

Event Report

The EU-Vietnam FTA: The Final Push

EIAS Briefing Seminar

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The EU-Vietnam Free Trade Agreement (EVFTA) represents not only the apex of relations between these two partners, but also the most ambitious and innovative agreement that the EU has reached with any developing country. It will bring “win-win” outcomes both to the EU and Vietnam, with the former gaining greater access to the Vietnamese market and stronger investment protection, and the latter boosting its economy and exports. In fact, it is estimated that Vietnam’s GDP could increase by 15 percent and its exports to the EU could grow by over one third.

The EVFTA negotiations, which started in 2012 and seemed to have reached their conclusion in 2015, came to a halt in 2017 due to a ruling by the European Court of Justice. The EVFTA was classified as involving “mixed competences” and hence required the ratification of all the 28 EU Member States, rather than solely the EU institutions. Nevertheless, the great opportunities that this agreement is likely to bring to both parties, the EU’s ambition to establish region-to-region FTAs with ASEAN, and Vietnam’s desire to become the EU’s largest trading partner in ASEAN, are all pushing the EU and Vietnam to conclude this agreement. With both parties endeavouring to speed up this process, it is hoped that the EVFTA will be ratified before the end of the eighth legislation of the European Parliament and the upcoming elections in April 2019.

Opening Remarks

MEP Jan Zahradil, Vice-chair of the European Parliament International Trade Committee, Chairman of the EU-Vietnam Friendship Group, INTA Vice-chair and Standing rapporteur on the EU-Vietnam FTA

MEP Jan Zahradil opened the conference by stressing that the EU-Vietnam FTA (EVFTA) is currently of utmost importance. With the 8th legislation of the European Parliament drawing to an end and the new elections set to take place in April 2019, there is an urgency to reach the agreement's ratification before the end of this parliamentary term. Hence, the sub-title of the conference, "The Final Push", underlines the rapidity with which these final steps need to be taken if the ratification is to be reached. Therefore, Mr Zahradil explained that this conference will be the first of many that the EU and Vietnam will organise over the coming months in order to accelerate this process and reach a timely conclusion.

Mr Zahradil talked about the current discouraging and negative atmosphere in international trade due to increased protectionism and trade barriers. However, although this seems to be an emerging trend, the EU has reacted to it by concluding negotiations with Japan and Singapore, with new prospects to conclude an FTA with Australia, New Zealand and Vietnam. Thus, the EU has the opportunity to demonstrate itself as the champion of free trade and the EVFTA is the first step for this. He concluded his opening remarks by showing his confidence in the successful ratification of the EVFTA before the end of this parliamentary legislation.

Panel discussion

H.E. Mr Vu Anh Quang, Ambassador of Vietnam to the Kingdom of Belgium, the Grand Duchy of Luxembourg and the European Union

H.E. Vu Anh Quang opened his remarks by insisting on the importance of ratifying the EVFTA before next year's parliamentary elections, especially given how technical issues and legal reviews are the ones delaying the ratification, originally planned to take place in 2017.

Moving on to talk about the improvements of EU-Vietnam relations in the past years, Ambassador Quang outlined the booming trade activity which surpassed EUR 47 billion last year. Out of the ten ASEAN countries, Vietnam is Europe's most important partner after Singapore. The EVFTA is expected to bring even more opportunities for both sides because of the complementarity between the two economies. The EVFTA will increase EU investments in Vietnam whilst at the same time improving Vietnam's sustainability and development and fostering economic growth. With the expected elimination of 99 percent of tariffs, Vietnam would become one of the most open economies in South East Asia. Thus, Mr Quang affirmed Vietnam's commitment to ensuring an open and transparent business environment, something which will be further developed thanks to the FTA. Mr Quang added that he hopes that these commitments will encourage EU companies to invest in Vietnam.

Regarding the geopolitical component of the EVFTA, Mr Quang argued that the political commitment from both parties to promote bilateral trade is a reaction to the increased uncertainty of global trade and the rise of protectionism. Given the current problems with

the EU-US transatlantic relationship, Mr Quang hopes that the EU will attach increasing importance to its relationships with partners elsewhere in the world and forge ahead with bilateral agreements such as that with Vietnam. Thus, Mr Quang concluded his speech by announcing that the EVFTA will strengthen the EU's position in South East Asia and the Pacific, and that Vietnam will support the EU in this by becoming the hub for European access to ASEAN's value chains.

H.E. Bruno Angelet, Head of the EU Delegation to Vietnam

Congratulating Vietnam on its achievements in poverty reduction and economic growth in recent years, H.E. Bruno Angelet outlined the ambitiousness of the EVFTA. If ratified, Mr Angelet suggested that this agreement could be successfully emulated throughout other South East Asian countries, and that it would bring Vietnam into the premier league of free trade partners between the EU and the Asian Pacific. Related to the ambitious aspects of the EVFTA, Mr Angelet underlined three points.

Firstly, in order for the EVFTA to be successful and to attract European businesses to invest in the Vietnamese market, Vietnam needs to ensure the protection of intellectual property and legal guarantees against piracy. Secondly, to increase agricultural exports, Vietnamese agri-food products will need to adhere to European quality, sanitary and phytosanitary (SPS) laws. These standards are applied not only to foreign products but also to those of all EU Member States. Hence, these measures do not need to be considered discriminatory non-tariff barriers, but as a chance for Vietnamese products to receive legal protection from the EU against potential breach of copyright. Thirdly, the EVFTA includes sustainable development as one of its main aims. The promotion of free trade needs to be accompanied by the pursuit of fair trade, thus the sustainable development chapter includes clear guidelines on the fight against climate change, protection of forests, illegal fishing, Corporate Social Responsibility (CSR) and labour laws. Mr Angelet pointed out that it is fundamental for Vietnam to sign and take action on these issues since the EU needs to see Vietnam's commitment to sustainable development.

Following these three main points, H.E. Angelet affirmed that this FTA is more than just about trade. It is the exit strategy of the development cooperation that the EU has developed with Vietnam since the 1990s. Therefore, there is hope that this cooperation will continue in the future, both through bilateral and multilateral means, in order to lift the quality of governance in Vietnam and to further improve the relations between both of this agreement's partners.

Mr Axel Goethals, CEO of the European Institute for Asian Studies

Mr Axel Goethals started out by praising the strong and fruitful bilateral relations that the EU and Vietnam have developed since diplomatic ties were established in 1990. He argued that the EU should appreciate Vietnam's swift achievements, on both economic and social issues, by giving Vietnam a chance. Working together to improve Vietnamese labour conditions, environmental problems and productivity should be key. According to Mr Goethals, this can be done through the adoption of CSR. If companies understand the added value of CSR and the increased productivity that it brings, then both sides, the EU and Vietnam, will be poised to exploit this "win-win" situation. The improvement of labour conditions, for instance, does not only ensure better human rights, but also simultaneously increases productivity. Mr Goethals concluded by discussing the possibility

for Vietnam, through this FTA amongst other things, becoming the EU's gateway to ASEAN. Bringing his account to a close, Mr Goethals posited how "The future looks very bright for this fast growing and changing country".

Mr Nicolas Audier, Co-Chair of the European Chamber of Commerce in Vietnam

As a European and businessman living in Vietnam since the 1990s, Mr Nicolas Audier shared his own personal experiences, outlining how since its open-door policy in 1987, the country has improved its judicial system and opened itself to foreign investment and trade. He then highlighted the strong interest and hope of European small and medium enterprises (SMEs) to see the EVFTA become a reality. Moreover, he informed the audience on the openness of the Vietnamese government to debate certain issues that EU SMEs raise. In fact, every year the EU Chamber of Commerce in Vietnam publishes a "Trade and Investment Issues and Recommendations Whitebook", which allows EU SMEs to raise concerns and discuss issues which are affecting businesses in Vietnam. The Whitebook aims to inform and provide recommendations to the Vietnamese government. Talking about the Vietnamese officials' willingness to deal with these concerns and to amend regulations, Mr Audier pointed out that at the highest levels of Vietnam's government, there is a strong interest in and commitment to correctly apply the regulations of the EVFTA.

Moving on to geopolitics, Mr Audier explained how Vietnam is a key partner for the EU in the region. Thanks to Vietnam's recent positive and active role in the international community, demonstrated by its role in ASEAN and other multilateral agreement and partnerships, there is a need to give Vietnam a chance. Moreover, he added that the EU is competing against the signatories of the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) of which Vietnam is part of. As such, the EU cannot afford itself to lose market share to the other ten CPTPP countries. Hence, the EVFTA plays a crucial role for the EU.

Mr Maurice Fermont, Adviser at BusinessEurope

Mr Maurice Fermont started by pointing out how Europe's business community widely agrees that this FTA is positive for European and Vietnamese businesses, both because of what the deal contains but also in light of the wider, geopolitical context previously outlined by the other panellists. Listing the reasons why BusinessEurope is in favour of the EVFTA - liberalisation of tariffs, improvements in services, banking, insurance, maritime transport and public procurements, respect of non-discrimination principles and transparency - Mr Fermont asserted how these will lead Vietnam to become an increasingly attractive investment destination for European firms. He then went on to highlight the important role of European investment in Vietnam's economy, with outward foreign direct investment (OFDI) making up 17 percent of Vietnam's GDP. In 2015, European investment to Vietnam surpassed USD 1.3 billion making it Vietnam's third largest foreign investor and this is set to increase. Improvements can still be made by looking at the EU Chamber of Commerce's Whitebook. Mr Fermont concluded by mentioning that the business environment is glad for Vietnam's openness and for its propensity to dialogue.

Mr Pierre Gröning, Director of Advocacy, Amfori

During his speech, Mr Pierre Gröning from Amfori (a leading global business association for open and sustainable trade) focused on three main points. Firstly, he argued that Vietnam is on the right path in terms of commitment to labour standards and sustainability in trade and development. Out of the 1000 audits done by Amfori in Vietnam, issues that are common in the neighbouring countries, such as child labour, have not been registered in Vietnam. Moreover, addressing the sustainability chapter of the FTA, Mr Gröning argued that Vietnam has not decided to include it only to please the Europeans, but because it has a genuine commitment to the issues it raises. Secondly, from a geopolitical perspective, with rising protectionism around the globe, he claimed that creating a network of friends, who are committed to free and fair trade and an open rule-based international system, is certainly in the EU's vested interests. Thirdly, Mr Gröning underlined the importance of ensuring the ratification of the EVFTA before the end of this parliamentary legislation. He stressed that action needs to be taken now to make the EVFTA a reality, not just for the sake of the EU and Vietnam, but also for business companies who are starting to lose faith in it. Moreover, by successfully ratifying this FTA, neighbouring countries are also more likely to become interested in this sort of ambitious deal. Consequently, he concluded his remarks by reasserting his hope that the EVFTA will be ratified in the next ten months.

Mr Valere Vangeel, Member of the Economic Diplomacy Board of Vrije Universiteit Brussel; Senior Advisor at the European Institute for Asian Studies

Mr Valere Vangeel illustrated how, due to its Generalised Scheme of Preferences (GSP) status, Vietnam has always had preferential access to the EU market, resulting in a trade deficit. By concluding the ratification of the EVFTA, this imbalance will be eliminated. Instead of reacting to this historical trade imbalance by putting up barriers, the EU is building bridges – actions which, under the current global political environment, are certainly worthy of praise.

Mentioning how the EVFTA will boost Vietnam's economic growth and promote it into the premier league of global trade, Mr Vangeel underlined that there will certainly be some points of friction in the short term and it is necessary for the Vietnamese government to address these. These will include the reconfiguration of employment sectors, which will require special training for new employees coming from different sectors, and the focus on sustainable development to avoid the trade growth's negative impacts on the environment.

To conclude, Mr Vangeel stressed how the EVFTA is just a part of the wider framework of the EU-Vietnam bilateral cooperation, which is embodied by the Partnership and Cooperation Agreement (PCA). Under the PCA the two parties have already agreed on many principles, amongst which rule of law and human rights are central. Hence, as part of the bilateral provisions of the PCA, the EVFTA can be concluded only if both parties have attained to the PCA's obligations. This strong relationship between the EVFTA and the PCA, especially concerning human rights, must be kept in mind, according to Mr Vangeel, both during these final meetings before the ratification, but also during the implementation process.

Q&A

During the Q&A session, many questions to the panel focused around the issue of human rights, with one audience member asking how the EU might react if human rights are violated in Vietnam. Panelists were unwilling to speculate whether the FTA could be suspended due to human rights issues before it has even been agreed. Moreover, another question inquired how the EU might push for improvements in human rights, such as civil political activism, freedom of speech and religious liberty, once the agreement has been concluded. The response from Mr Zahradil was that his political group believes that by opening markets, human rights are also improved. However, since other parties in the EU Parliament have different opinions, it is necessary to find the lowest common denominator so as to avoid blocking the ratification of the FTA whilst still pushing for some improvements in the Vietnamese conditions. Moreover, he explained that after the ratification, there is a process of implementation of the FTA in which both parties will carefully examine whether commitments are being following.

Regarding human rights issues, H.E. Vu Anh Quang also intervened by stressing that when talking about human rights in Vietnam, one needs to look at the broader picture. Recognising that the human rights in his country are not perfect, the Ambassador outlined the improvements which have been made on the issue in the past ten years. Vietnamese people have more rights and more freedom compared to the past, and it will take yet more time to further improve the situation due to a number of challenges. Regarding labour conditions, Ambassador Quang underlined that Vietnam is part of five ILO conventions and will ratify the next three before 2020.

Finally, questions were asked from the audience on how and who will monitor sustainability. H.E. Bruno Angelet explained how the EU mission in Vietnam, in collaboration with Vietnamese official institutions, will take charge of this. Moreover, there will be the creation of the Domestic Action group as mentioned in Chapter Thirteen of the EVFTA, the chapter focused around sustainability. This civil society platform will be established to put together Europeans and Vietnamese and allow them to work alongside one another in monitoring the situation.

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