



Department for  
International Trade



# UK-Vietnam

Free Trade Agreement  
Opportunities for UK Businesses



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# Chapter 1: Introduction

The UK and Vietnam have a strong bilateral trade relationship – with trade growing at 14% a year between 2010 and 2019 – and share a strategic commitment to global trade, and the free flow of capital and investments. The Free Trade Agreement covers £4.8 billion (2020) in trade and provides a platform to grow trade and investment.



## An economy with rapid and stable growth

Vietnam's GDP has significantly grown over the past three decades, including 7% growth in 2019. In addition, Vietnam's Inflation rate has remained below 5% since 2013.<sup>1</sup>

## A potential market

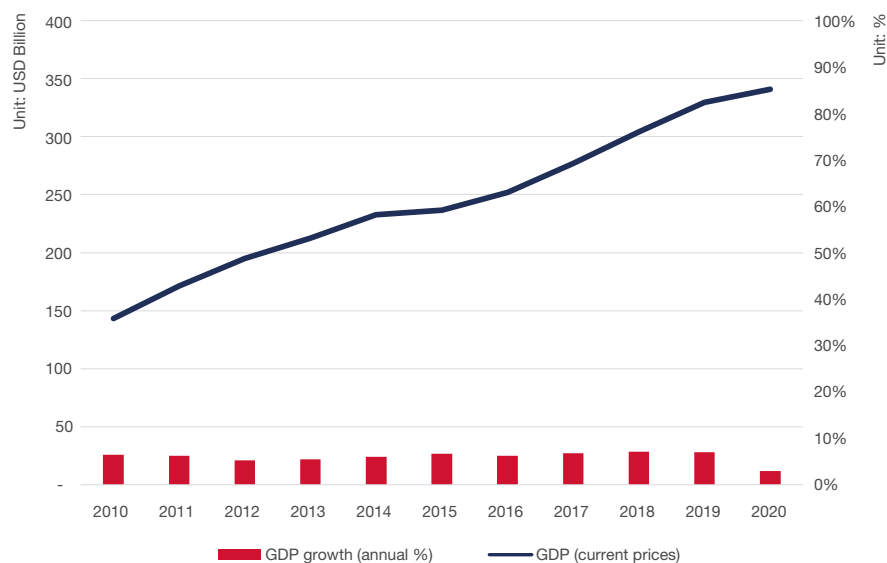
With a population of nearly 100 million people, and a per capita income of about 3,400 USD (2019), Vietnam is a large consumer market with high potential. It has a young and dynamic population – about 57% of its population is under 36 years old<sup>2</sup>. The country's proportion of middle-income households is also growing – accounting for 13% in 2020.

## An attractive investment destination

Vietnam has been gradually liberalising its economy since the introduction of sweeping reforms in 1986. Today, legal frameworks and corporate government rules are in place to promote private interests more effectively than ever before. Vietnam maintains investment protection for foreign investors through bilateral agreements, non-discrimination laws, and limitations on unreasonable government intervention. British Foreign Direct Investment (FDI) investors are protected by the UK-Vietnam Bilateral Investment Treaty (2002).

Between 2007 and 2020, Vietnam climbed 34 places to 70th in the World Bank's Ease of Doing Business Rankings.

**Chart 1. GDP and GDP growth of Vietnam, 2010-2020**



Source: International Monetary Fund (IMF), 2021

<sup>1</sup> GSO, Socio-Economic situation in the fourth quarter and the whole year 2020

<sup>2</sup> GSO, 2019 Population and Housing Census



# Chapter 2: Overview of UKVFTA

The UK and Vietnam have a strong and growing bilateral trade relationship and share a strategic commitment to global trade, and the free flow of capital and investment. Between 2011 and 2020, Vietnam's share of total UK trade doubled. The UK-Vietnam FTA (UKVFTA) covers £4.8 billion (2020) in trade and provides a platform to grow trade and investment even further. It also provides certainty to UK and Vietnamese businesses, with trade in goods—ranging from clothing and footwear to pharmaceuticals and seafood—continuing uninterrupted following the end of the Transition Period. Trade in services, particularly financial services and e-commerce, can continue to flourish.

The UKVFTA is broad, covering market liberalisation for goods, services and investment. It also contains chapters on government procurement, state-owned enterprises and market competition. In addition, there are commitments in the UKVFTA relating to trade and sustainable development, including labour, the environment, and social responsibility.



## Tariff elimination

The deal locks in the 65% of all tariffs that have been eliminated since the EU-Vietnam FTA entered into force. This will increase to 99% of tariffs after a schedule of between 6-9 years. This secures import tariff elimination for products such as clothing, fabric and footwear – meaning customers and businesses may benefit from lower prices on these products. Tariffs will be reduced per a schedule that stipulates equal annual reductions from entry into force of the agreement.

With such commitments, the UK exporters to Vietnam and the UK importers from Vietnam stand to benefit. Specifically:

- **For goods exported by UK exporters to Vietnam:**

- 48.5% of tariff lines were eliminated on 01 January 2021;
- 91.8% of tariff lines will be eliminated by 01 January 2027;
- 98.3% of tariff lines will be eliminated 01 January 2029;
- 1.7% of tariff lines are partially liberalised through tariff rate quotas (the quota volumes are consistent with Vietnam's WTO commitments and duties within quotas will be removed by 2031) or not entitled to preferential treatment

- **For goods imported by the UK importers from Vietnam:**

- 85.6% of tariff lines were eliminated on 01 January 2021;
- 99.2% of tariff lines will be eliminated by 01 January 2027;
- 0.8% of tariff lines are partially liberalised through tariff rate quotas (with preferential tariffs for in-quota products of 0%)

**Table 1. Summary of tariff preferences for some UK products exported to Vietnam under the UKVFTA**

Products	Tariff commitments of Vietnam to the UK
Machinery and Appliances	61% of tariff lines were eliminated on 01 January 2021. All other products: import tariffs will be eliminated after 9 years.
Whole cars and components, spare parts for cars and motorcycles	Whole cars: most import tariffs will be eliminated after 8-9 years . Spare parts for cars: import tariffs will be eliminated after 6 years. Motorcycles: - For motorcycles over 150 cm <sup>3</sup> , tariffs will be eliminated after 6 years. - For other motorcycles, tariffs will be eliminated after 9 years.
Alcoholic beverages	Wine and spirits: import tariffs will be eliminated after 6 years. Beer: import tariffs will be eliminated after 9 years.
Pharmaceutical products	71% of pharmaceutical product tariffs were eliminated on 01 January 2021. All other products: import tariffs will be eliminated after 4 to 6 years.
Chemicals	71% of pharmaceutical product tariffs were eliminated on 01 January 2021. All other products: import tariffs will be eliminated after 4 to 6 years.
Raw materials for textiles, leather and footwear	80% raw materials and textile products were eliminated on 01 January 2021. All other products: import tariffs will be eliminated after 4 to 6 years.

\* The periods in the above table are calculated from 1/1/2021 - the date UKVFTA took effect

Source: Statistics done by Ministry of Finance and Ministry of Agriculture and Rural Development of Vietnam, based on Appendix 2-A-2, Chapter 2 of the EU-Vietnam FTA, as incorporated by the UKVFTA

**Table 2. Summary of tariff preferences for some Vietnamese products exported to the UK under the UKVFTA**

Products	Tariff commitments of the UK to Vietnam
Seafood	50% of tariffs were eliminated on 01 January 2021. The remaining 50% of tariffs will be eliminated after 2, 4 or 6 years. Canned Tuna and Fish Balls: tariff rate quota of 1,566 tons per year (canned tuna) and 68 tons per year (fish balls).
Some agricultural products	Coffee, natural honey, fruit juices, fresh flowers, and; fresh and processed fruits and vegetables: 100% of tariffs were eliminated on 01 January 2021.
Textile	42.5% of tariffs were eliminated on 01 January 2021. The remainder will be eliminated after 2, 4 or 6 years.
Footwear	37% of tariffs were eliminated on 01 January 2021. All other products: tariffs will be eliminated after 2, 4 or 6 years.
Wood and wood products	c.83% of tariffs were eliminated on 01 January 2021. All other products, including particle boards, fiber boards and plywood: tariffs will be eliminated after 2-4 years.
Computers, electronic products and components	74% of tariffs were eliminated on 01 January 2021. All other products: tariffs will be eliminated after 2 or 4 years.
Some other industrial products	Plastic products, bags, wallets, suitcases, hats, umbrellas, and; phones and accessories: 100% of tariffs were eliminated on 01 January 2021.

\* The periods in the above table are calculated from 1/1/2021 - the date UKVFTA took effect.

Source: Statistics done by Ministry of Industry and Trade and Ministry of Agriculture and Rural Development of Vietnam, based on Appendix 2-A-1, Chapter 2 of the EU-Vietnam FTA, as incorporated by the UKVFTA.

## Non-tariff barriers

To facilitate trade, UKVFTA contains commitments to reduce non-tariff barriers that unreasonably hinder the flow of trade, increasing transparency, and furthering the Parties' ability to quickly and effectively handle non-tariff barriers to trade.

## Technical barriers to trade (TBT)

The UKVFTA Vietnam builds on WTO TBT Agreement commitments:

- The UK and Vietnam agreed to review technical regulations with a view to increasing their convergence with relevant international standards.
- Both Parties agreed to encourage their standardising bodies to participate in the preparation of international standards by relevant international standardising bodies. They also agreed to encourage their standardising bodies to use relevant international standards as a basis for the development of domestic standards.
- The UK and Vietnam recognised the importance of transparency, and agreed to reaffirm and build on transparency commitments in the WTO TBT Agreement.
- For UK products exported to Vietnam, marks and labels will only be required to contain information which is relevant to the consumers or users of the product, or indicate conformity with mandatory technical regulations.



For automobile products only: Vietnam commits to recognising United Nations Economic Commission for Europe (UNECE) Regulations as international standards, and commits to not introducing domestic technical regulations that diverge from the technical requirements of UNECE Regulations.

## Sanitary and Phytosanitary measures (SPS)

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The UKVFTA creates favorable and transparent conditions for the import of agricultural products, food, beverages, and other products subject to SPS measures.

For goods from the UK exported to Vietnam, Vietnam has committed to:

- Ensure scientific bases for any new SPS measures. Vietnam shall only adopt measures that are scientifically justified, consistent with the risk involved, and that represent the least restrictive measures available and result in minimum impediment to trade.
- Make available information about the frequency of import checks carried out on products. This frequency may be adapted as a consequence of verifications or import checks, or by mutual agreement with the UK.

## Other non-tariff measures

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Other commitments on non-tariff barriers to trade concerning UK exports to Vietnam include:

- From 1 August 2022, customs documentation issued by UK manufacturers will not require authentication through consular transactions at Vietnamese Embassy.
- Vietnam will not impose any import or export prohibition or restriction on UK goods, except for the ones which are reserved in the UK-Vietnam FTA, including:
  - right-hand steering vehicles;
  - some used consumer goods, vehicles and spare parts;
  - logs and sawn timber harvested from natural forests.
- Vietnam has committed to ensuring the simplification of customs procedures, standardisation of data and records, non-discrimination, and avoiding creating unnecessary burdens in customs procedures.
- From 1 August 2022, remanufactured goods will be treated as new goods, and will not be subject to any restrictions that the importing country applies for used goods.
- Goods imported and exported between Vietnam and the UK for repair cannot be subject to import tariffs.

## Trade remedies

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Trade remedies provide a safety net for domestic industry against injury caused by unfair trading practices, such as dumped or subsidised imports, or against injury caused by unexpected surges in imports. Most WTO members have a trade remedies system.

The UKVFTA ensures that Vietnam and the UK will follow appropriate procedures for conducting fair and transparent trade remedies investigations, and allows interested parties the opportunity to provide their views in anti-dumping and countervailing investigations.

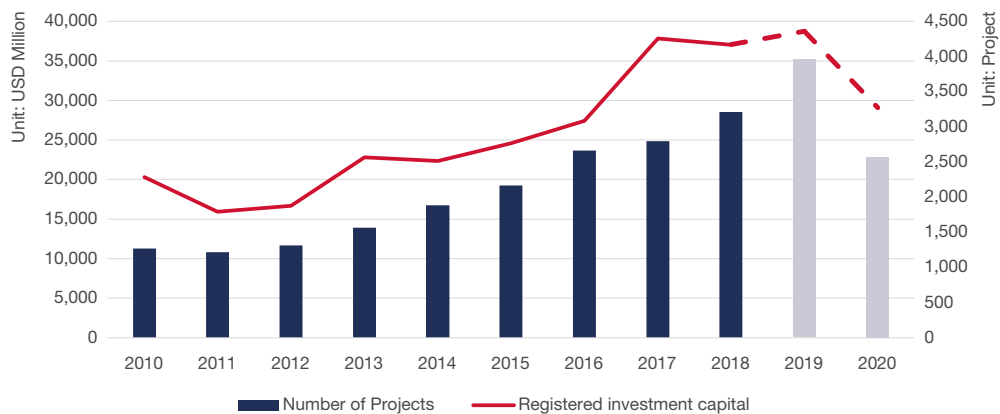
It also provides for the application of the 'lesser duty rule,' and for each Party's investigating authority to consider the public interest during anti-dumping and countervailing investigations to ensure proportionate

use of trade remedies. The UKVFTA also includes provisions to ensure that neither Party may apply multiple safeguard measures to the same good, at the same time.

The UKVFTA contains commitments on the application of bilateral safeguard measures during the first 10 years of entry into force. Bilateral safeguard measures can be implemented to protect a domestic industry if they face harm from import increases as a result of tariff elimination under the UKVFTA. Bilateral safeguard measures comply with strict requirements:

- Can only be applied following an investigation by the affected Party's investigatory authority.
- Can take the form of a suspension of further tariff reductions or an increase in the tariff applied on a good to the level of a Party's Most Favored Nation (MFN) rate.
- Cannot be applied for more than 2 years but can be extended for maximum another 2 years if the importing Party determines that measures continue to be necessary.

**Chart 2. FDI inflows of Viet Nam, 2010-2020**



Source: GSO, Foreign Direct Investment Products Licensed in Period 1988 – 2018, with figures from 2019 and 2020 from the Vietnam Foreign Investment Agency

## Services and Investment

Commitments on services and investment provide a stable, predictable, and liberal framework for trade in services.

Vietnam has committed to higher standards of treatment for UK service suppliers and investors under the UKVFTA than those currently applied for other foreign service providers and investors under its WTO commitments.

The UKVFTA commits the UK and Vietnam to varying degrees of market openness. These are broken down by sector, and can be found in Specific Commitments on Liberalisation of Investments Commitments in the EU-Vietnam Free Trade Agreement, as amended by the UKVFTA (see Table 7 & 8). Many of these commitments lower market entrance requirements or enlarge the scope of activities for UK services suppliers and investors then before.

Without any WTO binding commitment, Vietnam has unilaterally opened most non-service sectors to foreign investors, but Vietnam can change such policies at anytime. Under the UKVFTA commitments, Vietnam is to open definitely many non-service sectors to UK investors without any restrictions on the share of capital, size, or types of activity.

**Table 3. Vietnam's commitments for UK investors in non-service sectors**

Sectors	Vietnam's commitments
Agriculture	Fully open. Exceptions for rare plants and animals
Forestry	No commitment
Fishing and Aquaculture	No commitment
Mining and quarrying	No commitment
Manufacturing	Fully open. Exceptions or conditional access for the following sectors: <ul style="list-style-type: none"> <li>- Production of alcoholic beverages and soft drink</li> <li>- Production of tobacco products</li> <li>- Wood production affecting natural forests</li> <li>- Publishing, printing and reproduction of recorded media</li> <li>- Manufacture of refined petroleum products</li> <li>- Production of industrial explosives devices</li> <li>- Production of construction glasses, clay bricks, vertical shaft cement production equipment and baked earth bricks and tiles, ready mixed concrete, stone crushing.</li> <li>- Production of D6-D32 mm construction steel rods and D15-D114mm seam steel pipe; zinc galvanized and color sheets</li> <li>- Production of firecrackers, including fireworks</li> <li>- Production of sky-lanterns</li> <li>- Automobile manufacturing and assembling</li> <li>- Building and repairing of ships under 10 000 DWT cargo, under 800 TEU container, lighters and under 500 seats passenger</li> <li>- Manufacture of railway and tramway locomotives and rolling stock</li> <li>- Manufacture of aircraft and spacecraft</li> <li>- Motorcycle assembly and manufacture</li> <li>- Recycling</li> </ul>
Energy - excluding nuclear based electricity generation	No commitment

Source: Section B, Annex 8-B, Chapter 8 of the EU-Vietnam FTA, as incorporated by the UKVFTA

**Table 4. Some service sectors that Vietnam offers the UK investors in UKVFTA better than commitments in WTO**

Sectors	The UK investor's rights to access Vietnamese market (under UKVFTA) in comparison with other foreign investors (under WTO)
Business services	UK investors may conditionally invest in the following business services which Vietnam does not commit to open in WTO: <ul style="list-style-type: none"> <li>- No restrictions on: nursing services, physiotherapists and para-medical personnel (CPC 93191); cleaning buildings (CPC 874) in export processing zones, or industrial zones</li> <li>- Joint venture with Vietnamese partners with a maximum capital of 70% in: interdisciplinary research and development services (CPC 853), rental/leasing without operators related to ships (CPC 83103), packing services (CPC 876)</li> <li>- Business cooperation contract or joint venture with Vietnamese partners without limitation on capital to provide special photography services except aerial photography (CPC 87504);</li> <li>- Joint venture with Vietnamese partners with capital up to 49% from 1 January 2021, 51% from 1 August 2024 and unlimited capital from 1 August, 2027 to carry out trade fairs and exhibitions services (CPC 87909 **);</li> <li>- Joint venture with Vietnamese partners with capital up to 51% in other machinery and equipment rental services (CPC 83109)</li> </ul>



Sectors	The UK investor's rights to access Vietnamese market (under UKVFTA) in comparison with other foreign investors (under WTO)
Information services	<p>The UK investors are entitled to unlimitedly invest in postal services (CPC 7511 **, CPC 7512 **) while according to WTO, Vietnam has not committed to open this sector</p> <ul style="list-style-type: none"> <li>- The UK investors can enter into joint ventures with any Vietnamese partners up to 65% of capital from January 1, 2021, up to 75% of capital from August 1, 2025, in basic non-facilities-based telecommunication services. This is more open in terms of maximum capital ratio and without limitation on Vietnamese partners compared to Vietnam's commitments under WTO</li> <li>- The UK investors can enter into joint ventures with any Vietnamese partners with up to 65% of capital from January 1, 2021, and there is no limit to the maximum capital from August 1, 2025, in non-facilities-based value-added services. This is more open in term of maximum capital ratio compared to Vietnam's commitments under WTO</li> <li>- The UK investors can enter into joint ventures with a duly licensed telecommunication service supplier in Vietnam with up to 50% of capital from January 1, 2021, up to 65% of capital from August 1, 2025 in the facilities-based internet access services (IAS). This is more open in term of maximum capital ratio compared to Vietnam's commitments under WTO</li> </ul>
Distribution	UK investors are allowed to unlimitedly invest in commission agents, wholesale and retail with the unlimited number of retail outlets under 500m2. After five years, they are allowed to open any retail outlets without the requirement of economic needs test - ENT (more open than Vietnam's commitments under WTO)
Environment	UK investors are allowed to unlimitedly invest in sanitation and similar services (CPC 9403), nature and landscape protection (CPC 9406) (while Vietnam does not open this sector under WTO)
Financial services	UK investors are allowed to unlimitedly invest in the retrocession services. From 1 August, 2023, the branch of the UK reinsurance enterprises are allowed to be established in Vietnam (while Vietnam does not have such commitments under WTO)
Health and social services	<ul style="list-style-type: none"> <li>- UK investors are allowed to unlimitedly invest in hospital services (CPC 9311), dental and medical services (CPC 9312) (while Vietnam has not yet committed to open to these sectors under WTO).</li> <li>- UK investors are allowed to enter into joint venture with Vietnamese partners with capital up to 70% in social services (CPC 933, including CPC 9331 and 9332) (while Vietnam has not yet committed to open these sectors under WTO)</li> </ul>

Source: Section A, Annex 8-B, Chapter 8 of the EU-Vietnam FTA, as incorporated by the UKVFTA

Vietnam has also committed to further market-opening, including reducing conditions and relaxing some restrictions for UK individual services suppliers. UK business sellers could seek entry and temporary stay for up to 90 days in Vietnam to negotiate or conclude the sale of services. As for contractual service providers, subject to certain conditions, UK services suppliers in 8 service sectors, including architecture, urban planning, engineering, foreign language training, and environment, are permitted to stay in Vietnam for up to 6 months to directly provide services to Vietnamese consumers.

For all services and investment sectors that Vietnam has committed to open for the UK, UK service suppliers and investors will be treated according to the principles of non-discrimination, autonomy in business activities, and market access.

## E-commerce

These commitments are designed to increase trade opportunities by creating stable conditions for e-commerce. These are complemented by other UKVFTA commitments in services and intellectual property.

Key commitments on e-commerce in UKVFTA include:

- Neither party imposing customs duties on electronic transmissions.
- Ongoing dialogue on regulatory issues to facilitate e-commerce including: the recognition of certificates of electronic signatures issued to the public and the facilitation of cross-border certification services; the treatment of electronic signatures; unsolicited electronic commercial communications; and consumer protection.

## Intellectual Property (IP) Rights

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The commitments in the UKVFTA include standards of protection for intellectual property rights, and strengthened enforcement measures.

UK IP businesses owners to enjoy higher protection standards than those committed under WTO:

- Vietnam will join and ensure the standards for protection of copyright and related rights agreed under the WIPO Copyright Treaty (WCT) and the WIPO Performances and Phonograms Treaty (WPPT) before 1 August 2023.
- A public electronic database system listing trademark applications and registered trademarks will be available in Vietnam.
- Well-known trademarks of the UK are protected according to more appropriate and favourable standards.
- In the area of industrial design, protection is afforded to not only the overall design of finished products, but also the design of visible components/parts of the products.
- In regards to patents of pharmaceutical products, if Vietnam makes unreasonable delays in granting marketing approval to such products, their patent life may be extended to compensate for this delay.
- Vietnam has committed in the UKVFTA to the automatic protection of some geographical indications of the UK and Northern Ireland, including Scotland Farmed Salmon, Scotch Whisky, Irish Cream, and Irish Whiskey 'Uisce Beatha Eireannach.'

UK IP owners have access to a series of versatile and robust tools to boost protection of their IP rights in Vietnam:

- IP owners can request that Vietnamese Courts apply temporary urgent measures in order to promptly prevent infringement at any time. They may also request the defendant provide banking transactions, financial or commercial documents under their control. Courts may further request any entities provide information related to the infringement, means of production, or distribution of infringed goods or services.
- Customs authorities must actively participate in preventing IP infringement and must cooperate with IP owners to enforce IP rights.
- Proportional monetary compensation measures may be provided to replace other sanctions if infringement is due to negligence.

## Government (Public) Procurement

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In the UKVFTA, Vietnam commits to opening its public procurement market to the UK, allowing UK suppliers access to procurement at the central level and in Vietnam's two largest cities, Hanoi and Ho Chi Minh city.

UK suppliers are covered by the UKVFTA's rules when bidding for tenders above the threshold values laid out in the agreement, and where those tenders are advertised by covered procuring entities. The UKVFTA will gradually increase access to Vietnam's procurement market for UK suppliers. Vietnam commits to allowing UK suppliers a wide range of goods procurements (with exceptions for sensitive goods) and a selection of services procurements, including accounting, market research, and taxation services.

**Table 5. Summary of government procurements that Vietnam open to UK contractors in UKVFTA**

Procuring entities	Procurement type	Minimum procuring value threshold
Listed agencies of the 20 listed central ministries of Vietnam	<b>Goods</b> - All goods except for some listed ones (such as rice, oil, books, maps, transceivers, etc.) - Pharmaceutical products have specific commitments	Until 31 July 2025: 1.5 million SDR Until 31 July 2030: 1 million SDR Until 31 July 2035: 500,000 SDR From 1 August 2036: 130,000 SDR
Listed agencies of the 20 listed central ministries of Vietnam	<b>Services</b> - Business services such as computer services, accounting and auditing, taxations services, market research, photography processing services, translation, and interpretation services. - Restaurant and hotel services - Service of sale, maintenance and repair of automobiles and motorcycles.	Until 31 July 2025: 1.5 million SDR Until 31 July 2030: 1 million SDR Until 31 July 2035: 500,000 SDR From 1 August 2036: 130,000 SDR
Listed agencies of the 20 listed central ministries of Vietnam	<b>Construction services</b>	Until 31 July 2025: 40 million SDR Until 31 July 2030: 20 million SDR Until 31 July 2035: 10 million SDR From 1 July 2036: 5 million SDR
Listed agencies of Hanoi and Ho Chi Minh City 34 Hospital 02 Corporations 05 Schools, Research Institutes Vietnam News Agency	<b>Goods</b> - All goods except for some listed ones (such as rice, oil, books, maps, transceivers, etc.) - Pharmaceutical products have specific commitments	Until 31 July 2025: 3 million SDR Until 31 July 2030: 2 million SDR Until 31 July 2035: 1.5 million SDR From July 2036: 1 million SDR
Listed agencies of Hanoi and Ho Chi Minh City 34 Hospital 02 Corporations 05 Schools, Research Institutes Vietnam News Agency	<b>Services</b> - Business services such as computer services, accounting and auditing, taxation services, market research, photography processing services, translation and interpretation services, etc. - Restaurant and hotel services - Service of sale, maintenance and repair of automobiles and motorcycles	Until 31 July 2025: 3 million SDR Until 31 July 2030: 2 million SDR Until 31 July 2035: 1.5 million SDR From July 2036: 1 million SDR
Listed agencies of Hanoi and Ho Chi Minh City 34 Hospital 02 Corporations 05 Schools, Research Institutes Vietnam News Agency	<b>Construction services</b>	Until 31 July 2025: 40 million SDR Until 31 July 2030: 25 million SDR Until 31 July 2035: 20 million SDR From 1 July 2036: 15 million SDR

\* This table does not include exceptions

Source: Annex 9-B, Chapter 9 of the EU-Vietnam FTA, as incorporated by the UKVFTA



## Sustainable development

The Trade and Sustainable Development Chapter in the UKVFTA promotes sustainable trade values in the UK and Vietnam and commits both parties to effectively implement the principles of the International Labour Organisation (ILO) concerning fundamental rights at work as well as international environmental agreements such as the Paris Agreement, the United Nations Framework Convention on Climate Change and the Kyoto protocol on climate change. The UKVFTA also contains commitments to ensure parties are not able to lower labour or environmental standards to attract trade or investment.

Commitments under Trade and Sustainable Development Chapter cover the following aspects:

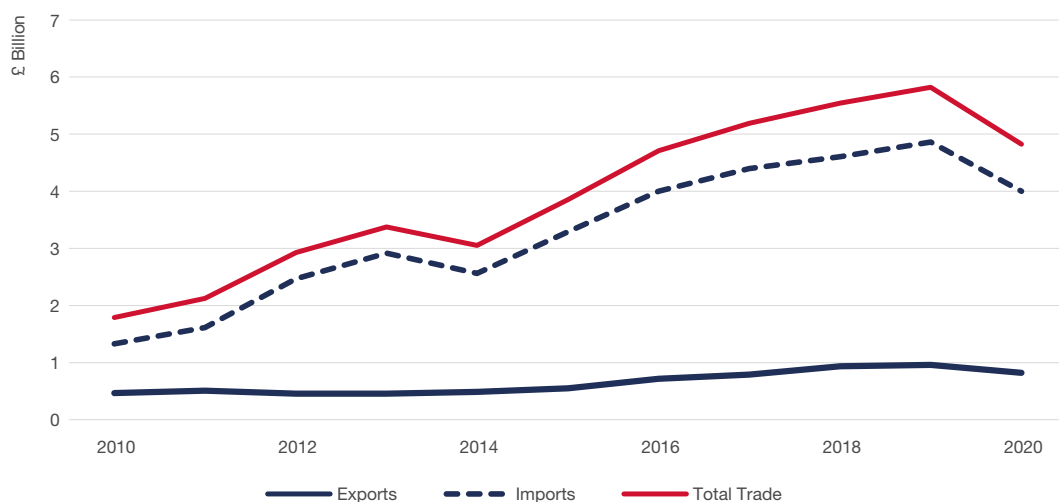
- Labour rights (Fundamental Principles and Rights at Work in accordance with the 1998 ILO Declaration and the Decent Work Agenda)
- Multilateral Environmental Agreements (UNFCCC, Paris Agreement, Kyoto protocol, CITES and more)
- Environmental protection agreements (covering climate change, biological diversity, sustainable forest management and trade in forest products and sustainable management of living marine resources and aquaculture)
- Corporate social responsibility
- Trade and investment favoring sustainable development

With commitments in UKVFTA, UK exporters and investors are guaranteed that both the UK and Vietnam will:

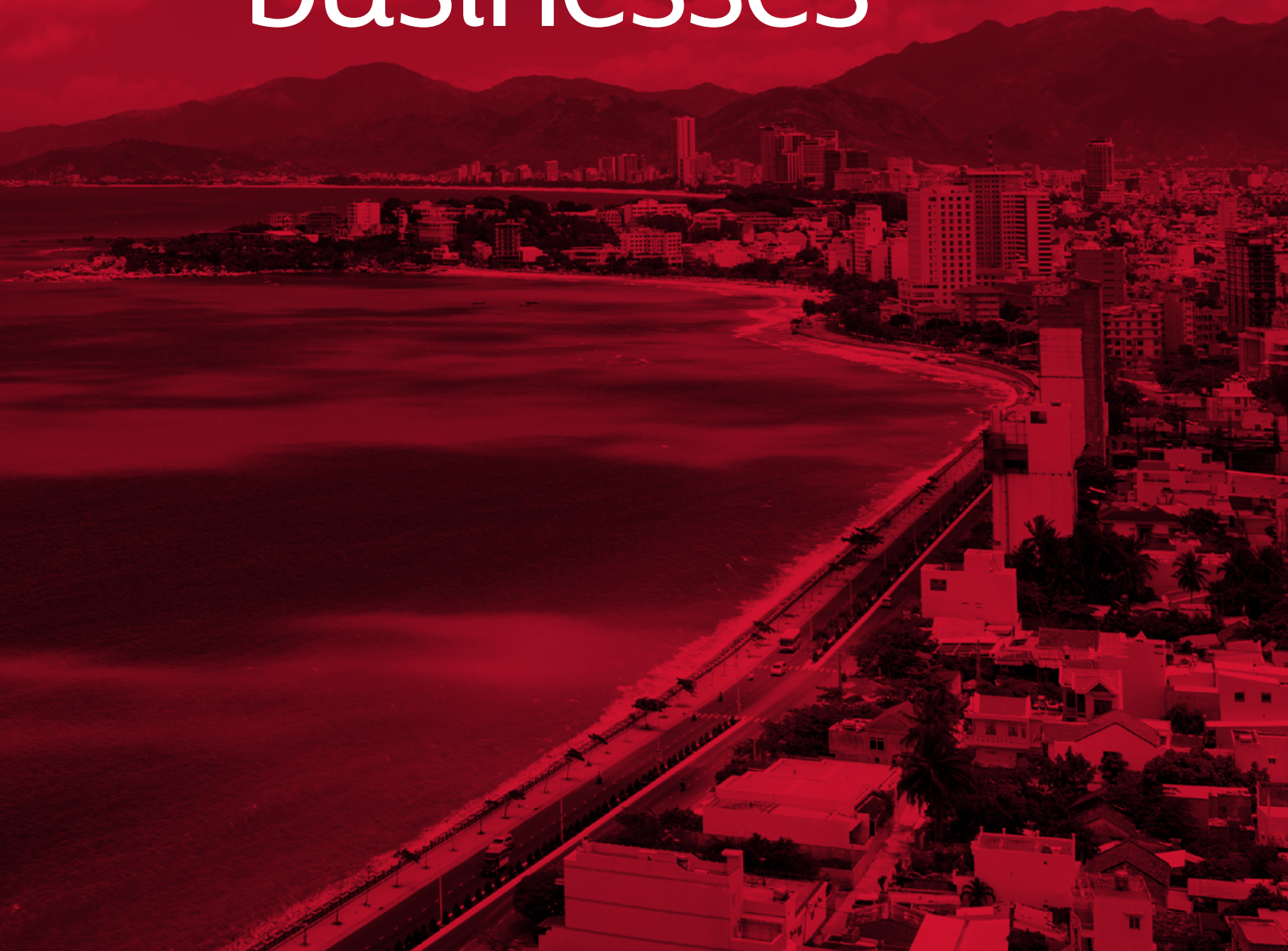
- refrain from rolling back protections for the environment and labour rights in a way that would be detrimental to the objectives of sustainable development or create a negative impact on trade and investment;
- refrain from enacting environmental and labour laws that are arbitrary, unreasonable, or disguise trade restrictions.

The Trade and Sustainable Development Chapter also allows for civil society engagement through the Domestic Advisory Groups and Civil Society Forum which occur every year. UK exporters and investors are welcome to join the Civil Society Forum to ask any questions or raise concerns relating to the implementation of the Trade and Sustainable Development Chapter of the UKVFTA.

**Chart 3. Vietnam - UK Bilateral Trade Relationships, 2010-2020**



# Chapter 3: Opportunities for UK businesses



# Opportunities for UK Goods

## Pharmaceutical products

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The UKVFTA has secured easier access to UK's high-quality innovative drugs for Vietnamese importers. Provisions related to pharmaceuticals are covered in various chapters of the Agreement.

### ✓ **Tariffs:**

More than 71% of UK pharmaceutical products enjoy tariff elimination immediately. The remainder will be eliminated after 6 years, except for:

- HS 3004.50.21 after 4 years
- HS 3006.92.10 and 3006.92.90 after 9 years.

### ✓ **Market Access:**

Vietnam will allow foreign pharmaceutical companies to establish foreign-invested enterprises (FIE) for imports of authorised pharmaceuticals. FIEs work can cover the right to sell to wholesalers in Vietnam; the ability of foreign suppliers to build their own warehouses; and the right to hire healthcare professionals to carry out marketing activities.

- Government procurement: public procurement market access is granted to all pharmaceutical goods purchased by the Ministry of Health, the departments of health of Hanoi and Ho Chi Minh City, and 34 hospitals (See Part II – Government Procurement). After a transitional period of two years from entry into effect of the UKVFTA, UK suppliers will secure market access to a pre-determined portion of the market.
- Vietnam will maintain a set-aside scheme for pharmaceuticals. This means that the market share reserved for domestic suppliers will gradually scale back to a final share of 50% from 2036.
- Improvements on intellectual property rights that make Vietnam an attractive market for producers of pharmaceutical products and enable better access to qualified medicines for the population:
  - Vietnam will provide regulatory data protection to pharmaceutical products for five years.
  - Competitors are prohibited from relying on submitted test data in support of an application for market authorization for at least five years.
  - An extension of patent protection duration, up to a limit of two years, to compensate for delays in the marketing approval of pharmaceutical products if the approval process takes more than 24 months.
- Vietnam will withdraw existing clinical trials requirements on that are not in line with international standards such as the International Conference on Harmonization of Technical Requirements for Registration.
- Other commitments on pharmaceutical products and medical devices: These provisions ensure the use of international standards, practices and guidelines for pharmaceutical products and medical devices are recognised for trade between the UK and Vietnam. The standards are those set by the World Health Organization (WHO) and Organization for Economic Co-operation and Development (OECD), among others.



Vietnam's pharmaceuticals (HS30) market is its 13th largest goods import market (2020). It is rapidly growing, with its worth increasing from USD 2.5 billion in 2015 to USD 3.3 billion in 2019. The UK is already Vietnam's 9th largest supplier, and most exported pharmaceutical products are Medicaments consisting of mixed or unmixed products for therapeutic or prophylactic uses (HS 3004). Pharmaceutical Products were the most exported good from the UK to Vietnam (HS30, £74 million in 2020). Compared to MFN rates, these commitments create meaningful opportunity for UK pharmaceutical manufacturers and exporters. Vietnam's MFN rates on pharmaceutical products range from 0% to 14% (2020). Particularly for medicines and drugs (HS 3004), the MFN tariff rate that Vietnam has imposed is from 0% to 8% (in which more than a half have been reduced to 0%).

## Food & Beverage Products:

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### ✓ **Tariffs:**

Most F&B products tariffs will be gradually eliminated over 2-9 years. Some products may use a tariff quota, which brings tariff rates to 0% for approved exporters as part of a pre-determined quota.

Tariff schedules:

- Meat: tariff rates eliminated on beef after 2 years, while chicken will be fully liberalized after 9 years.
- Dairy products will be duty free after 4 years.
- Chocolate will be duty free after 4-6 years.
- Frozen pork meat, food preparations, wine, spirits, and pasta will be duty free after 6 years.
- For fisheries, salmon, halibut, trout and rock lobster are immediately duty-free, with others after 2 years.
- Wine and spirits will be duty free after 6 years.

### ✓ **Market Access:**

Under the sanitary and phytosanitary measures (SPS) chapter, there are commitments relating to mutual recognition, list of approved exporters, commitment to international standards, and simplification of import procedures.

The following UK geographical indications (GIs) are protected:

- Irish Whiskey/Uisce Beatha Eireannach
- Irish Cream
- Scotch Whisky
- Scottish Farmed Salmon

The food and beverage (F&B) sector contributed 15% of Vietnam's GDP in 2019, according to Vietnam's Ministry of Industry and Trade. F&B products that Vietnam imports most from the UK are beverages (mostly wine and spirits – HS 2208), fish and crustaceans (HS 03), products of the milling industry (11), preparations of cereals, flour, starch or milk (19) and dairy produce (04). Vietnam's MFN rates on F&B products are between 3% and 60%. The reduction in tariffs under the UKVFTA secures a significant market advantage for UK exporters.

## Automobile products

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### ✓ **Tariffs:**

Automobiles: Most tariff rates will be eliminated after 8-9 years.

Auto parts: tariff rates will be eliminated after 6 years.

### ✓ **Market Access:**

Automobile is one of the most protected industries in Vietnam with particularly high tariff and non-tariff barriers, which makes it difficult for foreign automobile products to access the Vietnamese market if exporting countries have not established an FTA with Vietnam. Currently, Vietnam is imposing MFN tariff on automobiles and spare parts from 0% to 75% (very few products are at 0%) and the average MFN tariff in 2020 is 36.7%. Amongst these the MFN tariff on motorcars products (HS 8703) is the highest, from 15% to 70%, with the average of 53.9%.

Under the UKVFTA, the Vietnamese automotive market will be largely liberalised for major automotive production centres in the UK by 2030.

## Other products

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### ✓ **Machinery and appliances (HS 84, 85):**

These are two groups of UK products that have large export turnover to Vietnam, and Vietnam also has high import demand. Vietnam's average MFN tariff in 2020 for mechanical products and equipment (HS 84) is 4.9%, and for electrical machinery and equipment (HS 85) this is 8.7%. Under UKVFTA, about 61% of UK exports of machinery and appliances are fully liberalised at entry into force of the FTA, the remaining will be duty free after 2-9 years (mostly after 4 years).

### ✓ **Chemicals products:**

Chemical products are subject to MFN tariff from 0% to 20% by Vietnam with the average of 3.41%. Under UKVFTA, nearly 70% of UK chemicals exports will be duty free at entry into force and the rest after 2-6 years.

### ✓ **Textile and garment products:**

Currently, Vietnam is applying MFN tariff of 12% on all textile and garment materials (HS 50-60), and finished garment products (HS 61-63) face higher tariff rates - about 15%-20% on average. Under UKVFTA, almost all UK textile and garment exports will be liberalised at entry into force; some garment products (in HS 61-63) will see tariffs eliminated after a maximum of 6 years.

# Opportunities for UK services

The UKVFTA contains commitments providing improved market access for UK services exporters. In particular, businesses in financial, retail, telecommunication, transportation, and education services, will benefit from the provisions of the UKVFTA.

## Financial services

Vietnam officially committed to open its financial services market to WTO partners, under conditions, in 2007. Vietnam has only made additional commitments to open the financial services sector for the CPTPP, the European Union and the UK.

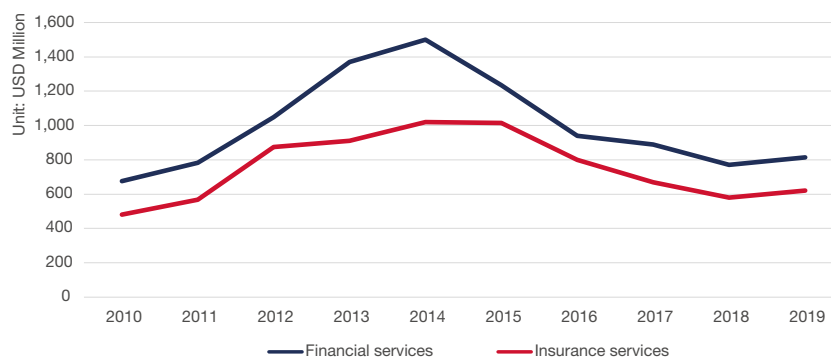
- ✓ **In securities,** Vietnam commits to providing market access and national treatment to cross-border financial data processing, advisory, intermediation, and other auxiliary securities. UK security service suppliers can also establish representative offices, a foreign-invested capital company, or joint ventures with capital contribution not exceeding 49%, in Vietnam;
- ✓ **In insurance,** re-insurance, retrocession, insurance broking and reinsurances broking services can all stand to benefit from the UKVFTA. Subject to regulations, Vietnam commits to open its insurance market without restriction for UK suppliers. Vietnam also now allows UK insurance companies to establish non-life insurance representative offices in Vietnam.
- ✓ **In banking,** UK banks may set up representative offices, branches, 100% foreign-owned banks and joint venture with capital contribution not exceeding 50% in Vietnam.

Until 1 August 2025, UK financial institutions may solicitate the approval of Vietnam's competent authority (Vietnam State Bank) to buy shares in one joint-stock commercial bank of Vietnam, up to 49% of that enterprise's chartered capital, except for four commercial banks in which the Government of Vietnam currently holds the majority of equity.

UK investors are also permitted to transfer cross-border financial information, and financial data processing. In addition, UK investors can provide cross-border advisory, intermediation, and other auxiliary financial services (including credit reference and analysis, wealth management, acquisitions advice, and corporate strategy).

- ✓ **New financial services:** Vietnam will permit UK financial service suppliers to provide any new financial service that Vietnam permits its domestic suppliers to conduct.

**Chart 4. Vietnamese Imports of insurance and total imports of all financial services (including insurance), from world**



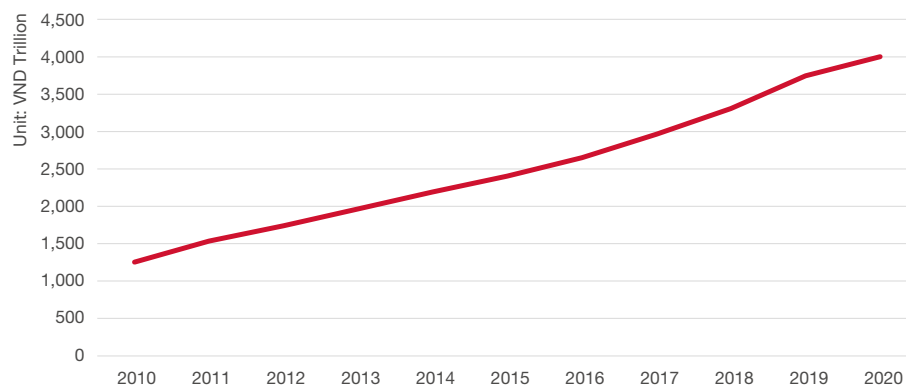
## Retail services

For UKVFTA, Vietnam commits to open its retail sector:

- ✓ **Economic needs test:** Under WTO commitments in Vietnam an Economic Needs Test (ENT - a test that conditions market access upon the fulfilment of certain economic criteria) is required for the establishment of foreign retail outlets except for the first one. Under the UKVFTA, ENT is not required for second business outlets smaller than 500m<sup>2</sup>. For second outlets larger than 500m<sup>2</sup>, ENT requirements will be eliminated after 5 years. Vietnam reserves the right to apply non-discriminatory zoning and planning measures.
- ✓ **Non-discrimination in wine sector:** Vietnam has a specific commitment on non-discrimination in wine production, import and distribution. This will allow UK businesses to reserve their operating conditions under current licenses.

Vietnam has opened almost all retail services to foreign investment. Under WTO commitments, retail service providers may only open one retail establishment without economic needs test authorization. Vietnam has only expanded this market access to CPTPP members, the European Union and the UK.

**Chart 5. Retail sales of goods in Viet Nam (2010-2020)**



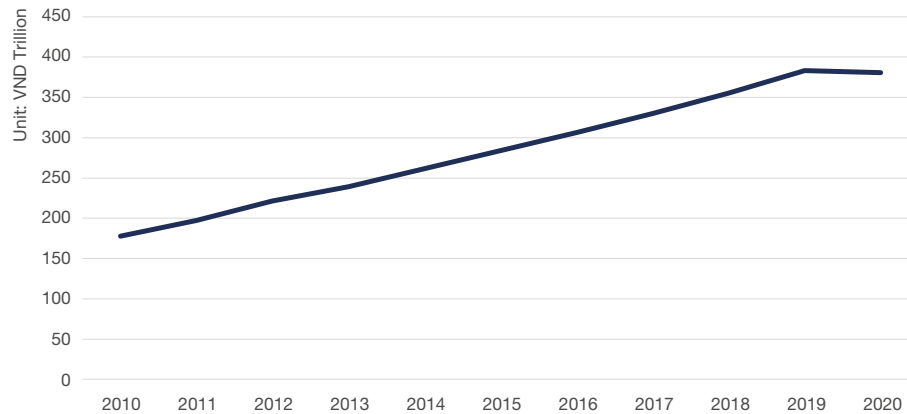
Source: GSO, Retail sales of goods and services at current prices (services excluded)

## Telecommunication services

The UKVFTA secures certain advantages for UK investors in Vietnam's telecommunications sector, including:

- For non-facilities based telecommunication services Vietnam will raise the capital contribution ratio in joint ventures from 2025.
  - From now UK investors can enter into joint ventures with any Vietnamese partners with up to 65% of the capital coming from the UK investor. This will rise to up to 75% in 2025. For non-facilities-based value-added services, there will be no capital limit from 2025.
  - UK investors can now enter joint ventures with a duly licensed telecommunication service suppliers in Vietnam, up to 50% of capital, in non facilities-based value added services. This will raise to 65% in 2025 in the facilities-based internet access services (IAS).
- For facilities-based telecommunication services: UK investors can contribute up to 49% of the capital of joint ventures.



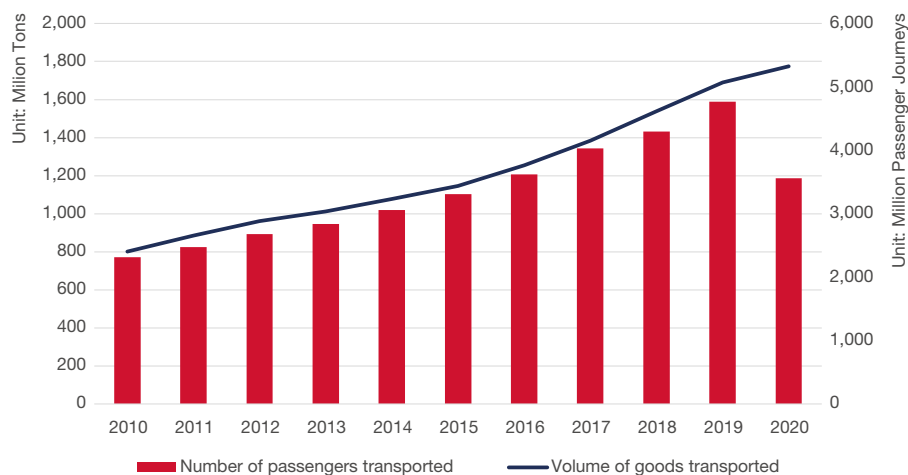
**Chart 6. Revenue of telecommunication services in Viet Nam from 2010 to 2019**

Source: GSO, Turnover of postal service, delivery and telecommunication service (poster and delivery services excluded)

## Transportation services

Under the UKVFTA, there are commitments that:

- ✓ Increase the maximum capital ratio of UK investors in joint ventures with Vietnamese partners for sectors such as maritime passenger, freight transportation, aircraft maintenance and repair.
- ✓ Allow UK investors to participate in some services that are not open to WTO members, such as vessel maintenance, maritime agency, depot, ground-handling, in-flight meal service, maritime cargo handling and dredging services.
- ✓ Permit UK international maritime transport services suppliers to carry out feeder services, and empty containers reposition services, between Quy Nhon port and Cai Mep port. After 5 years, empty containers reposition services will open to include all shipping ports. For dredging services, UK suppliers may set up joint ventures up to 51% of ownership.

**Chart 7. Volume goods and number of passengers transported in Viet Nam in the 2010-2020 period**


Source: GSO, Volume of freight and Number of passengers carried by types of transport (total)

## Education Services

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Currently, all education content used by foreign education service providers in Vietnam must be approved by the Ministry of Education and Training (except secondary education services), and these restrictions mostly remain in place. Under the WTO, Vietnam has no commitments for cross-border service delivery of educational services.

Under the UKVFTA, Vietnam commits to fully open (including cross-border mode) higher secondary education services, adult education services, and foreign language training to UK suppliers, including English Language Training (ELT) for academia and industry. There are currently 17 million Vietnamese studying ELT, with 78,000 teachers.

The background is a red-tinted photograph of a classical building facade. It features a large central archway with a lion's head sculpture above it. To the right, there is a smaller archway with a female face sculpture above it. Below the arches are columns and decorative elements, including a winged figure sculpture at the bottom center. The overall aesthetic is historical and architectural.

# Annex: Further background to the market

**Table 1. Top 10 products Vietnam imported the most from the world in 2019**

No	HS code	Product	Value 2019 (USD billion)
1	'85	Electrical machinery and equipment and parts thereof; sound recorders and reproducers, television ...	77.77
2	'84	Machinery, mechanical appliances, nuclear reactors, boilers; parts thereof	23.44
3	'39	Plastics and articles thereof	15.87
4	'27	Mineral fuels, mineral oils and products of their distillation; bituminous substances; mineral ...	15.56
5	'72	Iron and steel	11.33
6	'90	Optical, photographic, cinematographic, measuring, checking, precision, medical or surgical ...	8.96
7	'87	Vehicles other than railway or tramway rolling stock, and parts and accessories thereof	6.33
8	'60	Knitted or crocheted fabrics	5.45
9	'52	Cotton	4.37
10	'73	Articles of iron or steel	4.09

Source: ITC TradeMap (2021)

**Table 2. Top 10 products Vietnam imported the most from the world in 2019**

No	HS code	Product	Value £'000
1	30	Pharmaceutical products	73,837
2	84	Nuclear reactors, boilers, machinery and mechanical appliances; Parts thereof	67,050
3	85	Electrical machinery and equipment and parts thereof; Sound recorders and reproducers, television image and sound recorders and reproducers, and parts and accessories of such articles	66,730
4	90	Optical, photographic, cinematographic, measuring, checking, precision, medical or surgical instruments and apparatus; Parts and accessories thereof	52,049
5	47	Pulp of wood or of other fibrous cellulosic material; Recovered (Waste and scrap) Paper or paperboard	41,677
6	39	Plastics and articles thereof	33,525
7	22	Beverages, spirits and vinegar	23,005
8	38	Miscellaneous chemical products	22,898
9	23	Residues and waste from the food industries; Prepared animal fodder	17,893
10	87	Vehicles other than railway or tramway rolling stock, and parts and accessories thereof	9,877

Source: HMRC, Overseas Trade by Commodity Code (2021)



**Table 3. Top 10 products UK imported from Vietnam in 2020**

No	HS code	Product	Value £'000
1	30	Electrical machinery and equipment and parts thereof; Sound recorders and reproducers, television image and sound recorders and reproducers, and parts and accessories of such articles	1,454,517
2	84	Footwear, gaiters and the like; Parts of such articles	347,938
3	85	Nuclear reactors, boilers, machinery and mechanical appliances; Parts thereof	280,581
4	90	Furniture; Bedding, mattresses, mattress supports, cushions and similar stuffed furnishings; Lamps and lighting fittings, not elsewhere specified or included; Illuminated signs, illuminated nameplates and the like; Prefabricated buildings	257,907
5	47	Articles of apparel and clothing accessories, not knitted or crocheted	217,733
6	39	Articles of apparel and clothing accessories, knitted or crocheted	152,404
7	22	Fish and crustaceans, molluscs and other aquatic invertebrates	140,722
8	38	Plastics and articles thereof	115,663
9	23	Preparations of meat, of fish or of crustaceans, molluscs or other aquatic invertebrates	99,036
10	87	Toys, games and sports requisites; parts and accessories thereof	77,349

Source: HMRC, Overseas Trade by Commodity Code (2021)

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The Department for International Trade (DIT) helps businesses export, drives inward and outward investment, negotiates market access and trade deals, and champions free trade.

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