



Department for
International Trade

Continuing the United Kingdom's Trade Relationship with the Socialist Republic of Vietnam

TRADE AGREEMENT BETWEEN THE UNITED KINGDOM
OF GREAT BRITAIN AND NORTHERN IRELAND AND THE
SOCIALIST REPUBLIC OF VIETNAM

JANUARY 2021



Continuing the United Kingdom's Trade Relationship with the Socialist Republic of Vietnam

Presented to Parliament
by the Secretary of State for International Trade
by Command of Her Majesty

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Contents

Introduction	6
Legal approach	6
Trade between the UK and Vietnam	8
UK businesses exporting to and importing from Vietnam	9
Economic impact of the EVFTA on the UK economy.....	10
Potential loss to UK if the UK-Vietnam Agreement is not ratified	10
Immediate impact if not brought into effect	10
Explanation of this Agreement, including Significant Differences between the UK-Vietnam Agreement and the EVFTA	12
Removal and replacement of references to the EU	12
Territorial Application	12
Amendment Provisions	13
Entry into Force and Provisional Application	13
Trade Remedies.....	14
Review Clause	14
Goods	15
Tariff Rate Quotas (TRQs)	15
Rules of Origin	18
Sanitary and Phytosanitary (“SPS”).....	19
Intellectual Property, including Geographical Indications (“GIs”).....	19
Sustainability	20
Government Procurement.....	20
Competition Policy, Subsidies and State-Owned Enterprises	21

Introduction

1. This report explains the Government's approach to delivering continuity in the United Kingdom's (the "UK") trade relationship with the Socialist Republic of Vietnam ("Vietnam") now that the UK has left the European Union (the "EU").
2. This is a report outlining the continuity free trade agreement between the UK and Vietnam (the "UK-Vietnam Agreement"), which continues, as far as possible, the effects of the existing EU-Vietnam Free Trade Agreement (the "EVFTA"), which was signed on 30 June 2019.
3. As the transition period provided for in the Withdrawal Agreement between the UK and the EU (the "Transition Period") comes to an end, the Government has sought to deliver the maximum possible certainty to businesses and consumers through ensuring continuity in the UK's existing trade relationships. It is in no-one's interests to disrupt existing trade flows.
4. To achieve this, the Government has developed new bilateral agreements that replicate, as far as possible, the effects of the UK's existing trade agreements with existing partners, through its previous membership of the EU, which remain during the Transition Period. The UK-Vietnam Agreement is intended to take effect on the date the EVFTA ceases to apply to the UK (or as soon as possible thereafter).
5. Wherever possible, the Government has sought a technical replication of the existing agreements, but in some cases, it has applied bespoke solutions for individual agreements as necessary to ensure continuity of effect in a bilateral context.
6. The UK has agreed with many third countries (including Vietnam) that the most appropriate and proportionate form of legal instrument to ensure continuity in the current circumstances is a short form agreement, which incorporates by reference the relevant provisions of the underlying EU-third country agreement with relatively few but necessary modifications. The advantages of the short form approach are set out below. Other agreements have been drafted in long form to reflect the wishes of the partner countries in question.

Legal approach

7. The provisions of the EVFTA are applied *mutatis mutandis*, that is, with the technical changes necessary to apply the UK-Vietnam Agreement as if it had been concluded between the UK and Vietnam in the first instance. The interpretative *mutatis mutandis* principle applies to most references to EU legislation so that, where appropriate, such references are to be read as references to retained EU legislation or to EU legislation incorporated in the law of the territories for whose international relations the UK is responsible when relevant EU legislation ceases to apply to the UK, or legislation in the UK or the territories that replaces that legislation. This has avoided the need to reproduce every page and has significantly reduced the volume of text required.
8. Where more substantive amendments were required to ensure operability in a bilateral context, or where the UK and Vietnam jointly agreed that *mutatis mutandis* would not

deliver adequate certainty and transparency over rights and obligations, detailed amendments have been included in the Annex to the UK-Vietnam Agreement.

9. The UK and Vietnam have agreed that using a short form agreement was the most pragmatic and sensible approach in the circumstances. The objectives of short form agreements are:
 - I. The short form agreement can be drafted in such a manner as to accommodate different scenarios, such as the various possible outcomes of the UK's ongoing negotiations with the EU regarding the end state of the UK-EU relationship;
 - II. The format itself will send a clear message to businesses, consumers and investors in both the UK and Vietnam that the aim is simply to secure continuity in existing trading arrangements, with the only changes being the ones clearly specified on the face of the agreement; and
 - III. The approach will provide a clear legal text, making rights and obligations unambiguous where they had by necessity changed, yet reduce the burden on both countries of legal scrubbing, translation, domestic procedures and, potentially, ratification.

Background

10. The UK-Vietnam Agreement aims to maintain the effect of the EVFTA, which was signed in Hanoi on 30 June 2019. This is based on the UK Government's objective to continue the effect of existing arrangements now that the UK has left the EU. The UK-Vietnam Agreement will take effect when the EVFTA ceases to apply to the UK, which is expected to be at the end of the Transition Period.
11. The EU and Vietnam started negotiations in June 2012 and concluded in December 2015. The free trade agreement (the "FTA") and the investment protection agreement (the "IPA") were originally negotiated as a single text, but in 2018, the EU and Vietnam came to the joint decision to split them. The UK and Vietnam have decided not to incorporate the IPA into the UK – Vietnam FTA

Resources.

12. This report is intended to aid businesses, consumers and parliamentarians in understanding any significant differences made to the UK's trade relationship with Vietnam by the UK-Vietnam Agreement and the reasons for any changes, and their impact.
13. Should you wish to view the EVFTA, it can be found online on the European Commission website here: [EUR-Lex Website](#).
14. Should you wish to view the full text of the UK-Vietnam Agreement, it will be laid in Parliament alongside an Explanatory Memorandum as part of the UK's treaty ratification process in accordance with the Constitutional Reform and Governance Act 2010. The text will also be available on GOV.UK.

Economic Background

15. This section provides a country-specific background analysis of trade between the UK and Vietnam.

Trade between the UK and Vietnam

16. Vietnam is the UK's 39th largest trading partner, accounting for 0.4% of total UK trade of total UK trade.¹ Total trade in goods and services between the UK and Vietnam was £5.8 billion in 2019.²

17. In 2019, UK exports to Vietnam were £862 million, making it the UK's 66th largest export market (accounting for around 0.1% of all UK exports). UK imports from Vietnam were £4.8 billion, making it the UK's 29th largest import source (accounting for around 0.7% of all UK imports).

Table 1: Trade between the UK and Vietnam, 2019 (£ billion)

	Trade in goods	Trade in services	Total trade
UK exports to Vietnam	0.6	0.2	0.9
UK imports from Vietnam	4.6	0.2	4.8
Total trade	5.3	0.4	5.7

Source: [ONS, \(2020\), UK total trade: all countries, non-seasonally adjusted](#) (accessed 13th November 2020).

18. Using data from HMRC for trade in goods only, Table 2 shows that in 2019 the top UK goods exported to Vietnam were machinery and mechanical appliances (HS84, £110 million), pharmaceutical products (HS30, £72 million) and electric machinery and equipment (HS85, £60 million), together representing nearly 40% of the total value of UK goods exported to Vietnam. The UK's top goods imported from Vietnam were electrical machinery and equipment (HS85, £1.8 billion), footwear, gaiters, and the like or parts (HS64, £450 million), and articles of apparel and clothing, not knitted (HS62, £350 million), together representing just under 30% of the total value of goods that the UK imported from Vietnam.

¹ EU members are treated as individual trading partners with the UK.

² ONS (2020), [UK total trade: all countries, non-seasonally adjusted \(accessed 13th November 2020\)](#).

Table 2: Top 5 UK goods exports to and imports from Vietnam, 2019 (HS2³, £ million)

Top 5 UK goods exports to Vietnam	Value	Top 5 UK goods imports from Vietnam	Value
Machinery and mechanical appliances	110	Electrical machinery and equipment	1,818
Pharmaceutical products	72	Footwear, gaiters and the like or parts	449
Electrical machinery and equipment	60	Articles of apparel and clothing, not knitted	349
Optical, photographic, cinematographic, and medical equipment	57	Furniture; bedding, mattresses, cushions	321
Iron and steel	31	Machinery and mechanical appliances	250

Source: [HMRC trade statistics by commodity code](#) (accessed 15th September 2020). Sectors classified according to Harmonised System chapters. Data presented is recorded on a physical movement basis where a good is recorded as an export (import) if it physically leaves (enters) the economic territory of a country.

19. A detailed breakdown of types of services traded is not available for UK trade with Vietnam.
20. ONS data is recorded on a 'Balance of Payments' or 'change of ownership' basis where a good or service leaving (entering) the economic territory of a country is recorded as an export (import) only if it has changed ownership between the resident of the reporting country and non-residents. Goods exports (imports) are recorded by HMRC if a good physically leaves (enters) the economic territory of a country.

UK businesses exporting to and importing from Vietnam

21. In 2019, HMRC estimated that around 3,100 VAT registered UK businesses exported goods to Vietnam and around 2,900 imported goods from Vietnam.⁴ As these figures only include businesses trading in goods, they are likely to underestimate the total number of businesses trading with Vietnam.
22. For context, provisional survey data from the ONS shows that around 340,500 (non-financial) registered businesses in Great Britain traded either goods or services or both in 2018 with another country.⁵ This was just under 15% of all VAT/PAYE registered businesses. There were around 211,199 (non-financial) registered businesses in Great Britain engaged in goods trade with another country and 194,600 (non-financial) registered businesses trading in services in 2018. Some of these businesses traded in both goods and services. There will be other businesses trading internationally, which are not identified by these surveys as they are not registered for VAT. Neither of these sources include businesses trading below the VAT registration threshold.

³ The Harmonized System (HS) is an international nomenclature for the classification of products. It allows participating countries to classify traded goods on a common basis for customs purposes. HS2 refers to the high-level "chapters" of the HS system (i.e. the first two digits of the HS code).

⁴ HMRC (2020). [Regional trade statistics interactive analysis: first quarter 2020 \(accessed 9th September 2020\)](#). Proportional count method.

⁵ ONS, (2019). [Annual Business Survey exporters and importers](#) (accessed 25th September 2020)

Economic impact of the EVFTA on the UK economy

23. The EVFTA entered into force on 01 August 2020. This brought most of the agreement into operation, reducing non-tariff measures and eliminating tariffs on most of the goods traded between the EU and Vietnam. Tariff elimination on some of both agricultural and industrial goods are staged, and such staging will be complete by 2027.

Potential loss to UK if the UK-Vietnam Agreement is not ratified

24. Not being able bring into effect the UK-Vietnam Agreement would result in UK businesses losing the preferences negotiated in the EVFTA. The benefits derived from trading under preferences within the FTA, such as increases in trade flows, may then be reversed.
25. It is unlikely that the entire effect of the UK-Vietnam Agreement achieved so far would disappear. Many tariffs would automatically revert to Most Favoured Nation (“MFN”) rates, discussed in further detail below, but it could take longer for some of the other benefits to be lost. Some gains might endure even in the long run. For example, the UK might still benefit from any regulatory arrangements agreed because of the EVFTA. Business connections formed because of the EVFTA might endure.
26. The size of the impact of not bringing into effect the UK-Vietnam Agreement would depend on the responsiveness of trade flows to increased costs brought about by the loss of provisions within the agreement.

Immediate impact if not brought into effect

Impact of tariffs under current MFN rates

27. Much international goods trade takes place in products for which MFN rates are already zero. However, trade agreements provide additional opportunities by reducing tariffs in products where this is not the case. If the UK-Vietnam Agreement is not brought into effect, tariffs between the two countries would revert to MFN rates for all trade. This would lead to an increase in duties on some UK exports to, and imports from, Vietnam.
28. To estimate the potential impact of losing tariff preferences, assumptions have to be made. It is assumed all current trade between the UK and Vietnam occurred at the negotiated preferential tariff rates and current patterns of trade remained unchanged in the future. In that case, reverting to the UK and Vietnam’s current MFN tariff rates on 1 January 2021 would result in an annual increase in total duties of around £49 million. Duties on UK exports would increase by around £6.2 million, with duties on imports increasing by around £42.5 million.⁶ This is relatively small compared to the value of total trade with Vietnam of £5.8 billion in 2019.

⁶ DIT calculations using tariff data from ITC Market Access Map ([MAcMaps](#)) and trade data from ITC Trade Maps (accessed September 2020) for exports calculations. DIT calculations using tariff data from the European Commission and Eurostat trade data (accessed August 2020) for imports. Implied additional duties are calculated using the difference in MFN and preferential tariff rates (simple average tariffs at CN8 level) and the value of trade for each product at CN8 level (2019 for imports, 2014-2016 average for exports). For exports, the tariffs that would apply as of 1 January 2021 are compared with the MFN tariffs that would apply in the absence of an agreement.

29. However, these estimates assume that all tariff preferences offered under the EVFTA are fully utilised by exporters. This is unlikely to be true. This means that the actual increase in duties could be lower than the estimates above. The EVFTA is too recent for estimates to be available, but evidence from other FTAs suggests preference utilisation rates are usually significantly below 100%. This is particularly pronounced for FTAs which have recently entered into force, as businesses may not have had time to become aware of savings and to learn how to access them.
30. The total duty which would in fact be charged on exports and imports would depend on how quantities and prices of traded products adjusted to the imposition of tariffs. If UK producers were not previously utilising the preferential rates or producers and consumers changed their behaviour in response to higher tariffs, this cost would be lower than estimated above. These are strong assumptions, so this figure should be treated as an indicative estimate of the magnitude of the trade barrier under this scenario.
31. The indicative estimates show that the largest implied increases in UK import duties would be for footwear, gaiters and the like, parts of such articles (HS64) of £19.3 million, apparel and clothing accessories, not knitted or crocheted (HS62) of £5.8 million, and apparel and clothing accessories, knitted or crocheted (HS61) of £5.6 million. On the exports side, the largest implied increases in duties would be for vehicles other than railway or tramway rolling stock (HS87) of £1.5 million, beverages, spirits and vinegar (HS22) of £0.6 million, and electrical machinery and equipment and parts thereof (HS85) of £0.5 million.
32. Indicative estimates of implied additional tariff duties are provided above to provide a sense of scale of possible additional costs of trade. Tariff duties are transfers, where the cost to business is equal to the extra tariff revenue collected by the UK Exchequer and the Government of Vietnam. However, there could be wider effects of increased costs of trade, including negative impacts on consumer choice, prices, and ultimately economic growth and welfare.

Businesses

33. Additional duties could be absorbed by either UK or Vietnamese businesses, passed on to consumers, or existing trade patterns could be interrupted. This could impact UK competitiveness, leading to disruptions in supply chains and job losses in the short term.
34. Businesses that rely on imports as part of their supply chains may be affected if import prices rise, including UK exporters that rely on Vietnamese inputs to export goods to the rest of the world. In 2016 (latest data), around 15.4% of the value added in the UK's gross exports reflected imports from abroad, and less than 0.1% of this is from imports from Vietnam.⁷ Given the small share of UK trade under this agreement, in this case we would expect these impacts to be relatively small, but they could be noticeable for some specific companies.

Different approaches and data sources for this analysis are likely to yield different results. Calculations on duties also assume trade is not eligible for duty relief under inward/outward processing rules, nor under specific plurilateral agreements such as those covering civil aviation and pharmaceuticals, nor WTO or preferential quotas. Calculations on import duties take into account inward/outward processing rules and trade which is eligible for relief under specific plurilateral agreements but not WTO or preferential quotas.

⁷ OECD, 2018. [Trade in Value Added \(TiVA\): Origin of value added in gross exports, December 2018](#).

Experimental statistics.

Consumers

35. Imported products could be more expensive for consumers if retailers pass on additional duties to consumers through increases in domestic prices. This could disproportionately affect certain groups of consumers, for example those at the lower end of the income distribution. Consumers might also see a reduction in choice of products available. Given the small share of UK-Vietnam trade in total UK trade, this impact may be relatively small overall, but could be noticeable on specific product lines.

Longer term impact if not entered into force

36. In the long run, the UK would forgo the longer-term benefits that the EVFTA would have brought to UK. This could result in the UK's long-term GDP marginally decreasing if the UK-Vietnam Agreement is not ratified. Given that the EVFTA represents a very small share of UK trade, we would expect the impact on GDP to be very small.

Explanation of this Agreement, including Significant Differences between the UK-Vietnam Agreement and the EVFTA

37. The UK-Vietnam Agreement follows the short form approach, explained above in paragraphs 6 to 9 of this report. This section provides a discussion of changes in the UK-Vietnam Agreement.

Removal and replacement of references to the EU

38. Where necessary, as a result of the operation of the principle of *mutatis mutandis*, references to “the European Union”, “the Union”, and “a Member State of the European Union” (and similar terms) in the EVFTA are read as references to the UK. Similarly, references to EU institutions, such as the European Commission, in the EVFTA are read, as appropriate, as references to the equivalent institutions in the UK (for example, the UK Parliament).

Territorial Application

39. The Territorial Application article sets out the territories to which the UK-Vietnam Agreement applies, and how it applies to them.
40. In the EVFTA, the Territorial Application article defined the EU's territorial coverage of the agreement by referencing the EU treaties.
41. In the new UK-Vietnam Agreement, the definition of the EU's territorial coverage has been replaced by a provision which ensures that the agreement applies to the UK and the territories for whose international relations it is responsible in the same way as the previous agreement did.

42. The territories to which the UK-Vietnam Agreement will apply are:
- a. The Crown Dependencies (Isle of Man, Jersey, Guernsey), to which provisions relating to tariffs and trade in goods apply; and
 - b. Gibraltar, to which, broadly, provisions not relating to goods or customs apply.

Amendment Provisions

43. Amendment provisions set out the process that must be followed for the parties to agree to amend the provisions of the agreement after it enters into force. Though parties to an agreement are generally free to amend it as they deem necessary, amendment clauses serve to make the process clearer and more transparent.
44. The UK-Vietnam Agreement contains an amendment clause which outlines the process that must be followed if the UK and Vietnam (the “Parties”) agree to amend the provisions of the agreement after it enters into force. Incorporated Article 17.5.1 provides that amendments will enter into force following the Parties’ exchange of written notifications confirming that they have completed their respective applicable legal procedures. The UK-Vietnam Agreement also enables the Trade Committee established under Article 17.1.1 to decide to amend the annexes and protocols to the UK-Vietnam Agreement in certain circumstances, which the Parties may subsequently adopt.
45. The retention of the amendment clause in the UK-Vietnam Agreement does not commit the UK to making any changes to the agreement once it enters into force. It simply sets out a process which may be used if needed.

Entry into Force and Provisional Application

46. Entry into force provisions specify the date from which the terms of the agreement will bind the parties. Existing entry into force provisions have been replaced with new provisions to ensure that, when the EVFTA ceases to apply to the UK, the UK-Vietnam Agreement can enter into force as swiftly as possible. For the UK-Vietnam Agreement to enter into force, it must first be ratified by both the UK and Vietnam. In UK domestic law, before an agreement subject to ratification may be formally ratified, it must be laid before Parliament for scrutiny under the Constitutional Reform and Governance Act 2010 (the “CRaG Act”).
47. Provisional application is a mechanism which allows an agreement to be applied prior to its entry into force. This means that the treaty can be provisionally applied prior to completion of the procedures required by the domestic law of the respective negotiating States for its entry into force, provided any necessary domestic implementing measures are in place. Where the negotiating states have agreed that a continuity trade agreement may be provisionally applied from the date the underlying EU agreement ceases to apply to the UK, the treaty may be provisionally applied from that date if this becomes necessary while, in the case of the UK, the treaty completes the procedures set out in the CRaG Act. A number of the existing EU agreements provide for provisional application and were provisionally applied by the UK as an EU Member State.
48. The UK and Vietnam have agreed to provisionally apply the UK-Vietnam Agreement pending entry into force, and the terms for provisional application are set out in Article 9

of the agreement. The Parties will exchange written notifications and the UK-Vietnam Agreement will be provisionally applied from the date of the later of these notifications. Provisional application will automatically cease when the UK-Vietnam Agreement enters into force.

49. Given that the Government is seeking to maintain the effects of the existing EU agreements at the end of the Transition Period, this is a proportionate approach to manage time constraints during this unique period and reduces the risk of businesses and consumers experiencing disruption at the end of the Transition Period.

Trade Remedies

50. Trade remedies provide a safety net for domestic industry against injury caused by dumped, subsidised or unexpected surges of imports of goods. Most World Trade Organization (“WTO”) members have a trade remedies system. The UK will operate its own system once the Transition Period comes to an end.
51. The UK-Vietnam Agreement replicates the effects of the trade remedies provisions in the EVFTA *mutatis mutandis*.

Dispute Settlement

52. The economic benefits of FTAs can only be realised if they are faithfully implemented and complied with. A dispute settlement mechanism in an agreement signals the parties’ intention to abide by the agreement, thereby increasing business and stakeholder confidence that commitments set out in the agreement can, and will, be upheld. The dispute settlement mechanism therefore provides an important deterrent function. It also provides an effective mechanism for enforcing those commitments, and for resolving any disputes that arise.
53. The UK-Vietnam Agreement replicates the effects of the dispute settlement provisions in the EVFTA *mutatis mutandis*.
54. One of the impacts of replicating the dispute settlement chapters in the existing EU trade agreements is that, in the event that a dispute arises, the UK will be directly responsible for any relevant costs associated with the dispute settlement process.

Review Clause

55. Article 8 is a new provision relating to the future development of the UK-Vietnam Free Trade Agreement. In order to demonstrate the UK’s commitment to developing its trading relationship with Vietnam and to provide sufficient flexibility to adapt the UK-Vietnam Free Trade Agreement in future, this provision commits the Parties to consider reviewing the appropriateness of the Tariff Rate Quotas for Rice, from 3 years after the FTA has entered into force.

Annexes and Protocols

Goods

56. Goods chapters in trade agreements set out the treatment and the level of access to the domestic market granted to goods of the respective parties. Such provisions include setting tariff levels and quotas on various products, establishing agricultural safeguards and determining the rules of origin for goods to qualify for preferential treatment. Commitments on tariffs for both the UK and Vietnam have, other than in those cases detailed below, been transitioned without changes. This means that tariff preferences applied by the UK for products from Vietnam will remain the same as those applied by the EU on the date the UK ceases to be bound by the EVFTA, and, likewise, Vietnam will continue to apply the same preferences to products from the UK that it is applying to products from the EU.
57. The only exception to tariff commitments being transitioned without modification relates to the size of tariff-rate quotas (“TRQs”) which can be found in Paragraph 2(b) of the Annex in the UK-Vietnam Agreement, and Section B of Annex 2-A of the EVFTA (as incorporated). These have been re-sized to deal with the fact that the UK will no longer be a member of the EU. These changes are detailed further below.

Tariff Rate Quotas (TRQs)

Justification for policy change

58. TRQs allow a certain quantity of a product to enter the market at a zero or reduced tariff rate. Imports above that quantity are subject to a higher tariff rate – usually the MFN rate. The EU has agreed TRQs, both for imports to the EU and to partner countries, in some of its trade agreements. In order for products to be able to continue to benefit from the use of TRQs in trade between the UK and Vietnam, these quotas need to be present in the new UK-Vietnam Agreement.
59. TRQs administered by the UK and by Vietnam have been re-sized to reflect the fact that the UK is a smaller importer and exporter than the EU28. Solutions were agreed with Vietnam to set quotas to a sufficient level that will allow for continuity of historical trade flows, in most circumstances.
60. The EVFTA has been in force since August 2019, so the UK and Vietnam agreed to use relevant trade flow data and agreed a minimum level of access should be provided for these quotas, based on a proxy measure relevant to UK trade. Doing so allows future market access opportunities for UK and Vietnamese businesses using a fair and evidence-based methodology.

Impacts

61. Without transitioning these TRQs, and without any other mitigating actions, goods imported from Vietnam that are currently covered by TRQs in the EVFTA could face MFN tariffs. This could make these imports more expensive. The nature of this impact will

depend on a number of factors, including existing trading patterns and the behaviour and responsiveness of domestic consumers and businesses to the change in tariff.

62. Overall, we would expect the impact on UK producers and consumers resulting from this approach to re-sizing TRQs to be limited.

Inward TRQs

Table 3: List of TRQs applied by the UK for imports from Vietnam and new quota volumes (tonnes, unless otherwise specified)

Product Description	Tariff Classification	New UK quota volume
Birds' egg and egg yolks	0408 11 80 0408 19 81 0408 19 89 0408 91 80 0408 99 80	68
Garlic	0703 20 00	54
Sweetcorn	0710 40 00A 2001 90 30A 2005 80 00A	681
Husked Rice	1006 10 21 1006 10 23 1006 10 25 1006 10 27 1006 10 92 1006 10 94 1006 10 96 1006 10 98 1006 20 11 1006 20 13 1006 20 15 1006 20 17 1006 20 92 1006 20 94 1006 20 96 1006 20 98	3,356
Milled Rice	1006 30 21 1006 30 23 1006 30 25 1006 30 27 1006 30 42 1006 30 44 1006 30 46 1006 30 48 1006 30 61 1006 30 63 1006 30 65 1006 30 98 1006 30 67 1006 30 92 1006 30 94 1006 30 96	5,001

Fragrant Rice ¹	1006 10 21 1006 10 23 1006 10 25 1006 10 27 1006 10 92 1006 10 94 1006 10 96 1006 10 98 1006 20 11 1006 20 13 1006 20 15 1006 20 17 1006 20 92 1006 20 94 1006 20 96 1006 20 98 1006 30 21 1006 30 23 1006 30 25 1006 30 27 1006 30 42 1006 30 44 1006 30 46 1006 30 48 1006 30 61 1006 30 63 1006 30 65 1006 30 67 1006 30 92 1006 30 94 1006 30 96 1006 30 98	5,001
Manioc (cassava) starch	1108 14 00	12,215
Tuna	1604 14 11 1604 14 18 1604 14 90 1604 19 39 1604 20 70	1,566
Surimi	1604 20 05	68
Sugar and other products containing high levels of sugar	1701 13 10 1701 13 90 1701 14 10 1701 91 00 1701 99 10 1701 99 90 1702 30 50 1702 90 50 1702 90 71 1702 90 75 1702 90 79 1702 90 95 1806 10 30 1806 10 90	2,724
Speciality sugar	1701 14 90	54

Mushrooms	0711 51 00 2001 90 50 2003 10 20 2003 10 30	48
Ethanol	2207 10 00 2207 20 00	136
Mannitol, Sorbitol, Dextrins and other modified starches	2905 43 00 2905 44 11 2905 44 19 2905 44 91 3505 10 10 3505 10 90 3824 60 19	272

¹ To be eligible for duty-free import under this quota the rice shall belong to one of the following varieties of fragrant rice: Jasmine 85, ST 5, ST 20, Nang Hoa 9 (NàngHoa 9), VD 20, RVT, OM 4900, OM 5451 and Tai nguyen Cho Dao (Tàinguyên Chợ Đào).

Rules of Origin

63. In trade agreements, rules of origin are used to determine the economic nationality of a good. In order to qualify for preferential tariff rates, a good must “originate” in one of the parties to the agreement. Trade agreements may also allow materials originating and/or processed in a country other than the exporting party to count towards meeting the specific origin requirements for preferential treatment, a process known as “cumulation”.

64. There are two main categories relevant to determining whether goods “originate” in the exporting country for the purposes of a trade agreement:

- a. Wholly obtained – These are goods that are wholly obtained or produced entirely in a single country. Examples include mineral products extracted from the soil and live animals born and raised there.
- b. Substantial transformation – These are goods that are made from materials which come from more than one country, and the origin is therefore defined as that of the country where the goods were last substantially transformed. This can be determined in three ways:
 - i. *Value added* – This type of rule requires that a particular proportion of the final value of the product be added in the exporting country.
 - ii. *Change in Tariff Classification (“CTC”)* – This type of rule requires that the final product be sufficiently different from the imported materials such that it moves to a different tariff classification altogether.
 - iii. *Specific processing or manufacturing* – These rules typically apply where value added or CTC rules may not adequately determine originating status, and where specific processes are required to meet originating criteria.

65. During the Transition Period, all UK content is currently considered as “originating” in the EU and UK exports are designated as 'EU origin'. This means that originating materials from and, processing in, the UK and the rest of the EU can be used interchangeably in

bilateral trade with existing EU FTA partners. This will no longer be the case when existing EU FTAs stop applying to the UK. At this point, the designation of UK exports will shift from 'EU originating' to 'UK originating', and EU content will (unless specific provision is made in new agreements) no longer count towards meeting the origin requirements for preferential treatment for either party. This would have implications for goods traded between the UK, EU and Vietnam.

66. To address these implications and to provide maximum continuity for business, it has been agreed in the UK-Vietnam Agreement that EU materials can be recognised (i.e. cumulated) in UK and Vietnam exports to one another. Furthermore, EU processing can be recognised (i.e. cumulated) in UK exports to Vietnam. The possibilities to cumulate with other countries, as per the EVFTA, are replicated in the UK-Vietnam Agreement on the same terms. The cumulation arrangements are set out in detail in Section B (concerning the definition of 'originating products') of the Rules of Origin Protocol and are subject to satisfying certain conditions specified in the agreement.
67. The text of the Rules of Origin Protocol can be found in Protocol 1 of the UK-Vietnam Agreement.

Impact

68. If cumulation of EU content for the UK and Vietnam were not permitted under the UK-Vietnam Agreement, some UK and Vietnam based exporters might find themselves unable to access preferences as they are currently able to under the existing EVFTA. UK exporters to Vietnam who rely on EU content might have to revert to paying MFN tariff rates, if they continue using EU content, or they might have to review and reassess their existing supply and value chains as a result of this change to existing terms. The impact would, of course, vary across sectors.
69. The UK-Vietnam Agreement provides only for trade between the UK and Vietnam and does not provide for either party's direct trade with the EU, including, for example, where UK- and Vietnam-based exporters use content from each other in exports to the EU. The UK and Vietnam have prepared a Joint Declaration to update Protocol 1 to reflect a trilateral approach with the EU, should the UK and EU reach an agreement which includes suitable rules of origin.

Sanitary and Phytosanitary ("SPS")

70. Sanitary and Phytosanitary ("SPS") articles in free trade agreements concern the application of food safety and animal and plant health regulations. These provisions in free trade agreements allow countries to set standards and regulations that allow for the protection of human, animal or plant life and health. FTAs may contain SPS provisions which, for example, can increase transparency in the application of SPS measures, or trading by allowing the recognition of equivalent measures in relation to animal health, or set and import requirements, including health certification.
71. The UK Vietnam Trade Agreement has not made substantive changes to the SPS provisions in the EU-Vietnam Trade Agreement'.

Intellectual Property, including Geographical Indications ("GIs")

72. We have ensured that our existing obligations on intellectual property found in international and trade agreements remain in place. The UK will remain a member of the

World Intellectual Property Organization (“WIPO”) and remain fully compliant with those WIPO treaties to which we are already a party. We will also remain fully compliant with the WTO's agreement on the trade-related aspects of intellectual property rights.

73. For UK and Vietnam GIs, the UK-Vietnam Agreement retains the protections provided in the EVFTA. The retained protections extend to “Irish Whisky/Irish Whiskey/Uisce Beatha Eireannach” and “Irish Cream”. These ‘cross-border GIs’ can be produced anywhere on the island of Ireland; accordingly, they will also continue to be protected under the EVFTA. This is only required for this GI as the other three UK GIs protected in the UK-Vietnam Agreement are also protected in Vietnam through either their inclusion in the EVFTA (Irish Whiskey and Irish Cream) or direct application to Vietnam (Scotch Whisky). The cross-border nature of these GIs is clarified in the UK-Vietnam Agreement with a footnote.
74. The UK-Vietnam agreement also includes a footnote to clarify that the GI for Scottish Farmed Salmon will continue to be protected in Vietnam under its domestic laws. The purpose of this footnote is to ensure that that Vietnam will not need to re-run opposition procedures. This is only required for this GI as the other three UK GIs protected in the UK-Vietnam Agreement are also protected in Vietnam through either their inclusion in the EVFTA (Irish Whiskey and Irish Cream) or direct application to Vietnam (Scotch Whisky). All other GIs which relate only to EU Member States that are not the UK are not incorporated into the UK-Vietnam Agreement. This is because the UK-Vietnam Agreement is a bilateral agreement, and therefore can only protect GIs of States that are party to the agreement. This has no effect on existing GI protections relating to EU Member States in Vietnam, which will remain protected under the EVFTA. We do not expect these changes to have an impact on bilateral trade flows between the UK and Vietnam.

Sustainability

75. The UK has long supported the promotion of our values globally and this will continue following the end of the Transition Period. We want to ensure economic growth, development and labour and environmental protection go hand-in-hand. We have replicated the content of the EVFTA's chapter on trade and sustainable development in its entirety in the new UK-Vietnam Agreement.
76. The EVFTA's sustainability chapter refers to other (non-EU) international agreements on issues such as labour and environment, which the UK and the partner country is a member of in our own right and so these provisions will continue to apply to the UK following the end of the Transition Period.

Government Procurement

77. Government procurement commitments in trade agreements provide enforceable rules and standards for a transparent and non-discriminatory framework on government procurement. They also liberalise specific procurement markets between the parties and provide enforceable market access commitments.
78. The UK-Vietnam Agreement has retained the commitments on public procurement that relate to the UK and Vietnam.
79. An amendment has been made to Annex 9-A (Coverage of Government Procurement for the Union) of the EVFTA to reflect the fact that upon entry into force of the UK-Vietnam

Agreement, the UK will provide Vietnam with the details of means of publication of notices in the UK. This will replace the reference to the Official Journal of the EU. We do not expect this change to have an impact on trade flows.

80. A minor amendment has been made and footnote included to Article 9.6.4 (Notices) to clarify the provision and note that it is only applicable when an automatic system for translation and publication of summary notices in English is set up and operational in Vietnam.

81. We do not expect any of the changes to have an impact on trade flows.

Competition Policy, Subsidies and State-Owned Enterprises

82. Chapters or articles in trade agreements relating to competition, subsidies and state-owned enterprises help to ensure open and fair competition exists for both Parties. They set out key principles and can refer to domestic laws for each party.

83. No changes have been made to the provisions relating to competition and state-owned enterprises contained in the EVFTA.

84. Article 10.4.1. has been amended for clarity to reflect that each Party should not grant subsidies if they significantly negatively affect or are likely to significantly negatively affect trade between the Parties. The UK will also retain uncontested access to subsidies allowed within the WTO's green and amber boxes. We do not expect the changes to have an impact on trade flows.

Services

85. Services chapters and corresponding annexes in trade agreements set out the treatment and the level of access to the domestic market granted to that trade partner's service suppliers and services. Commitments build upon the level of access and the treatment granted to all WTO members, whilst protecting governments' right to regulate their domestic markets.

86. Amongst the EU's FTAs with third countries, the content of the services chapters and depth of the commitments undertaken vary considerably. The variety of these services provisions have in some cases necessitated a bespoke approach to deliver continuity in services commitments between the UK and the third country. Some agreements have not required amendment whilst others have required technical alteration to their text to deliver continuity of effect. Where such technical changes have been necessary, the effects of the original commitments have been replicated as far as possible. Services chapters and corresponding annexes have been subject to such changes, in addition to the following changes outlined below.

87. Throughout services chapters and the corresponding annexes, text with specific reference to the obligations and commitments of EU Member States has been removed as it no longer applies in a bilateral context.

88. Minor changes have been made to the prohibitions of performance requirements (Incorporated Article 8.8 of the EVFTA). These amendments do not change the scope or intent of the article, but rather provide greater clarity around how UK competition law,

and the UK mergers and takeover regime, operates in conjunction with provisions on performance requirements. It also clarifies that the article does not affect the enforcement of commitments between private parties.

89. In Annex 8-A, references are made to the differentiated commitments of EU Member States in regard to the sectors listed in the three appendices (cross-border supply of services, liberalisation of investments, and temporary presence of natural persons for business purposes), for example in services relating to aircraft, maritime transport services (cabotage), legal services, and pharmaceutical services. Such references are removed from sectors listed in the three appendices to Annex 8-A as they no longer apply in the bilateral context. Text is occasionally reworded in the appendices to retain policy effect, but no changes are made in the services annex that alter the policy intent or effect of the commitments.

Bank Equity Licence

90. Appendix I of the UK – Vietnam Free Trade Agreement replicates with a few modifications the Understanding concerning Bank Equity which was concluded between the EU and Vietnam in connection with the EU-Vietnam Free Trade Agreement.
91. Under the terms of the side letters constituting Appendix I, Vietnam has agreed to favourably consider a proposal by the UK's financial institutions to allow the total equity held by foreign investors to be up to 49 percent of the enterprise's chartered capital in one joint-stock commercial bank of Vietnam. This is rightsized from the EU – Vietnam Understanding, which permitted this in two joint-stock commercial banks of Vietnam. The rightsized commitment maintains continuity of legal effect. The Appendix is subject to the dispute resolution mechanism within the UK – Vietnam Free Trade Agreement.
92. With the exception of changing from favourably considering offers in two joint-stock commercial banks to one joint-stock commercial bank, this commitment is replicated in full from the original EU – Vietnam Understanding, including continuity of legal effect. The change from two to one joint-stock commercial banks made in this provision is not expected to have a material impact on trade flows in the financial services sector.
93. The additional services changes outlined above are not expected to have an impact on trade flows.

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