



**2018/0356(NLE)**

16.11.2018

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## **DRAFT RECOMMENDATION**

on the proposal for a Council decision on the conclusion of the Free Trade Agreement between the European Union and the Socialist Republic of Viet Nam  
(COM(2018)0691 – C8-0000/2018 – 2018/0356(NLE))

Committee on International Trade

Rapporteur: Jan Zahradil

***Symbols for procedures***

- \* Consultation procedure
- \*\*\* Consent procedure
- \*\*\*I Ordinary legislative procedure (first reading)
- \*\*\*II Ordinary legislative procedure (second reading)
- \*\*\*III Ordinary legislative procedure (third reading)

(The type of procedure depends on the legal basis proposed by the draft act.)

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## DRAFT EUROPEAN PARLIAMENT LEGISLATIVE RESOLUTION

**on the on the proposal for a Council decision on the conclusion of the Free Trade Agreement between the European Union and the Socialist Republic of Viet Nam (COM(2018)0691 – C8-0000/2018 – 2018/0356(NLE))**

**(Consent)**

*The European Parliament,*

- having regard to the proposal for a Council decision (COM(2018/0691),
  - having regard to the draft Free Trade Agreement between the European Union and the Socialist Republic of Viet Nam (0000/2018),
  - having regard to the request for consent submitted by the Council in accordance with Articles 91(1), 100(2), Article 207(4) first subparagraph, Article 218(6), second subparagraph, point (a) (v) and Article 218(7) of the Treaty on the Functioning of the European Union (C[8-0000/2018]),
  - having regard to its non-legislative resolution of ...<sup>1</sup> on the draft decision,
  - having regard to Rule 99(1) and (4) and Rule 108(7) of its Rules of Procedure,
  - having regard to the recommendation of the Committee on International Trade (A8-0000/2018),
1. Gives its consent to conclusion of the agreement;
  2. Instructs its President to forward its position to the Council, the Commission and the governments and parliaments of the Member States and of the Socialist Republic of Viet Nam.

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<sup>1</sup> Texts adopted of that date, P8\_TA(0000)0000.

## EXPLANATORY STATEMENT

The EVFTA is the most comprehensive and ambitious deal of its type ever concluded between the EU and a developing country. It represents an ambitious model for EU trade policy with emerging economies. A model where we negotiate as partners, on equal footing, and share a common agenda and values- to stimulate growth and employment, boost competitiveness, fight against poverty and consolidate structural reforms. A model where we aim to achieve a mutual beneficial partnership.

The EU and Viet Nam have concluded trade and investment agreements in December 2015 after more than three years of negotiations. Afterwards, the legal review of the EVFTA went on for long two and a half years. Both sides agreed for the final EVFTA text in June 2018. On 17 October 2018, the Commission has sent the EVFTA to the Council of Ministers for approval and ratification by the European Parliament<sup>1</sup>.

The negotiated outcome is a split of the agreement into two parts- trade and investment part- in order to follow the new architecture of EU FTAs based on the Singapore ECJ opinion 2/15 of 16 May 2017.

Viet Nam is a booming, competitive and connected economy with almost 100 million citizens, a growing middle class and a young and dynamic workforce. Vietnam is also one of the fastest growing countries in ASEAN with average GDP growth rate of around 6.51 % from 2000 until 2018. It is also one of the most open and pro free trade economy in the region.

The FTA will create a new opportunities for growth and development on both sides - for example, by making significant cuts in customs duties for EU products, including cars, car parts, machinery and poultry, while protecting those sectors which are particularly sensitive.

The EU is currently Viet Nam's largest trading partner after China and the second largest export market after the US. EU exports to the country in last ten years grow annually by an average of 5-7%. However, the Union's trade deficit with Viet Nam is relatively high, reaching Euro 26 billion in 2017.

The EVFTA includes commitments to protect people's basic rights at work, their human rights more broadly, and the environment. It is designed to be an instrument for development and social progress in Viet Nam- to support Viet Nam in its efforts to grow and develop its economy for the benefit of its entire people.

The EVFTA includes a comprehensive and binding chapter on Trade and Sustainable Development (TSD), dealing with labour and environmental matters. The EVFTA commits Viet Nam to implement the core ILO conventions that they have ratified and to make sustained efforts to ratify the outstanding ones, namely 98, 105 and 87.

In case of lack of compliance with the TSD provisions, the agreement foresees a mechanism

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<sup>1</sup> Viet Nam will continue to have trade preferences with the EU under the Generalised Scheme of Preferences still 2 years as of entry into force of the agreement and even longer when the negotiated rates are higher than the GSP rate.

of dispute resolution that involves governments, an independent panel of experts and civil society groups. Civil society plays a crucial role in monitoring the implementation of the trade and sustainable development provisions. In particular, the agreement foresees the establishment of domestic advisory groups (DAGs) composed of trade unions, environmental bodies and business associations that may submit recommendations to the Parties about the implementation of these provisions. These advisory groups shall be established quickly after the entry into force of the agreement.

The agreement also commits the two parties to implement international environmental agreements, such as the Paris Agreement; to act in favour of the conservation and sustainable management of wildlife, biodiversity, forestry and fisheries; and to involve civil society in the monitoring the implementation of these commitments by both sides.

The main elements of the EVFTA are:

- From day one after entry into force 65% of EU **exports to Viet Nam will be duty-free**, the rest will be liberalised after ten years, with a few exceptions. The EU will liberalise 71% of its imports at entry into force and 99% will be duty-free after seven years. The tariffs will be removed gradually over transitional periods, allowing producers to adjust.
- The EVFTA **prohibits discrimination between imported and domestically produced** goods and forbids the adoption of any prohibition or restriction on the importation of any good, in accordance with WTO rules.
- **State trading enterprises** are allowed but shall operate in accordance with WTO rules.
- The **remanufactured goods** will receive the same treatment as new ones.
- Introducing and maintaining export **subsidies on agricultural goods** liberalised by each importing Party will be prohibited.
- Viet Nam accepts marking of **origin of ‘Made in EU’** for non-agricultural goods (with the exception of pharmaceuticals). Markings of origin referring to EU Member States will continue to be accepted.
- The **rules of origin** included in the EVFTA follow the EU approach and their main features are the same as those of the rules of origin of the EU’s GSP, but contain a number of limitations taking into account the specific situation of both Parties.
- Provisions addressing **trade barriers** go beyond the obligations of the WTO.
- Viet Nam commits itself to applying the same **food safety requirements** to like products coming from all EU Member States. The specific recognition by the Parties of the official health status as accepted by international organisations such as the OIE for certain diseases of animals is innovative and will help to tackle barriers in Viet Nam related to BSE.
- **Intellectual Property Right (IPR):** Viet Nam will accede to WIPO Internet Treaties (access to and use of creative works on the Internet or other digital networks).

Authors, broadcasters, performers and producers gain additional rights like right of reproduction, of distribution, or of communication to the public. Viet Nam will apply WIPO recommendation on the protection of well-known trademarks. Viet Nam has committed to extend term of protection for designs to 15 years. Data protection on pharmaceutical products (including biologics) and agrochemical products has been set at five years. The Parties shall protect plant varieties rights.

- **169 European Geographical Indications (GI)** will benefit from the recognition and protection on the Vietnamese market at a comparable level to that of EU legislation. 39 Vietnamese GIs, too, will be recognised and protected as such in the EU.
- **Trade in services** Service sector represents 40 % of GDP in Viet Nam. With this agreement Viet Nam goes beyond its WTO commitments and provides for better access in a number of business subsectors (e.g. architectural and urban planning services) and offers new market access to sectors such as building cleaning, packaging, trade fairs and others. In higher education services, Viet Nam opened cross border services for the first time. In financial services, in securities Viet Nam committed on market access and national treatment. Viet Nam opened up both courier and postal services except those subject to universal service and reserved services.
- The FTA promotes a number of **rules on e-commerce**, such as the prohibition of customs duties on electronic transmissions.
- Viet Nam and the EU have agreed on disciplines in line with the **Government Procurement Agreement (GPA)** rules of the WTO. This is particularly valuable as Vietnam is not yet member of the GPA. The government procurement chapter of the EVFTA achieves a degree of transparency and procedural fairness comparable to other FTAs that the EU has signed with developed and more advanced developing countries.

## Conclusion

The agreement is an important stepping-stone towards the EU's ultimate goal of a region-to-region free trade area with ASEAN countries. Together with similar agreements with Singapore and Japan, it strengthens EU's relations with Asia at the time when multilateral rules-based trade is being put in question. It is a strong signal against protectionist tendencies.

The EU-Viet Nam trade agreement will eliminate over 99% of all tariffs. It will encourage more European companies to be present in Viet Nam and promote better access for Vietnamese business to the EU market.

It is a high quality agreement based on values. With trade and development chapter, the trade agreement is also an important tool to improve local business environment and social and environmental conditions. With all the commitments and concrete steps by Vietnamese authorities the trade agreement is already operating as a tool to lift up Vietnamese standards to international, European, labour and environmental levels. With the agreement into force, the EU will have more leverage to pressure Vietnam on human rights and environmental issues.

Your rapporteur therefore recommends to give consent to the agreement.