

UK-Vietnam free trade agreement continues to facilitate bilateral trade

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Seafood is one of Vietnam's main exports to the UK.

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NDO - The UK-Vietnam Free Trade Agreement (UKVFTA) will formally come into force at 23:00 on December 31, an important continuation of trade facilitation between the two countries after the EU-Vietnam Free Trade Agreement (EVFTA) expires for the UK.

Since Vietnam and the UK established diplomatic relations in 1973, bilateral economic cooperation has been growing steadily. For many years, the UK has been the second largest European market for Vietnamese exports, with Vietnam registering an annual trade surplus of nearly US\$5 billion. Vietnamese and UK goods are mutually complementary.

Vietnam's key exports to the UK include tropical agricultural produce, seafood, footwear, garments, leatherwear, wood products, ceramics, glass, plastics, rubber, machinery, motorbikes, pharmaceuticals, paper, steel, and chemicals.

There remains much potential for Vietnamese goods in the UK market as Vietnamese exports currently account for less than 1% of the UK's US\$700 billion worth of imports each year.

As of August 2020, the UK had 400 active projects in Vietnam, with registered capital totalling US\$3.6 billion, making it the 16th largest foreign investors in Vietnam. The magnitude of the UK's investment in Vietnam does not accurately reflect its potential as it is one of the world's largest overseas investors at around US\$300 billion.

At the same time, Vietnam is considered an attractive market and a gateway for foreign investors to penetrate the ASEAN market with a population of 630 million and GDP of US\$2,560 billion. Vietnam's macroeconomic stability has been maintained with GDP growing by 6-8%, exports growing by 12% and a relatively good business environment. The foreign investment flow to Vietnam has seen steady growth and Vietnam's international integration has been deepened in many fields. Strengthening the partnership with the UK, a major global power, in various aspects is one of the priorities in Vietnam's foreign policy.

The signing of the UKVFTA is highly significant to both countries. The UK formally left the European Union on January 31, 2020, after 47 years of membership. Earlier, the UK had reached an agreement with the EU on a transition period until the end of December 2020. It means tariff preferences provided by the EVFTA will no longer apply to the UK market from December 31, 2020.

Therefore, the signing of a free trade agreement between Vietnam and the UK will continue to enable reform, market opening and trade facilitation in both countries on the basis of inheriting relatively positive results at EVFTA negotiations, thus avoiding interruption to trade due to the UK's withdrawal from the EU.

Notably, most of the terms in the UKVFTA are similar to those in the EVFTA, meaning that the two countries have not required a decade to negotiate. Under the agreement, 99% of the export-import tariffs between the countries will be eliminated, opening significant opportunities to boost bilateral trade.

The UKVFTA marks the beginning of a new period in Vietnam-UK relations in terms of the development of key trade areas. The UKVFTA not only liberalises the trade of goods and services but also includes other important aspects such as green growth and sustainable development.