



**DEZAN SHIRA & ASSOCIATES**

Your Partner for Growth in Asia

# Automobiles in EVFTA: How foreign investors can qualify for the preferential tariffs

Do Thanh Huyen

Assistant Manager – Business Intelligence

December 16<sup>th</sup>, 2020



# Table of Contents

1. Vietnam's Automobile Sector Overview
2. Emerging Opportunities with the EVFTA in effect and Remaining Barriers in Automobile Industry
3. Market Entry Opportunities



**Part 1**  
**Vietnam's Automobile**  
**Sector Overview**

# Market Overview

The Vietnamese automobile market is expanding.

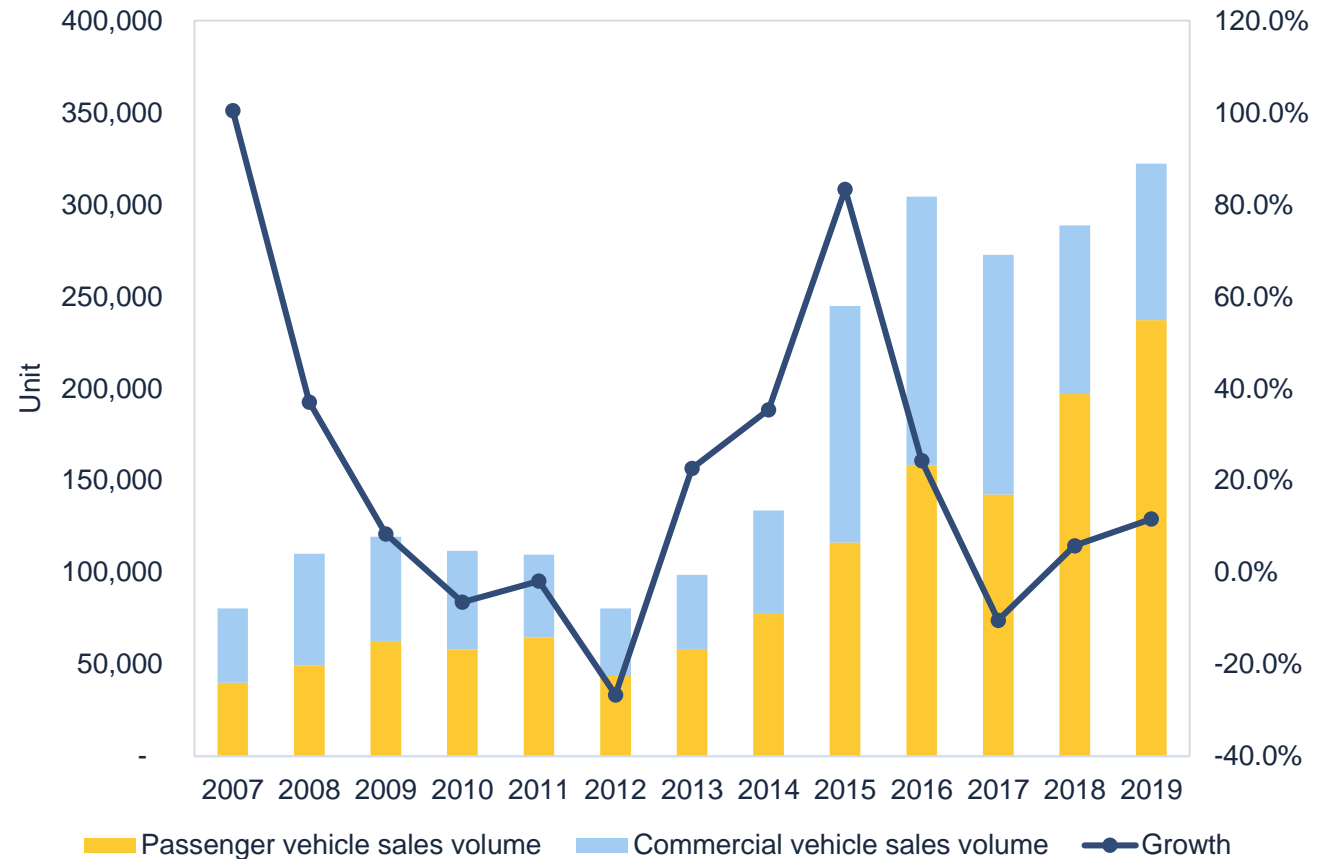
## Market size CAGR (2012-2019)

<b>Malaysia</b> <b>-0.5%</b>	<b>Thailand</b> <b>-4.3%</b>
<b>Indonesia</b> <b>-1.0%</b>	<b>Vietnam</b> <b>+18.9%</b>

## Growth drivers

- Macroeconomic growth
- Socio-cultural trends
- Increasingly liberalized trade environment
- Government policy to reduce motorcycles
- Rising disposable income

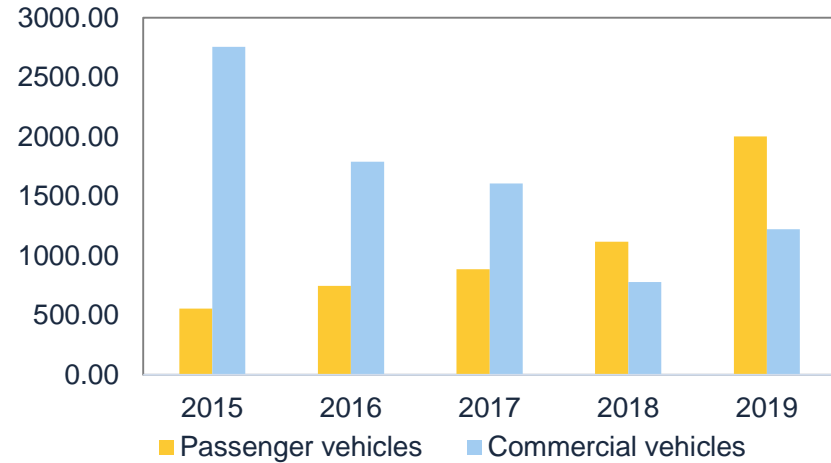
Vietnam's vehicle sales and annual growth



Source: DSA calculation based on data by Vietnam Automobile Manufacturers Association & ASEAN Automotive Federation

# Import - Export

Value by products (million US\$)



## Top markets

- #1  ASEAN

---

- #2  EU

---

- #3  Japan

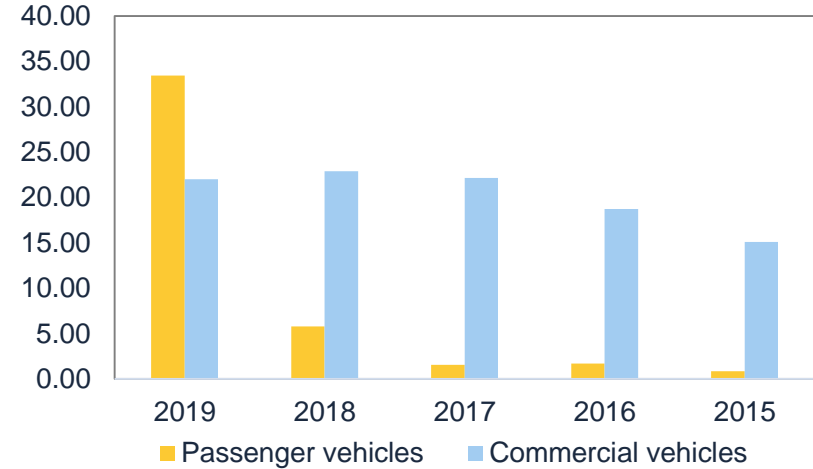
---

- #4  China


---

- #5  Mexico


Value by products (million US\$)



## Top markets

- #1  USA


---

- #2  UK


---

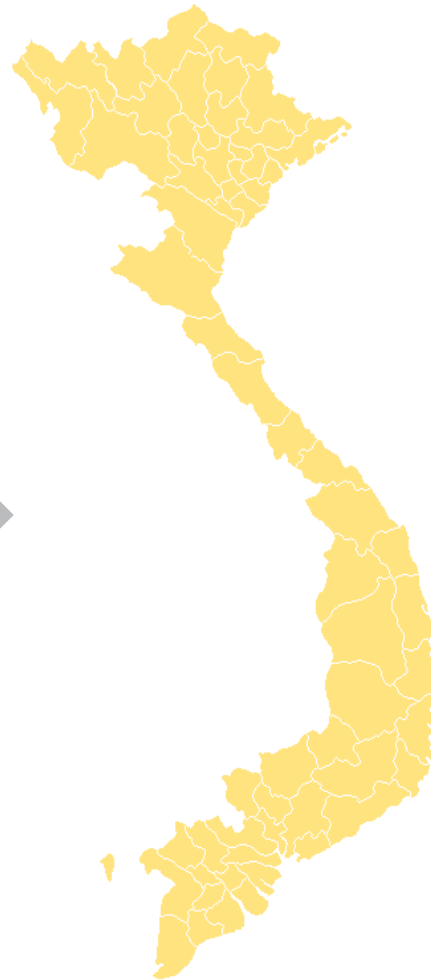
- #3  ASEAN

---

- #4  EU

---

- #5  China



Source: Custom Office, UN Comtrade

# Passenger vehicles

Most popular brands in Vietnam

## Class B, C and D



## Class E



Retail price of small sedan by popular brands

Segment	Brand	Retail price in Vietnam (US\$)
CLASS B	Kia Morning Suelto	17,300
	Huyndai Grand i10	15,100 – 17,900
	Vinfast Fadil	17,300 – 20,500
	<b>Toyota Vios</b>	<b>20,300 – 24,600</b>
	Mazda	20,700 – 25,900
	Honda City	22,800 – 25,900
CLASS E	Mescedez C Class	60,400 – 120,800
	BMW Series 3	77,600 – 106,100
	Audi A4	From 73,200

# Industry Overview

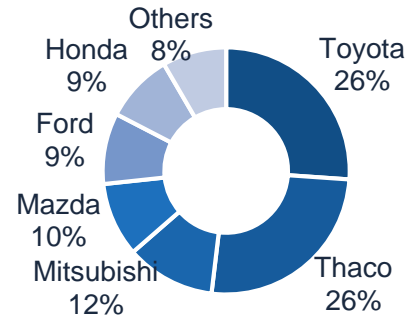


**56** automotive plants

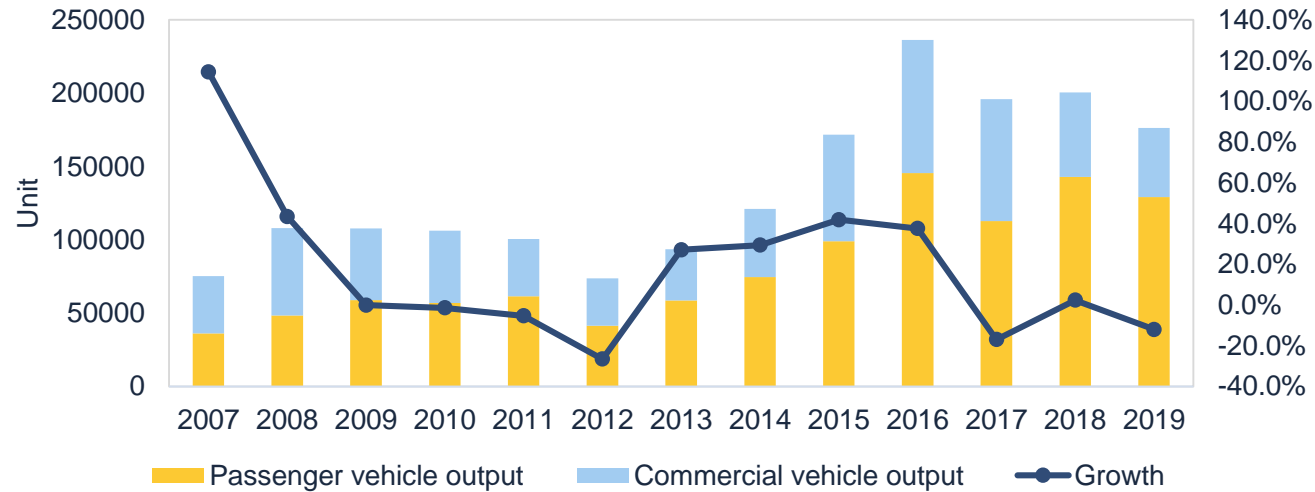
**18** foreign-invested companies

**38** domestic companies

## Market share



## Vietnam's output and annual growth



### NORTHERN VIETNAM



### CENTRAL VIETNAM



### SOUTHERN VIETNAM

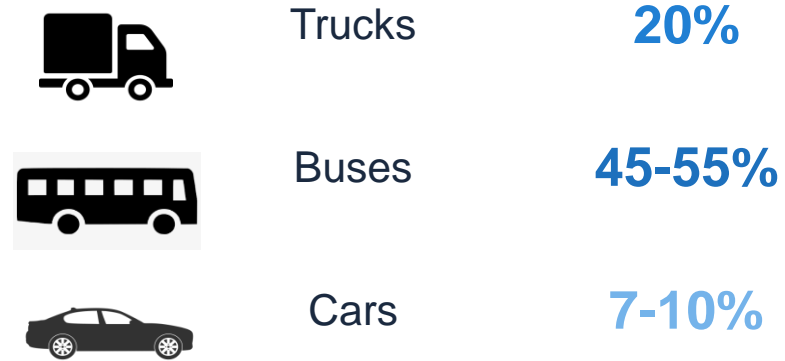


Source: DSA calculation based on data by Vietnam Automobile Manufacturers Association & ASEAN Automotive Federation

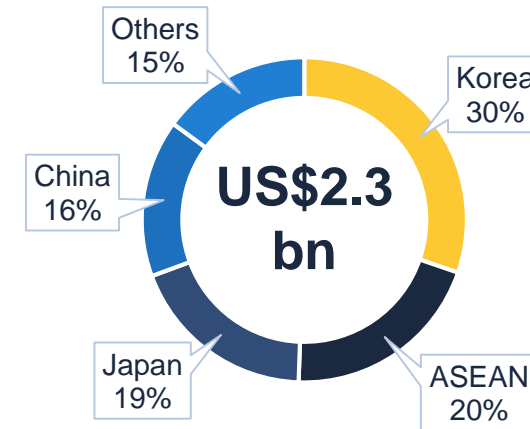
# Industry Overview

Vietnam's automobile has low localization rate due to under-developed supporting industries.

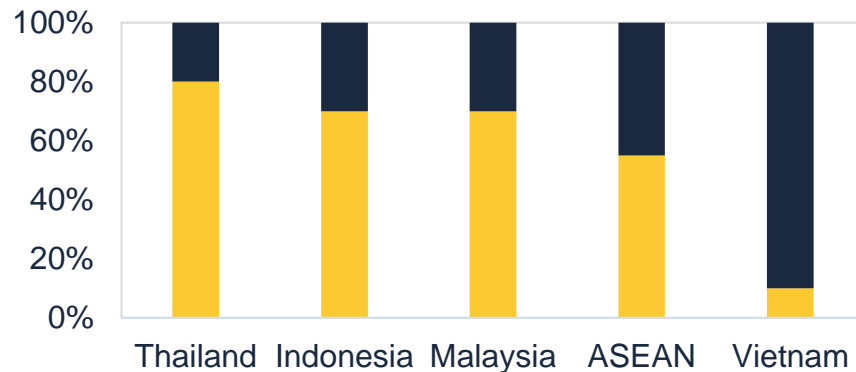
## Localization rate by type of vehicle



## Automobile component imports, 2019



## Car localization rate by country



**~250** component manufacturers in the country, mainly SMEs.

**100** Tier-1 suppliers

**150** Tier-2 and -3 suppliers



The background of the slide is a dark blue field. On the right side, there are two overlapping, diagonal stripes representing national flags. The upper stripe is the flag of the European Union, showing a blue field with twelve yellow stars. The lower stripe is the flag of the People's Republic of China, showing a red field with five golden-yellow stars. The text is positioned on the left side of the slide.

**Part 2**  
**Emerging Opportunities**  
**with the EVFTA in effect**  
**and Remaining Barriers**  
**in Automotive Industry**

# Emerging Opportunities from Tariff Reduction | Vietnam's commitment

HS Code	Products	Number of Tariff Lines	Vietnam's MFN Tariff (%)	Tariff reduction schedule under the EVFTA (number of tariff lines)				
				Schedule A	Schedule B7	Schedule B9	Schedule B10	CKD
8701	Tractors	9	0 ~ 30	1			8	
8702	Public passenger transport vehicles	19	5 ~ 70				11	8
8703	Passenger cars	112	15 ~ 78			18	46	48
8704	Goods transport vehicles	89	0 ~ 68	16			42	31
8705	Special purpose motor vehicles	6	0 ~ 15	4			2	
8706	Chassis	10	10 ~ 32		10			
8707	Bodies	8	10 ~ 32		8			
8708	Components	100	5 ~ 25		100			

**Note:**

- Schedule A: Customs duties on originating goods shall be removed **immediately** upon the EVFTA's entry into force.
- Schedule B7: Customs duties on originating goods shall be removed in **eight** equal annual stages and thereafter be free of any customs duty.
- Schedule B9: Customs duties on originating goods shall be removed in **ten** equal annual stages and thereafter be free of any customs duty.
- Schedule B10: Customs duties on originating goods shall be removed in **eleven** equal annual stages and thereafter be free of any customs duty.
- CKD: Vietnam does not commit to remove tariff for such products. Applicable rate is the MFN rate.

# Originating goods

Products must be wholly obtained or undergo sufficient working or processing in Vietnam or EU members to acquire origin status and preferential tariff

*Listed rule of origin under the EVFTA*

Heading (1)	Description of the good (2)	Required Working or Processing (3)
ex Chapter 87	Vehicles	Maximum 45% of materials not originating in either Party

Exporters must possess a proof of origin, which shall be valid for 12 months from the date of issuance in the exporting country, and shall be submitted to the customs authorities of the importing country within that period

# Emerging Opportunities from Non-Tariff Barriers



## Testing and certification

Vietnam will accept EU type approval certificates without any further requirements in terms of testing and certification.



## Production reports

Vietnam will also discontinue its practice to require voluminous conformity of production reports.



## Parts and equipment with new features

Regarding parts and equipment with new features, Vietnam accepted not to unduly delay placing them on the market of products on the grounds that they incorporate new features.



## Whole passenger cars

Vietnam will accept a whole vehicle EC Certificate of Conformity as sufficient proof for accepting on its market EU vehicles without further testing, conformity assessment or marking for at least 5 years.

Vietnam also agrees to recognize the UN vehicle Regulations as the relevant international standards. It also accepts that these UN Regulations provide a sufficient level of protection of safety and environmental protection and will not introduce further requirements in these areas.

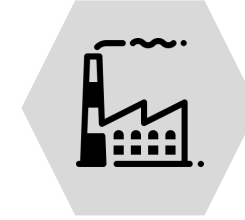
# Remaining Barriers



## Trade

Although trade barriers to imported products have been relaxed this year, domestic automobiles are more prioritized. Vietnamese policymakers are looking at ways to safeguard the domestic automobile industry against foreign rivals.

In addition to domestic automobile, imported automobiles from EU have to compete with ASEAN automobiles as well. Under the ATIGA, Vietnam's custom duties on ASEAN automobiles have been eliminated.



## Investment

Manufacturing of motor vehicles and of transport equipment remains restricted. Investment in automobile and motorbike assembly and manufacture is subject to Vietnamese Government planning that may give preferences to local investors in terms of production quantity to meet the demand of the domestic market and location preferences.



**Part 3**  
**Market Entry**  
**Opportunities**

# Market Entry Opportunities

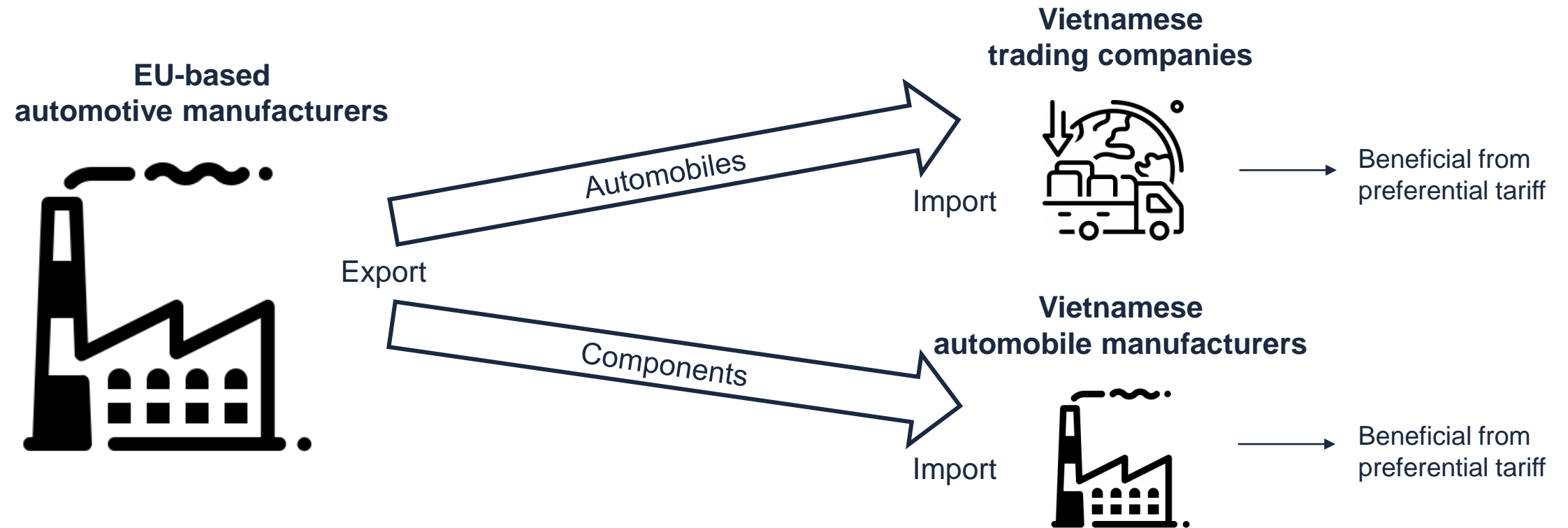
1

Export to Vietnam

2

Assemble in Vietnam

# Export from the EU to Vietnam



Obtain **proof of origin** for EU automotive products and export to Vietnam.



# Export from the EU to Vietnam

EU exporters shall use only **the Registered Exporter system (the REX system)** as proof of origin under the EVFTA.

## Procedure

Applicants need to provide the following information:

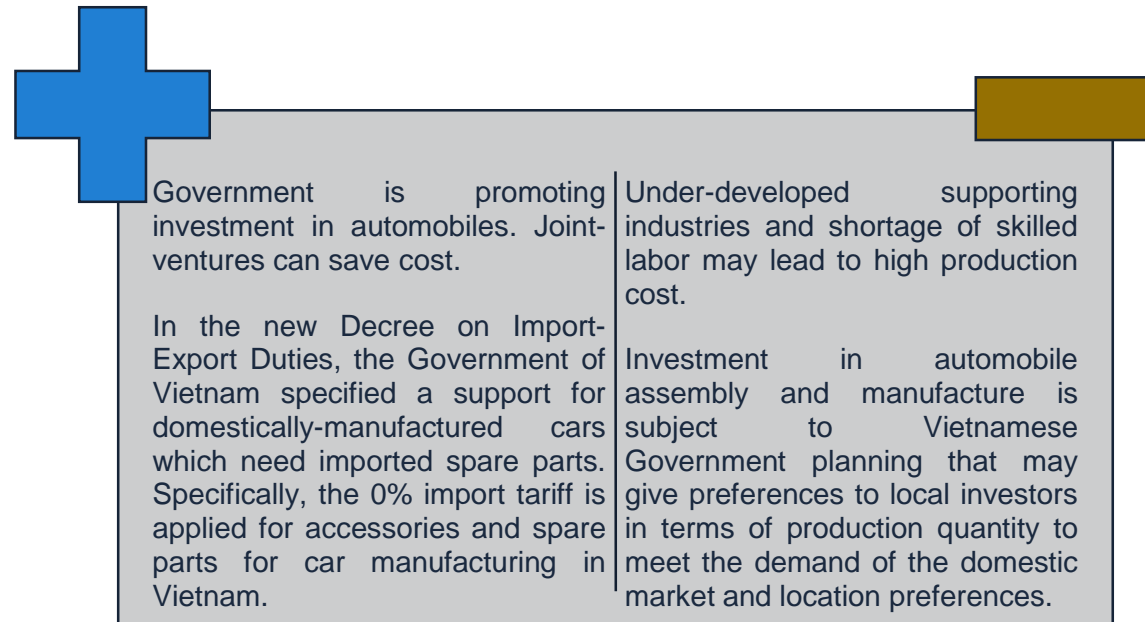
- Exporters' name, full address, country, Economic Operator Registration Number and Trader Identification Number
- Contact information
- Main activity (producing/ trading)
- Description of goods
- Signature of the exporter, for the undertakings and for the consent of publication of the data

Upon receiving registration with full and correct information, competent authorities provide the **REX number, date of registration** and **date from which the registration is valid** and inform the applicants.



# Manufacture in Vietnam | Joint-venture

EU-based automobile companies can establish a joint venture with a local company in Vietnam to assemble in the country. Components originated in the EU shall be beneficial from preferential tariff under the EVFTA.



















## Conditions for automobile manufacturers in Vietnam:

The manufacturer/assembler has the legal rights to use the factory, assembly line, welding line, painting line, quality control line and testing road meeting the minimum requirements.

The warranty/maintenance center owned/leased by the manufacturer/assembler or belonging to the dealer network authorized by such manufacturer/assembler.

# Manufacture in Vietnam | Joint-venture

EU-based automobile companies can establish a joint venture with a local company in Vietnam to assemble in the country. Components originated in the EU shall be beneficial from preferential tariff under the EVFTA.

 <b>THACO</b> <small>TRUONG HAI AUTO</small>	    
 <b>VEAM</b> <b>VEAM MOTOR</b>	  
 <b>SAMCO</b> <i>Đồng hành và chia sẻ</i>	
 <b>THANH CONG GROUP</b>	
 <b>THANH DAT</b> GROUP	



**DEZAN SHIRA & ASSOCIATES**

Your Partner for Growth in Asia

Vietnam regulatory updates @  
**[www.vietnam-briefing.com](http://www.vietnam-briefing.com)**



**Scan this QR code**

Visit our mobile page and  
get the latest updates investors  
news and resources with us

Contact Do Thanh Huyen at:  
[huyen.thanh@dezshira.com](mailto:huyen.thanh@dezshira.com)  
[www.dezshira.com](http://www.dezshira.com)