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# Textile and Garment in EVFTA: How foreign investors can qualify for the preferential tariffs

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## Table of Contents

1. Vietnam's Textile and Garment Industry Overview
2. Emerging Opportunities and Challenges for Textile and Garment Enterprises with the EVFTA in effect
3. How to be entitled for Tariff Preferences



**Part 1**  
**Vietnam's**  
**Textile and Garment**  
**Industry Overview**

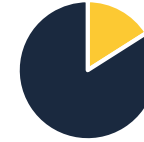
# Industry size



**8,700+** companies  
**40.3%** FDI companies

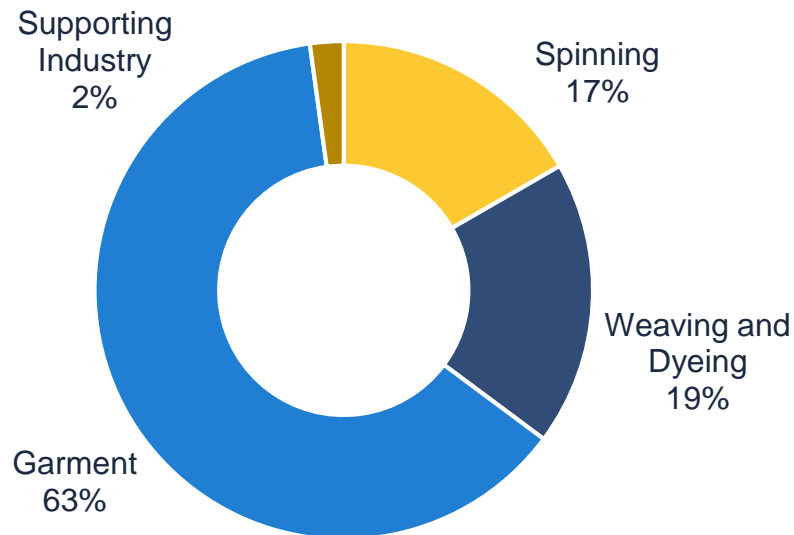


employed  
**2.7+** million people



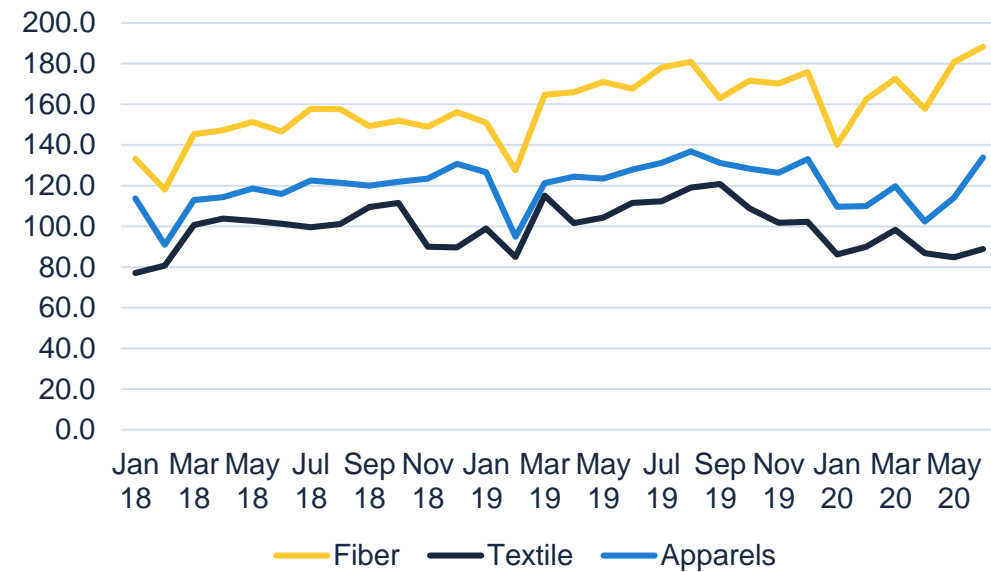
accounted for  
**15%** of GDP

## Companies break down by production field



Source: Vietnam Textile & Apparel Association

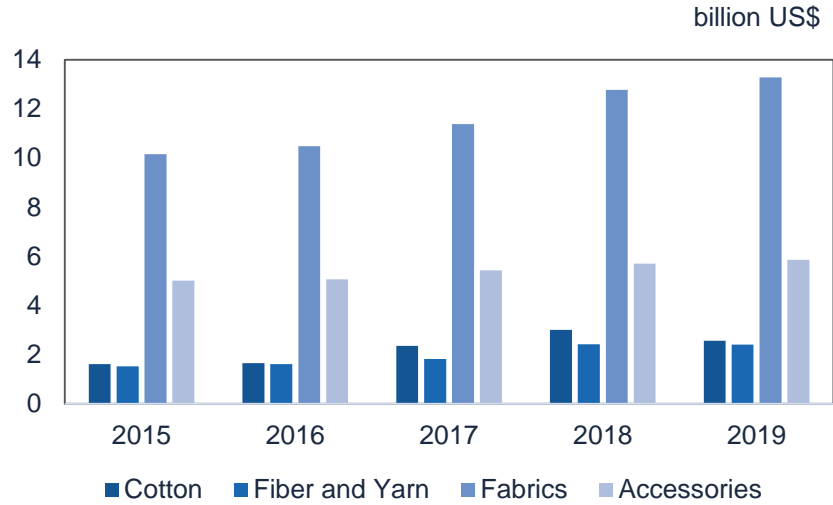
## Monthly Index of Industrial Production



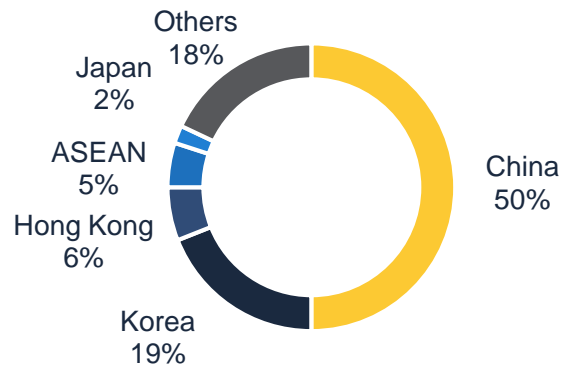
Source: GSO

# Import - Export

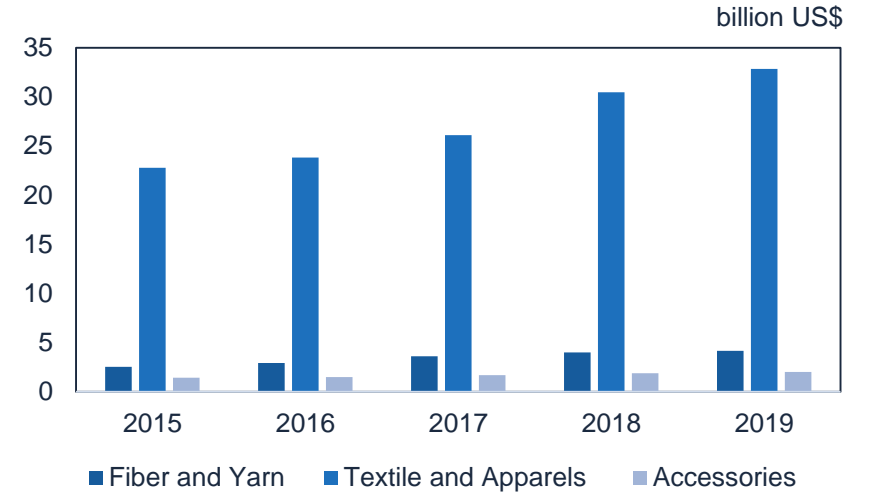
## by products



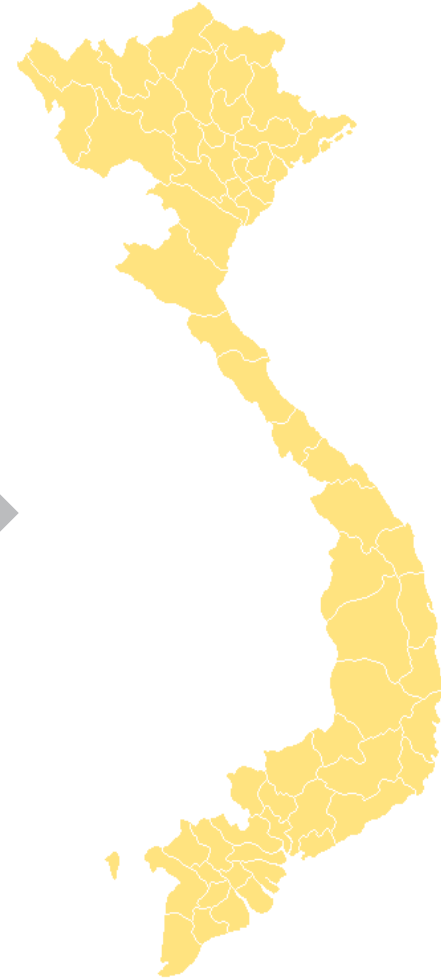
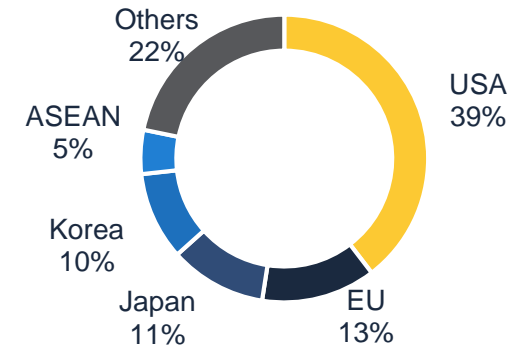
## by markets



## by products



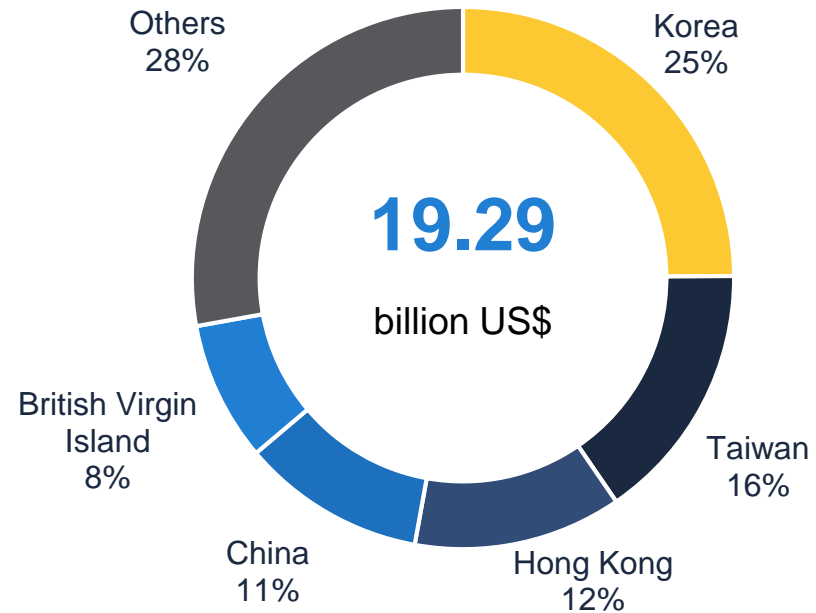
## by markets



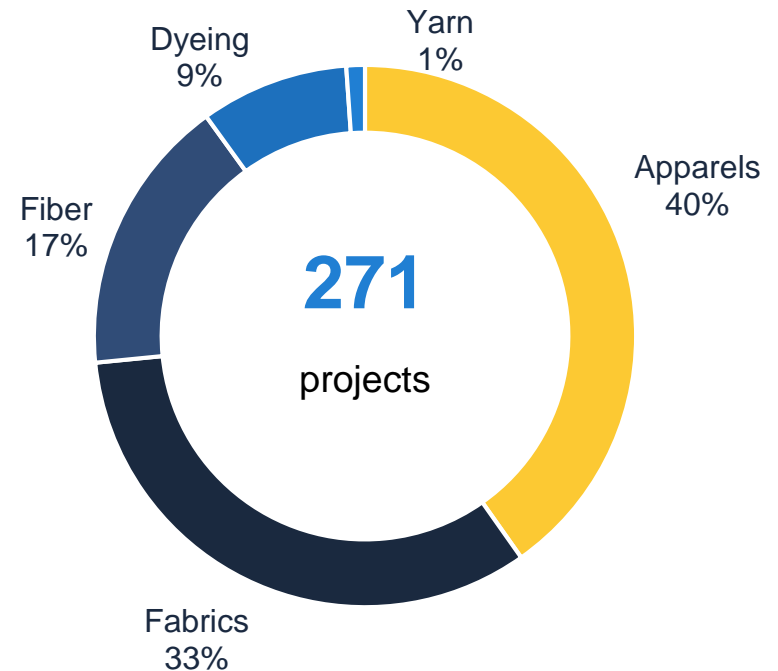
Source: Custom Office

# Foreign Direct Investment (FDI)

## FDI investors in Textile and Garment Industry, 1989 - 2019

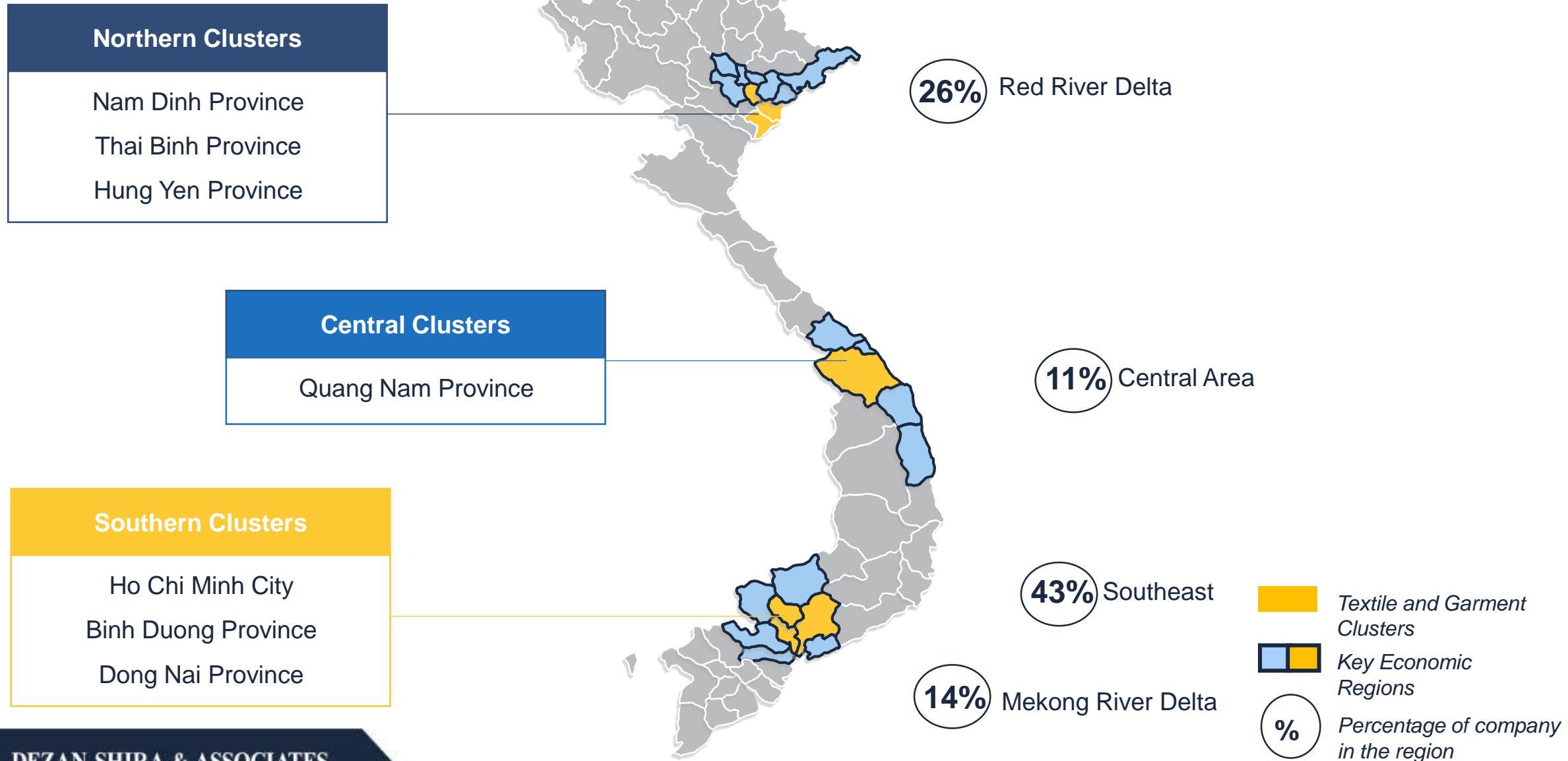


## FDI in Textile and Garment Industry, 2019



Source: Vietnam Textile & Apparel Association

# Clusters



# Clusters

Northern Vietnam

## Hung Yen

**930+** sq. km

**1.1+** million people

**0.7+** million people in working age

**1,278** people/ sq. km

**10** Industrial Parks

## Thai Binh

**1,580+** sq. km

**1.7+** million people

**1.1+** million people in working age

**1,130** people/ sq. km

**6** Industrial Parks

## Nam Dinh

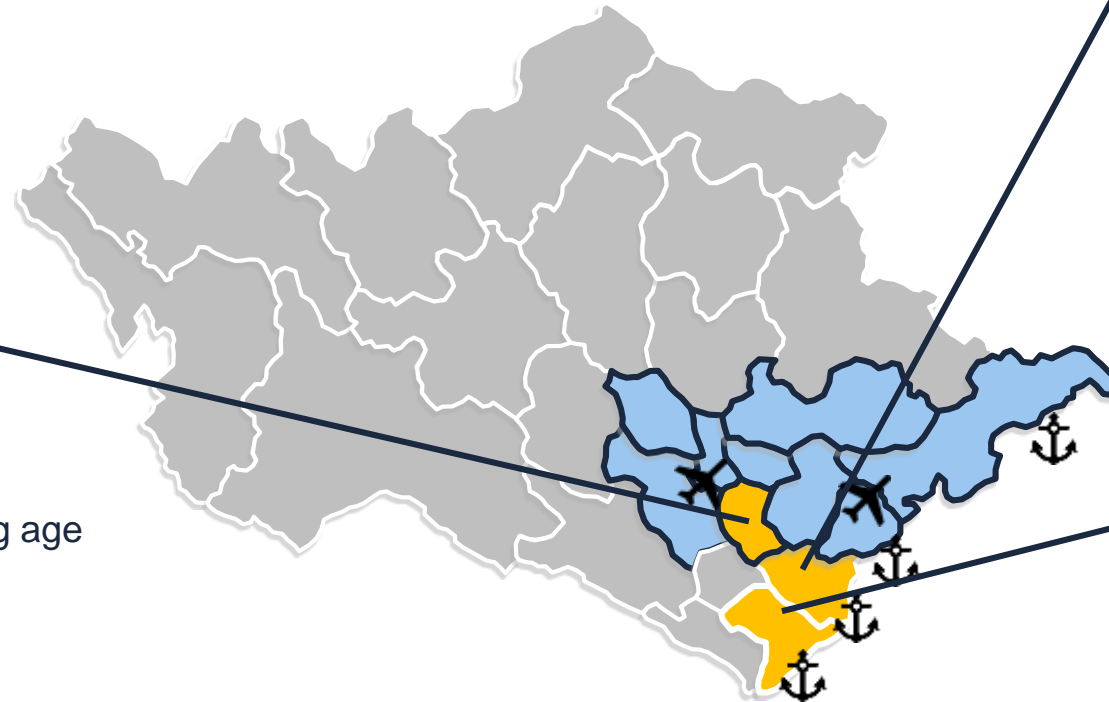
**1,660+** sq. km

**1.8+** million people

**1.1+** million people in working age

**1,111** people/ sq. km

**5** Industrial Parks



 *Textile and Garment Clusters*

 *Key Economic Regions*

 *International Airports*

 *Seaports*



# Clusters

Southern Vietnam

## Ho Chi Minh City

**2,000+** sq. km

**8.6+** million people

**4.4+** million people in working age

**4,171** people/ sq. km

**19** Industrial Parks

## Binh Duong

**2,690+** sq. km

**2.1+** million people

**1.3+** million people in working age

**803** people/ sq. km

**21** Industrial Parks

## Dong Nai

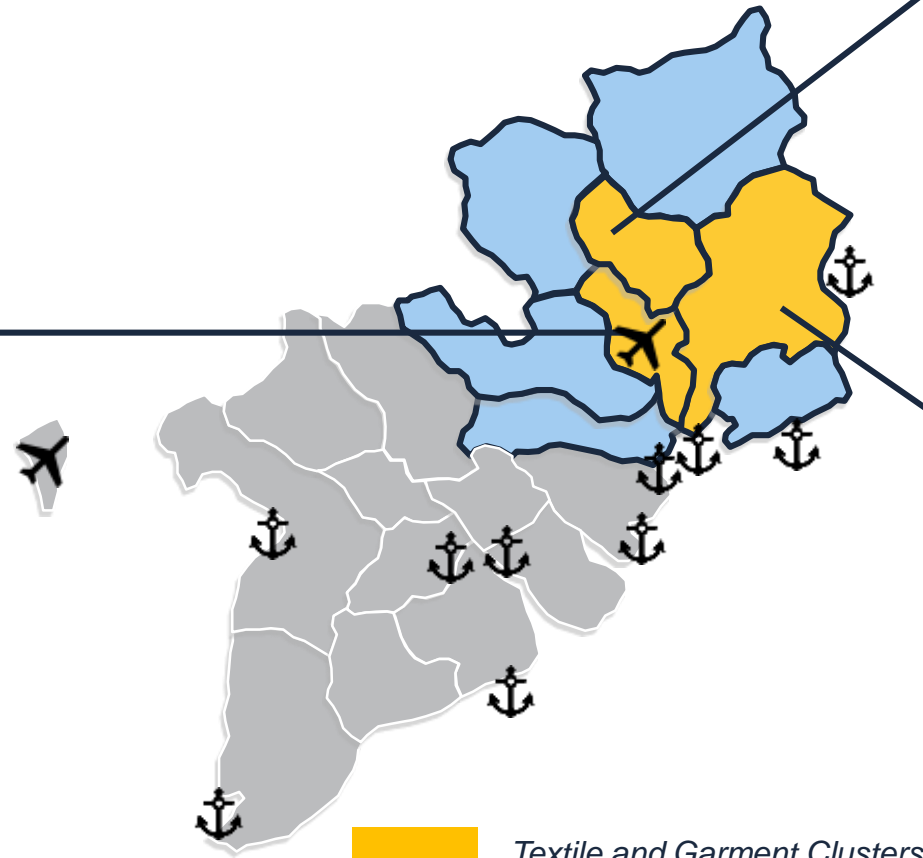
**5,860+** sq. km

**3+** million people

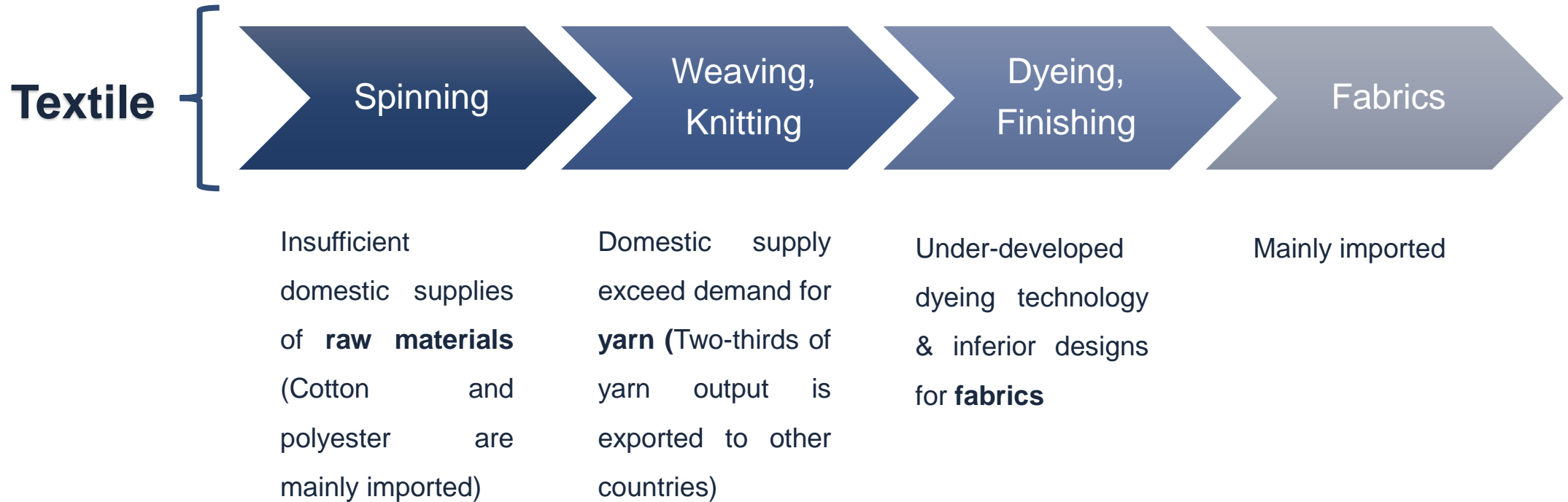
**1.7+** million people in working age

**526** people/ sq. km

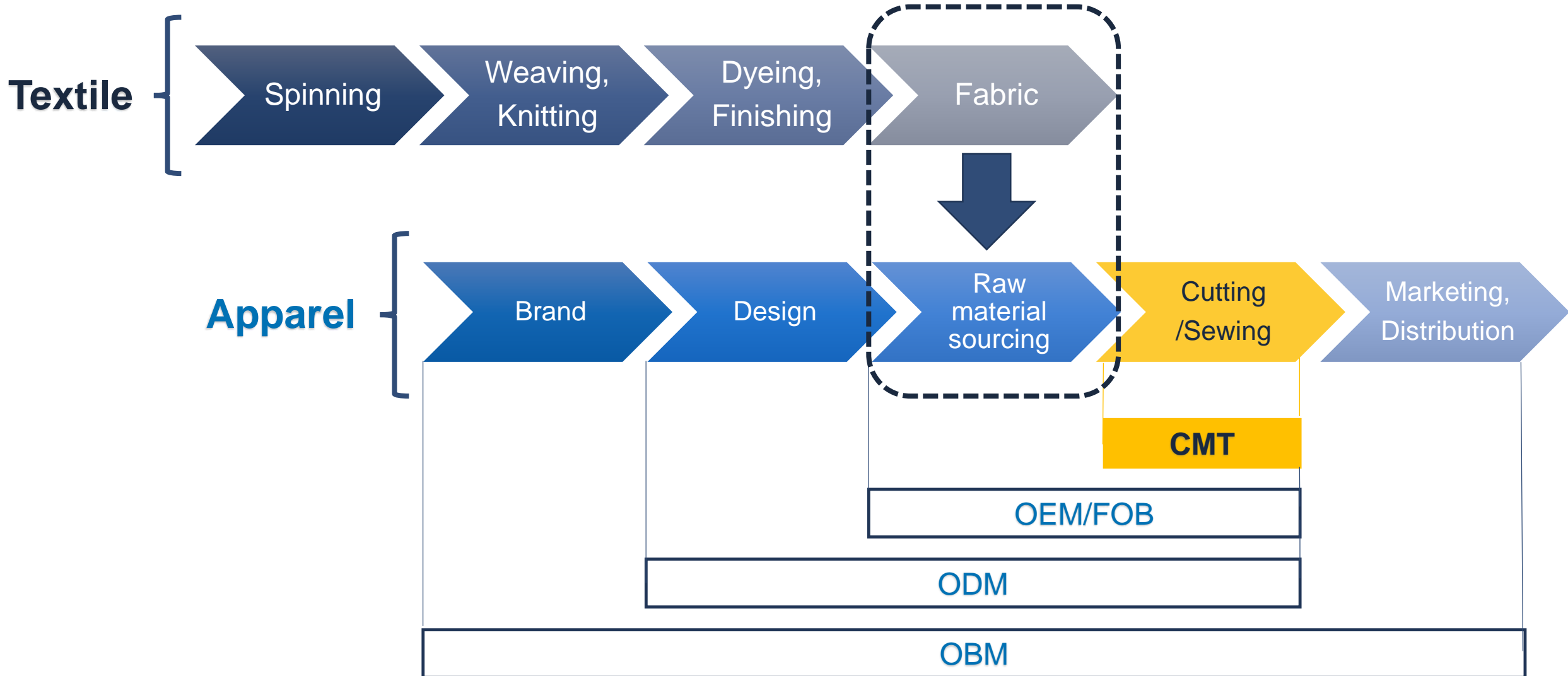
**32** Industrial Parks



# Supply Chain

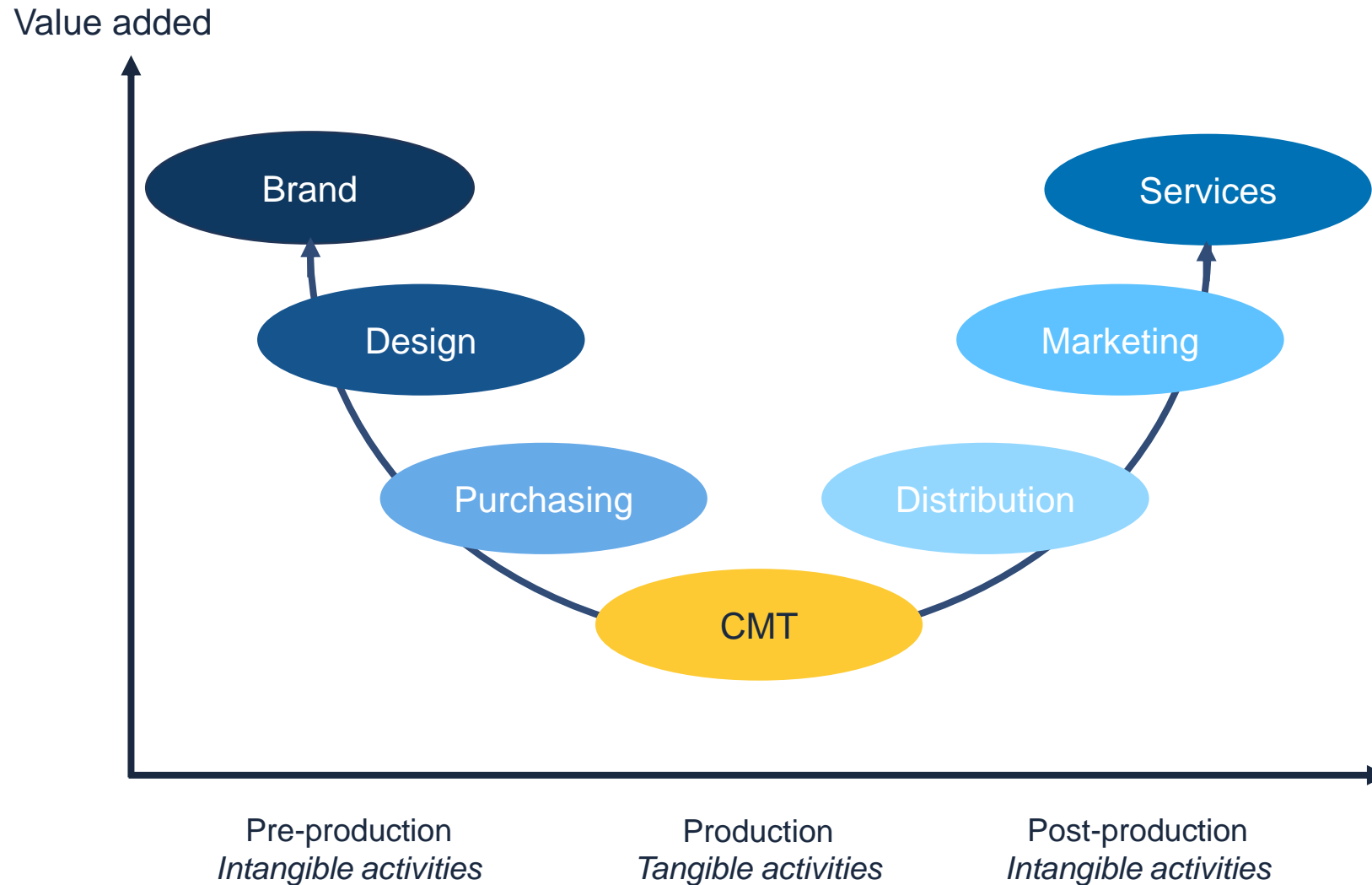


# Supply Chain

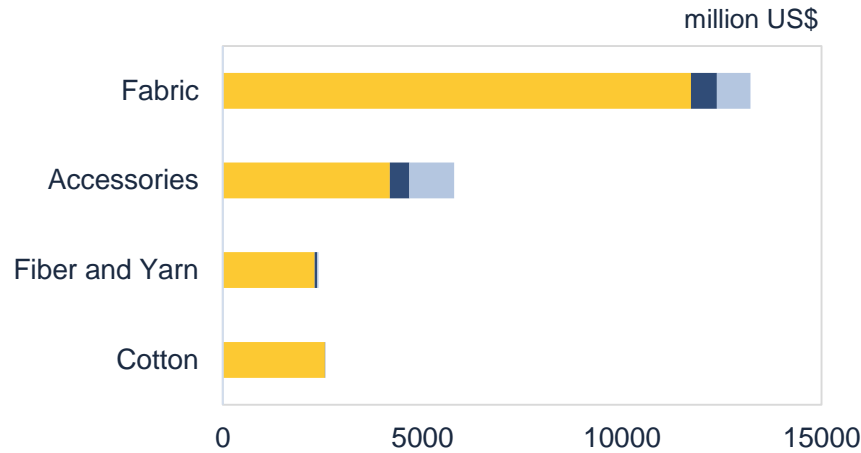


Source: Textile and Apparel Industry Report (FPT Securities)

# Apparel Value Chain

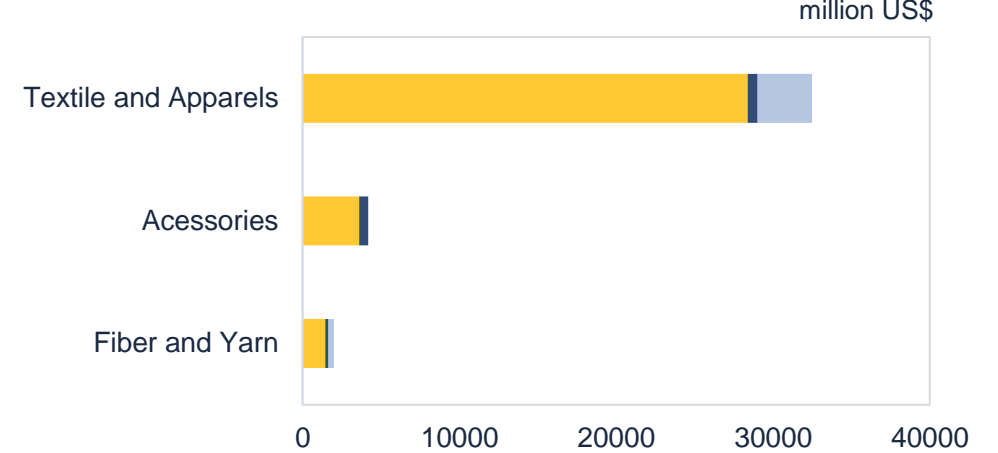


# Infrastructure Vietnam vs. other Apparel Manufacturing Hubs

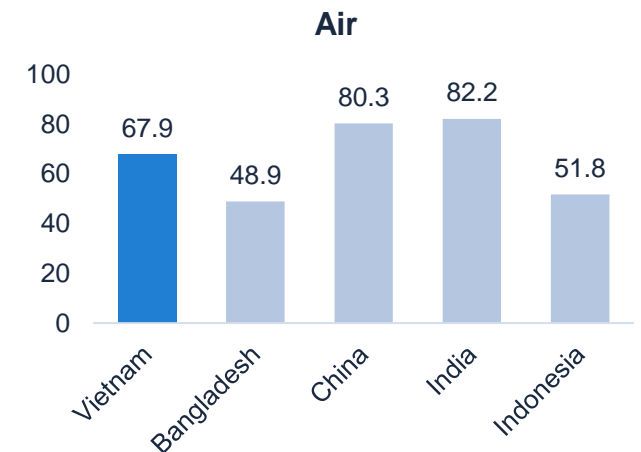
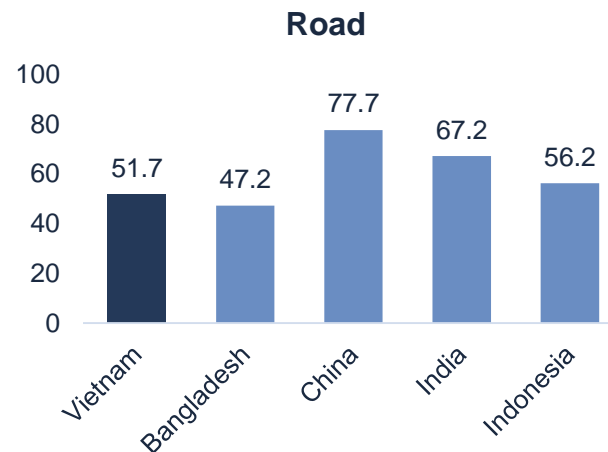
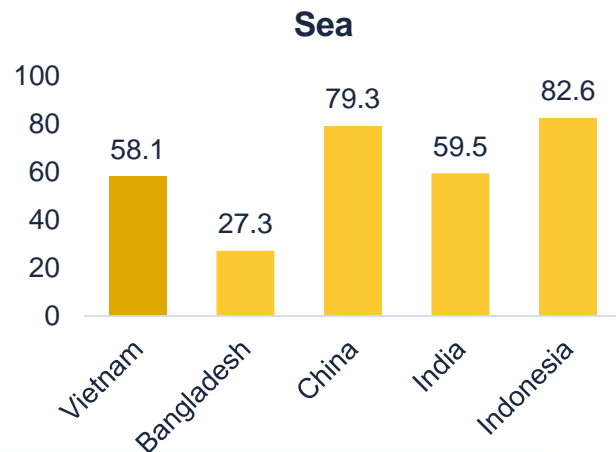


## by means of transportation

- Sea
- Road
- Air



## Quality of Transportation Infrastructure





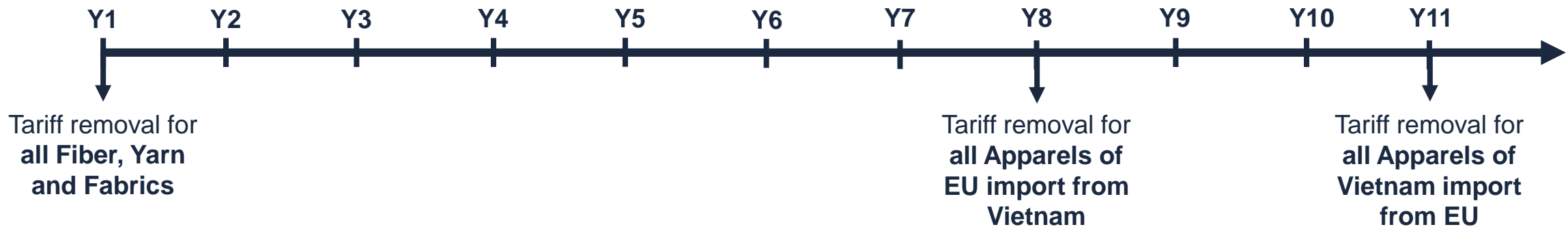
**Part 2**  
**Emerging Opportunities and**  
**Challenges for**  
**Textile and Garment Enterprises**  
**with the EVFTA in effect**

# Emerging Opportunities from Tariff Reduction

*Tariff Rate for Textile and Apparels before EVFTA*

Products	EU's Tariff Scheme		Vietnam's Tariff Scheme
	Normal Tariff Scheme	General Schemes of Preference	
Fiber and Yarn	0 - 8	0 - 6.4	0 - 10
Fabrics	3 - 8	2.4 - 6.4	0 - 12
Apparels	2 - 12	1.6 - 9.6	5 - 100

*Tariff reduction timeline in EVFTA for Textile and Apparels*



# Challenges Arise from the “Fabric-Forward” Rule of Origin

## Definition of concept “Originating Goods”

### Wholly obtained products

- Only one country involved in the manufacture of both materials and products
  - plants and vegetable products grown and harvested or gathered there;
  - live animals born and raised there;
  - ...
  - goods produced there exclusively from the products specified

### Sufficiently worked or processed products

- Products produced in Vietnam incorporating materials which have not been wholly obtained there, provided that such materials have undergone sufficient working or processing within Vietnam.



Cumulation of origin

- The sufficient working or processing that is needed to obtain preferential origin to the final product is determined by the list rules



# Originating goods

These list rules describe the working or processing that non-originating materials have to undergo to acquire preferential origin

Heading (1)	Description of the good (2)	Required Working or Processing (3)
5201	Cotton, not carded or combed	Manufacture from materials of any heading, except that of the product.
5204 to 5207	Yarn and thread of cotton; and	Spinning of natural fibers or extrusion of man-made fibers accompanied by spinning.
5208 to 5212	Woven fabrics of cotton	Spinning of natural or man-made staple fibers or extrusion of man-made filament yarn, in each case accompanied by weaving; weaving accompanied by dyeing or by coating; yarn dyeing accompanied by weaving; or printing accompanied by at least two preparatory or finishing operations (such as scouring, bleaching, mercerizing, heat setting, raising, calendaring, shrink resistance processing, permanent finishing, decatizing, impregnating, mending and burling), provided that the value of the unprinted fabric used does not exceed 47,5 % of the ex-works price of the product.

# Non-originating goods

## Insufficient Working or Processing

- preserving operations to ensure that the products remain in good condition during transport and storage
- breaking-up and assembly of packages
- washing, cleaning, removal of dust, oxide, oil, paint or other coverings
- ironing or pressing of textiles and textile articles
- affixing or printing marks, labels, logos and other like distinguishing signs on products or their packaging
- a combination of two or more of the operations specified

**Non-  
originating**

# Proof of origins

## FOR EU EXPORTERS

A Certificate of Origin  
C/O Form EUR.1

An Origin Declaration by:

- an approved exporter for any consignment regardless of its value; or
- any exporter for consignments the total value of which does not exceed EUR 6,000

A Statement of Origin made out by exporters registered in an electronic database in accordance with the relevant legislation of the EU

## FOR VIETNAMESE EXPORTERS

A Certificate of Origin  
C/O Form EUR.1

An Origin Declaration by any exporter for consignments the total value of which is to be determined in the national legislation of Vietnam and shall not exceed EUR 6,000

*(This proof of origin has yet to be implemented)*

An Origin Declaration by an exporter approved or registered in accordance with the relevant legislation of Vietnam

*(This proof of origin has yet to be implemented)*

# Certificate of Origin (C/O)


Supporting documents for the C/O may consist of the following:

Direct evidence of the manufacturing or other processes carried out by the exporter or supplier to obtain the goods concerned, contained for example in his accounts or internal book-keeping

Documents proving the originating status of materials used, issued or made out in a Party, where those documents are used in accordance with domestic law

Documents proving the working or processing of materials in a Party, issued or made out in a Party, where those documents are used in accordance with domestic law

Proof of origin proving the originating status of materials used, issued or made out in a Party



**Part 3**  
**How to be entitled for**  
**Tariff Preferences**

# To be qualified for preferential tariffs

## #1 Sourcing from Vietnam

- (+) Convenience and cheap cost
- (-) Limited suppliers and materials



## #2 Sourcing from Korea

- (+) Korea has already been one of the main sources of materials for textile and garment manufacturers in Vietnam (19% of imported fabrics in Vietnam is from Korea)
- (-) The cumulation of origin only applies for apparel manufacturers using Korea fabrics, not for yarn, fiber and textile producers.



## #3 Sourcing from the EU

- (+) Abundant suppliers, materials with high quality
- (-) High costs, delivery time



# Necessary steps before applying for the Certificate of Origin (C/O)

## Step 1

- Check if the product is wholly obtained according to the Protocol 1 under the EVFTA. If not, go to step 2.

## Step 2

- Determine the HS code of the exported product.

## Step 3

- Check whether the exported product is on the list of insufficient working or processing in accordance with the Protocol 1 under the EVFTA. If yes, the product will not be qualified for preferential tariffs. If no, move on to step 4.

## Step 4

- Check whether the exported product meets the list rules of origin under the FTA.

## Step 5

- If the product does not meet the appropriate requirements in step 4, apply other cumulation provisions and/ or other relevant extension provisions.

# Applying for the Certificate of Origin (C/O) in Vietnam

## Step 1

- Traders register profiles on the Ministry of Industry and Trade's Electronic C/O Management and Issuance System or submit profiles directly to the C/O issuing authorities. Required information include:
  - Business Registration (Type of enterprise, name of company, contact info, tax code, etc.)
  - Legal Representative
  - Account information

## Step 2

- Traders enclose C/O applications at the online system or submit directly the offices of C/O issuers where traders have registered trader dossiers; or send the dossier by post to the C/O issuer where traders have registered their dossiers. Application generally includes:
  - Application Request
  - Customs Declaration
  - Bill of Lading
  - Application Form EUR 1
  - Invoice
  - Other supporting documents



# How Dezan Shira & Associates Vietnam can support

## Business Intelligence

### Market Research

- Review on preferential tariffs and the rule of origin for specific products under the EVFTA's implementation schedule.
- Advise on strategy to meet the rule of origin and other necessary standards to be entitled with preferential tariff.

## Business Intelligence

### Business Matchmaking

Connect with new potential suppliers and partners

## Business Intelligence

### Supply Chain Engineering

Take advantage of the benefits from EVFTA and other trade agreements

## Business Intelligence

### Business Advisory

Supports in registration process for the Certificate of Origin and other necessary documents



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