development, inclusive growth and poverty reduction in Vietnam. Totalling over €35.37 million since 1998, it currently engages €16.5 million for the fourth programming period.
EU-MUTRAP has been instrumental in supporting Vietnam's negotiating efforts during the WTO accession process and during the EU-Vietnam FTA negotiations. It also continues to assist the country to further its integration into the global, ASEAN and sub-regional trade systems. The specific purpose of the programme is to support the Vietnamese Ministry of Industry and Trade (MOIT) and other relevant ministries or agencies in facilitating sustainable international trade and investment through improved capacity for policymaking, policy consultation and the implementation of related commitments, particularly vis-à-vis the EU-Vietnam FTA.

**Free Trade Agreement**

Trade plays a key role in Vietnam’s economic development strategy and a range of multilateral and bilateral trade agreements under negotiation reflect this importance.


The EU-Vietnam FTA and the Investment Protection Agreement (IPA) are modern and comprehensive deals. They will remove nearly all tariffs on goods traded between the two economies. They show the shared conviction of the EU and Vietnam that trade is essential to growth, the creation of jobs and sustainable development.

Once in force, the agreements will provide opportunities to increase trade and support jobs and growth on both sides, through:

- Eliminating 99% of all tariffs
- Reducing regulatory barriers and overlapping red tape
- Ensuring protection of geographical indications
- Opening up services and public procurement markets
- Making sure the agreed rules are enforceable

The Investment Protection Agreement, concluded in July 2018, includes modern rules on investment protection enforceable through the new Investment Court System and ensures that the right of the governments on both sides to regulate in the interest of their citizens is preserved. It will replace the bilateral investment agreements that 21 EU Members States currently have in place with Vietnam.

The European Commission has submitted the proposals for signature and conclusion of both agreements to the Council. Once authorised by the Council, the agreements will be signed and presented to the European Parliament for consent. After the Parliament's consent, the Council can conclude the trade agreement, and it can enter into force. The investment protection agreement will be ratified by Member States' according to their national procedures.

Besides eliminating tariffs, Vietnam will also remove almost all of its export duties. The agreement will equally create new market access opportunities in services and investment. Vietnam has agreed to liberalise trade in financial services, telecommunications, transport, and postal and courier services. On investment, Vietnam will open its market to the EU by removing or easing limitations on certain sectors e.g. manufacturing of food and beverages, of ceramics or plastic products).

On government procurement, the EU and Vietnam have agreed on disciplines largely in line with Government Procurement Agreement (GPA) rules of the WTO, achieving a degree of transparency...
comparable to other EU Free Trade Agreements with developed countries and more advanced
developing countries.

The agreement will also improve the protection in Vietnam of Geographical Indications (GIs)
representing EU flagship agricultural products, such as Champagne, Parmigiano Reggiano cheese,
Rioja wine, Roquefort cheese and Scotch Whisky. Vietnamese GIs too will be recognised and protected
in the EU through the virtue of the FTA Agreement, providing the adequate framework for further
promoting imports of quality products such as Mộc Châu tea or Buôn Ma Thuột coffee.

The FTA includes a robust and comprehensive chapter on Trade and Sustainable Development,
covering labour and environmental matters of relevance in trade relations between the EU and
Vietnam. Commitments to the core labour standards and Conventions of the International Labour
Organisation (ILO) ensure the respect of fundamental workers' rights by both parties. In addition, the
chapter includes commitments which will support the conservation and sustainable management of
natural resources (including wildlife, forestry, and fisheries). Special attention is given to areas such
as Corporate Social Responsibility and fair and ethical trading schemes.

The FTA will set up a dedicated structure to ensure the full implementation of the chapter, including
mechanisms to ensure the involvement of independent economic, social, and environmental
stakeholders both in the EU and in Vietnam.

The Agreement will also contain a legally binding link to the Partnership and Cooperation Agreement
(PCA) that governs the overall relationship between the EU and Vietnam, thereby ensuring that
human rights, democracy, and the rule of law are essential elements of our bilateral trade relations.

In May 2019, the EU Delegation to Vietnam re-published the
Guide to the EU-Vietnam Free Trade Agreement
. It provides first-hand information about the FTA as well as about the economic relations between EU
and Vietnam.

More information can be found in the following links:

- Useful links for Traders
- FAQs

Technical and Financial cooperation

Overview

The European Union (EU) has been supporting Vietnam’s efforts towards poverty reduction,
sustainable development and integration into the world economy. Since 1990, the European Union
has provided more than EUR 600 million in grants for specific projects and programmes. The
Multiannual Indicative Programme 2014-2020 (after its Mid-Term Review in 2018) contributes up to
EUR 320 million in grants to support Viet Nam's socio-economic development, particularly by
developing a sustainable energy sector and by strengthening governance and the rule of law.

- Multiannual Indicative Programme 2014-2020

In 2012, the signing of the EU-Vietnam Framework Agreement on Comprehensive Partnership and
Cooperation (PCA) marked the EU's commitment to widen the scope of the mutually-beneficial
partnership with Vietnam. The PCA (entered into force in 2016) broadens EU-VN dialogue and cooperation scope in the areas of multilateralism, international security and defence, trade, environment, energy, science and technology, good governance, human rights, as well as, tourism, education, culture, migration and the fight against corruption and organized crime. The institutional set-up has been completed in 2018 and the first Joint Committee was organised in May 2019. There are four sub-committees: "Sustainable Development", "Governance, Rule of Law and Human Rights", "Trade" and "Political Issues".

On development cooperation, the EU and its member states are together the biggest grant donors in Vietnam. Unlike loans, EU support does not add to public debt. EU grants to Vietnam are in line with the country's socio-economic priorities, like the Socio-Economic Development Strategy, and come in support to government efforts of restructuring the economy with the aim of ensuring long term growth and welfare for its citizens. EU has allocated development cooperation to sectors where Vietnam is seeking progressive reforms in order to maximise synergies between government policies and development cooperation programmes, and thus to contribute to the overall objective of inclusive and sustainable growth, poverty reduction and equity, and integration in the world economy.

In the Energy Sector, the EUR 108M budget support programme supports: i) Access to electricity services in rural area; and ii) Energy governance (improve technical and legal framework for renewable energy and energy data and statistics). In June 2017, the Vietnam Energy Partnership Group (VEPG) was officially launched to promote information sharing and policy dialogue. Three VEPG High Level Meetings have already been held, while the five VEPG Technical Working Groups on Renewable Energy, Energy Efficiency, Power Access, Power Market Reform, and Energy Data and Statistics of the VEPG meet regularly.

The EU Development policy is enshrined in the Consensus on Development, adopted in May 2017. This new ambitious collective European development policy addresses in an integrated manner the main focus points of the 2030 Agenda: people, planet, prosperity, peace and partnership.

Further information on EU-Vietnam cooperation in specific fields can be found in the below box.

- Aid Disbursement
- Education
- Science and Technology
- Cooperation with Civil Society
- Regional Cooperation

Documents

Multi-annual Indicative Programme for Vietnam 2007 - 2010
Multi-annual Indicative Programme for Vietnam 2011 - 2013
Multi-annual Indicative Programme for Vietnam 2014-2020
EU-UN Cost Norms 2017

See also

European Union - Vietnam Cooperation
EU-Vietnam Framework Agreement on Comprehensive Partnership and Cooperation
Increasing Social Insurance Coverage in Vietnam's SMEs
www.eeas.europa.eu