



Trade between Vietnam and Japan and the use of FTAs

*Vietnam has made significant tariff savings
on exports to Japan through the use of
FTAs.*

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Today's Speech Contents

1

Trade situation between Vietnam and Japan

2

Vietnam-Japan FTAs and Japanese tariff rates on Vietnamese products

3

Results of the use of FTAs in Japan's Imports from Vietnam

4

Vietnam's future challenges in exporting to Japan

Trade between Vietnam and Japan (Export)

3

Japan's export partners (2022)

Rank	Country	Export Value (million \$)	Share (%)
1	China	144.647	19,4
2	United States	138.548	18,5
3	Korea, South	54.235	7,3
4	Taiwan	52.267	7,0
5	Hong Kong	33.233	4,4
6	Thailand	32.482	4,3
7	Singapore	22.340	3,0
8	Germany	19.560	2,6
9	Vietnam	18.611	2,5
10	Australia	16.522	2,2
	World	746.920	100,0

Japan's export commodities to Vietnam (2022)

Rank	HS	Item classification	Export Value (million \$)	Share (%)
1	85	Electrical Machinery	4.658	25,0
2	84	Machinery	2.490	13,4
3	72	Iron And Steel	2.216	11,9
4	39	Plastics And Articles	1.229	6,6
5	00	Re-exported goods	1.112	6,0
6	87	Vehicles	911	4,9
7	90	Optical Instruments	910	4,9
8	74	Copper	362	1,9
9	54	Manmade Filaments	304	1,6
10	29	Organic Chemicals	293	1,6
		Total	18.611	100,0

(Source) Global Trade Atlas (S&P Global)

Trade between Vietnam and Japan (Import)

Japan's import partners (2022)

Rank	Country	Import Value (million \$)	Share (%)
1	China	188.707	21,0
2	United States	89.112	9,9
3	Australia	87.603	9,8
4	UAE	45.342	5,1
5	Saudi Arabia	42.189	4,7
6	Taiwan	38.520	4,3
7	Korea, South	33.597	3,7
8	Indonesia	28.614	3,2
9	Thailand	26.659	3,0
10	Vietnam	26.352	2,9
	World	897.242	100,0

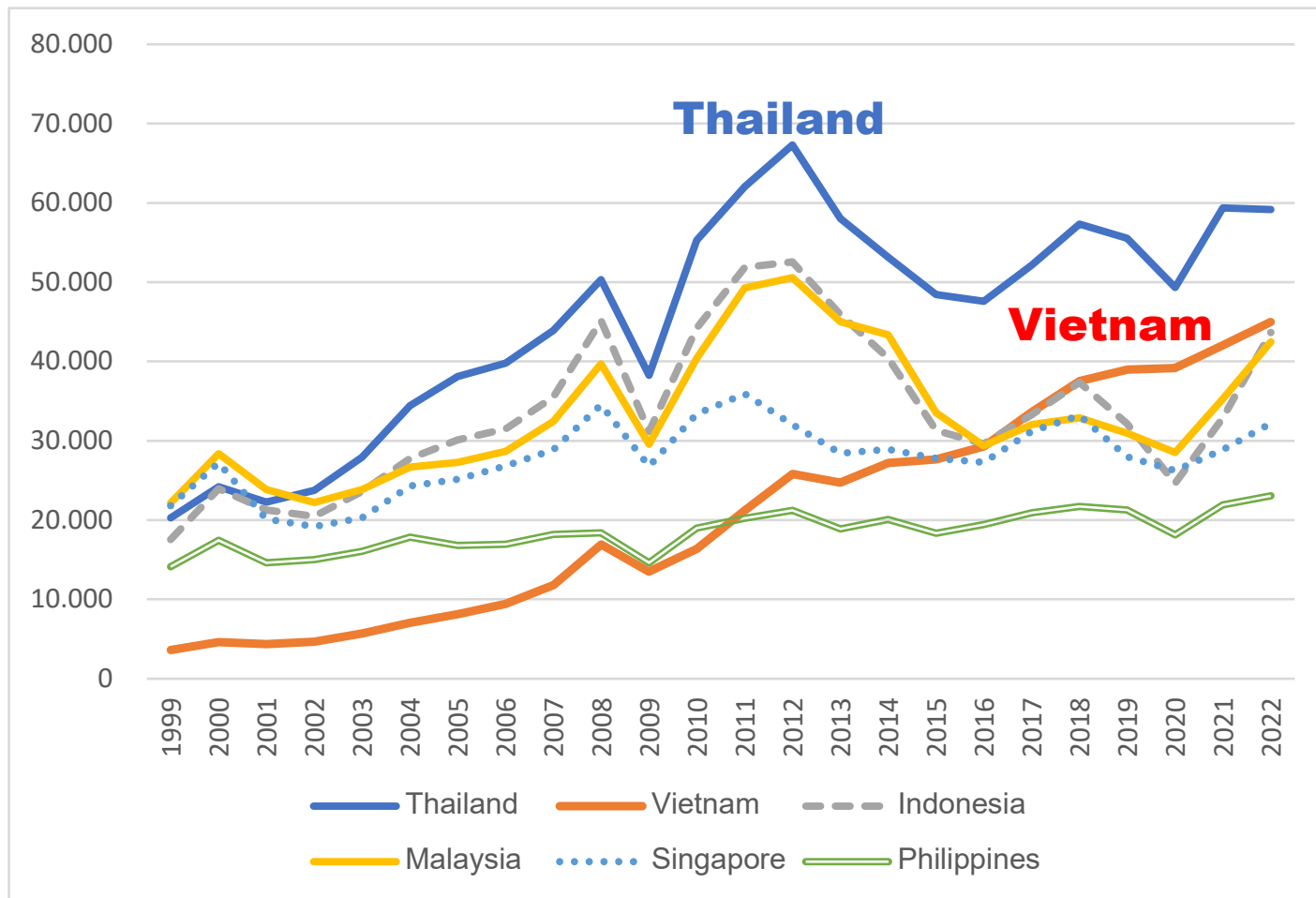
Japan's import commodities from Vietnam (2022)

Rank	HS	Item classification	Import Value (million \$)	Share (%)
1	85	Electrical Machinery	6.408	24,3
2	61	Apparel, Knitted	2.098	8,0
3	62	Apparel, Not Knitted	1.858	7,0
4	84	Machinery	1.834	7,0
5	44	Wood	1.578	6,0
6	64	Footwear	1.289	4,9
7	94	Furniture	1.085	4,1
8	39	Plastics	1.044	4,0
9	95	Toys	742	2,8
10	63	Made-Up Textile Articles	623	2,4
	Total	Total	26.352	100,0

(Source) Global Trade Atlas (S&P Global)

ASEAN-Japan Trade by country

Japan's trade with ASEAN countries (exports + imports) (Unit: million \$)



(Source) Global Trade Atlas (S&P Global)

- Japan's trade with Vietnam in 1999 was small compared to Thailand, Indonesia, etc. (**6th in ASEAN**)
- However, trade with Vietnam continues to grow, and since 2016, Vietnam was **ASEAN's second largest trading partner** after Thailand.

- ① **ASEAN-Japan Comprehensive Economic Partnership Agreement (AJCEP)** Entry into Force : Dec,2008 (*ASEAN, Japan*)
Japan's first **FTA with multiple countries**. In terms of certificate of origin, accumulation within the ASEAN region is possible.
 - ② **Viet Nam-Japan Economic Partnership Agreement (VJEPA)** Entry into Force : Oct, 2009 (*Viet Nam, Japan*)
A bilateral FTA between Vietnam and Japan with a slightly higher rate of tariff liberalization than the ASEAN-Japan FTA.
- ✓ The **Generalized System of Preferences (GSP)**, once applied to imports from Vietnam, no longer applies for the majority of items, except for 12 specific items that are not included in the tariff reductions under the FTA as of 2023.

- ③ **Comprehensive and Progressive Agreement for Trans-Pacific Partnership Agreement (CPTPP)** Entry into Force : Jan, 2019 (*Australia, Brunei, Canada, Chile, Japan, Malaysia, Mexico, New Zealand, Peru, Singapore, Vietnam*)
CPTPP covered a wide range of areas, including intellectual property, financial services, and e-commerce. The level of liberalization of trade in goods is also high.

- ④ **Regional Comprehensive Economic Partnership Agreement (RCEP)**
Entry into Force : Jan, 2022 (*ASEAN, Japan, China, Korea, Australia, New Zealand*)
RCEP covers trade goods that accounts for **about 50% of Japan's trade value**, including China and South Korea, with which Japan concluded an FTA for the first time.

Japan's import tariff rates from Vietnam

Japan's tariff rates on Vietnam (2022、Unit : %)

HS	Product	MFN	VJEPA	AJCEP	CPTPP	RCEP
01-15	Agricultural and marine products	7,4	4,8	5,0	3,0	6,4
16-24	Prepared foodstuffs and beverages	15,1	9,4	9,7	5,1	13,6
25-27	Mineral products	0,7	0,0	0,0	0,0	0,2
28-38	Chemical products	2,3	0,1	0,1	0,1	0,3
39-40	Plastic and rubber products	2,4	0,0	0,0	0,0	0,4
41-43	Leather and furskin products	10,9	4,4	4,4	5,8	8,0
44-49	Wood products and pulp, papers	2,2	0,8	0,8	0,4	1,5
50-67	Textile products and footwear	6,9	0,7	0,7	0,7	1,4
68-83	Celamic and metal products	1,0	0,0	0,0	0,0	0,2
84	Machinery	0,0	0,0	0,0	0,0	0,0
85	Electrical machinery	0,1	0,0	0,0	0,0	0,0
86-89	Transport equipment	0,0	0,0	0,0	0,0	0,0
90-92	Optical and musical instruments	0,3	0,0	0,0	0,1	0,2
93-97	Miscellaneous products	1,9	0,0	0,0	0,0	0,2
	TOTAL	4,8	1,8	1,9	1,2	2,7

- **MFN (Most Favoured Nation) tariffs**

Normal non-discriminatory tariff charged on imports

- ✓ **CPTPP** has the **lowest tariff rates** on imports from Vietnam. Lower tariff rates than other FTAs are applied to agricultural and fishery products and food products.
- ✓ Tariff reductions under **VJEPA** and **AJCEP** are almost completed. While reductions under **CPTPP** and **RCEP** are still **in progress**.

Note: Simple average calculated by summing the tax rates for each item category and dividing by the number of items. (Source) Compiled from Japan's tariff rate table

Japan's use of FTAs in imports from Vietnam (1)

Top countries in Japan's imports using FTAs (2022)

Rank	Country (FTAs in effect)	Imports under FTA schemes	
		Value(million\$)	Utilization rate(%)
1	China (RCEP)	27.453	63,3
2	Vietnam (AJCEP, VJEPA, CPTPP, RCEP)	9.794	91,6
3	Thailand (AJCEP, TJEPA, RCEP)	7.434	93,7
4	United States (USJTA)	6.313	94,4
5	Indonesia (AJCEP, IJEPA, RCEP*)	4.576	92,2

Note: The FTA utilization rate is the ratio of FTA utilization to the amount of available FTAs. Since RCEP entered into force in January 2023, Indonesia has no actual RCEP utilization in 2022. (Source) Compiled from Japan's tariff rate table and trade statistics

- ✓ Vietnam (\$9.8 billion) was the second largest country after China (\$27.4 billion) in Japan's import using FTA.
- ✓ 3 of the top 5 countries in FTA use are **ASEAN** members.
- ✓ In the top five countries except for China, the FTA utilization rate is over 90%. FTAs are used for the majority of imports.

Japan's use of FTAs in imports from Vietnam (2)

Use of FTAs in imports from Vietnam by sector (2022, Unit : million \$, %)

Sector	Import value		Import values under FTA schemes				FTA utilization rate				
	TOTAL	FTA	VJEPA	AJCEP	CPTPP	RCEP	VJEPA	AJCEP	CPTPP	RCEP	TOTAL
Agricultural and marine products	1.061	689	216	321	125	5	31,3	46,6	18,1	0,7	96,7
Prepared foodstuffs and beverages	918	865	235	305	262	18	27,2	35,2	30,3	2,1	94,8
Mineral products	647	10	4	5			42,5	50,4	0,0	0,0	92,9
Chemical products	904	228	53	137	2	0	23,1	60,1	0,9	0,2	84,2
Plastic and rubber products	1.299	984	236	702	0	5	23,9	71,4	0,0	0,5	95,8
Leather and furskin products	529	510	54	388	5	1	10,6	76,1	1,0	0,1	87,8
Wood products and pulp, papers	1.735	276	77	59	124	0	27,8	21,5	45,0	0,0	94,3
Textile products and footwear	6.375	6.168	437	4.122	160	838	7,1	66,8	2,6	13,6	90,1
Celamic and metal products	1.531	560	232	259	28	1	41,4	46,4	5,1	0,2	93,0
Machinery	1.827						NA	NA	NA	NA	NA
Electrical machinery	6.401	2		1			0,0	77,4	0,0	0,0	77,4
Transport equipment	587						NA	NA	NA	NA	NA
Optical and musical instruments	468	2	0	1			17,9	65,5	0,0	0,0	83,4
Miscellaneous products	1.914	403	185	156	8	26	45,9	38,7	1,9	6,4	93,0
TOTAL	26.197	10.696	1.728	6.458	714	894	16,2	60,4	6,7	8,4	91,6

- ✓ For imports from Vietnam, the **FTA utilization rate** is as high as **80-90%** for many items, indicating that FTAs are effectively utilized.
- ✓ The most frequently used FTA was **AJCEP**, followed by **VJEPA**.

Note: Import value does not include re-imported goods. "Import value (FTA)" is the import value of items for which tariffs are reduced under FTA schemes. The utilization ratio is the amount of imports for which an FTA is available as a percentage of total imports. (Source) Compiled from Japan's tariff rate table and trade statistics.

Effects of tariff reductions on imports from Vietnam

Tariff savings on imports from Vietnam through FTAs. (2022, Unit : million \$)

Sector	VJEPA	AJCEP	CPTPP	RCEP	TOTAL
Agricultural and marine products	10	6	5	0	21
Prepared foodstuffs and beverages	19	20	25	1	65
Mineral products	0	0			0
Chemical products	2	7	0	0	8
Plastic and rubber products	9	28	0	0	37
Leather and furskin products	4	33	0	0	37
Wood products and pulp, papers	3	3	5	0	10
Textile products and footwear	36	363	13	63	475
Celamic and metal products	9	8	1	0	18
Machinery					
Electrical machinery		0			0
Transport equipment					
Optical and musical instruments	0	0			0
Miscellaneous products	7	6	0	1	14
TOTAL	98	473	50	66	687

Countries with large FTA tariff savings in Japan's imports (2022, Unit : million \$)

Country	Tariff reductions
Vietnam	687
United States	597
Australia	389
Thailand	336
China	296

- ✓ **Vietnam** is below China in terms of use of FTAs.
- ✓ However, Vietnam has the **largest amount of tariff savings**.

Note: Tariff savings = (MFN tax rate - FTA tax rate) x use of FTA
(Source) Compiled from Japan's tariff rate table and trade statistics.

Product for which AJCEP was most frequently used

Tariff Rates and Import Values : Other shrimps and prawns (HS0306.17.000)

(2022, Unit : million \$, %)

	MFN	VJEPA	AJCEP	CPTPP	RCEP	
Tariff rate	1,0	0,0	0,0	0,0	0,9	(Total Import)
Import values under FTA schemes		680	273.943	123		336.748

(Source) Compiled from Japan's tariff rate table and trade statistics.

- ✓ With the exception of RCEP, tariffs of FTAs were eliminated when they entered into force. In case of other shrimps and prawns, **AJCEP** accounted for more than 99% of the FTA use.
- ✓ The **AJCEP** with Vietnam entered into force in December 2008 and the **VJEPA** in October 2009. In general, FTAs that entered into force earlier and have reduced tariffs are used **more frequently**.

Product for which CPTPP was most frequently used

Tariff Rates and Import Values : Footwear for gymnastics (HS6403.99.011)

(2022, Unit : million \$, %)

	MFN	VJEPA	AJCEP	CPTPP	RCEP	
Tariff rate	27,0	27,0	27,0	18,5	27,0	(Total Import)
Import values under FTA schemes				101.981		152.102

(Source) Compiled from Japan's tariff rate table and trade statistics.

- ✓ In case of Footwear and gymnastics, **only** the **CPTPP** reduces tariff.
- ✓ In 2022, the CPTPP tariff rate was **18.5%**. The CPTPP tariff rate will continue to be reduced in stages. In 2033, the CPTPP tariff will be eliminated, allowing for tariff savings equivalent to 27% of import value.

Product for which RCEP was most frequently used

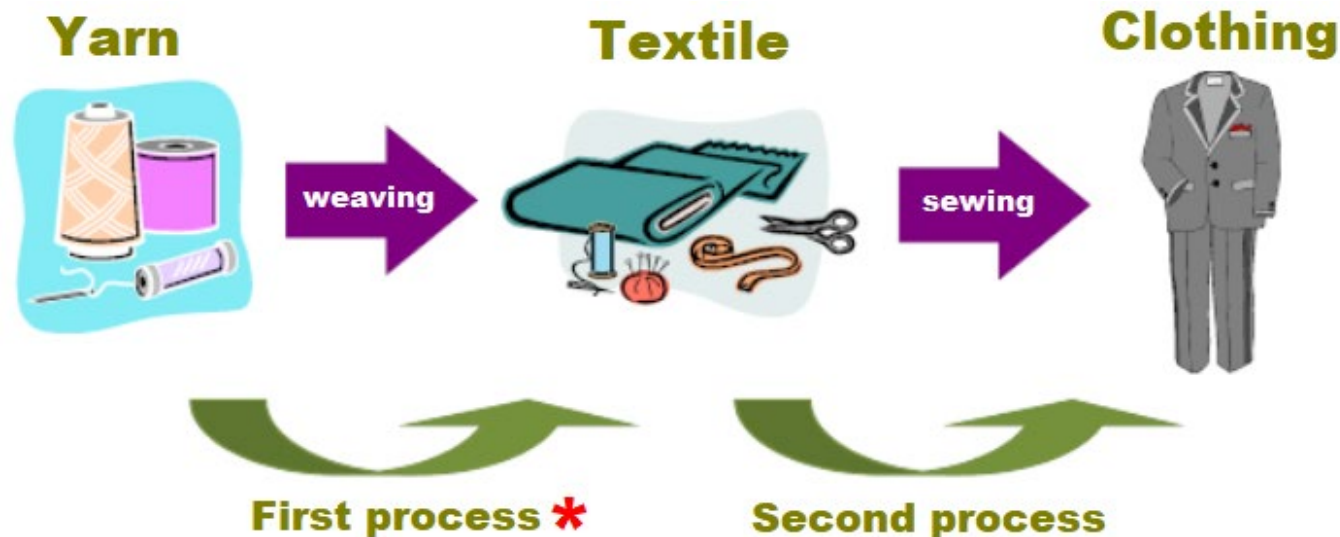
Tariff Rates and Import Values : Jerseys, pullovers of man-made fibres (HS6110.30.099)
(2022, Unit : million \$, %)

	MFN	VJEPA	AJCEP	CPTPP	RCEP	
Tariff rate	10,9	0,0	0,0	0,0	0,0	(Total Import)
Import values under FTA schemes		9.025	125.821		62.961	213.171

(Source) Compiled from tariff rate table and trade statistics of Japan

- ✓ The most utilized product under **RCEP** in 2022 was "Jersey, etc. (made of man-made fibers)". However, use of **AJCEP** was higher, about twice as much as RCEP.
- ✓ **Though AJCEP** eliminated tariffs earlier, **RCEP** which has entered into force last year, is also frequently used. One of the reasons for relatively high use of RCEP is the **rules of origin** required for the use of FTAs.

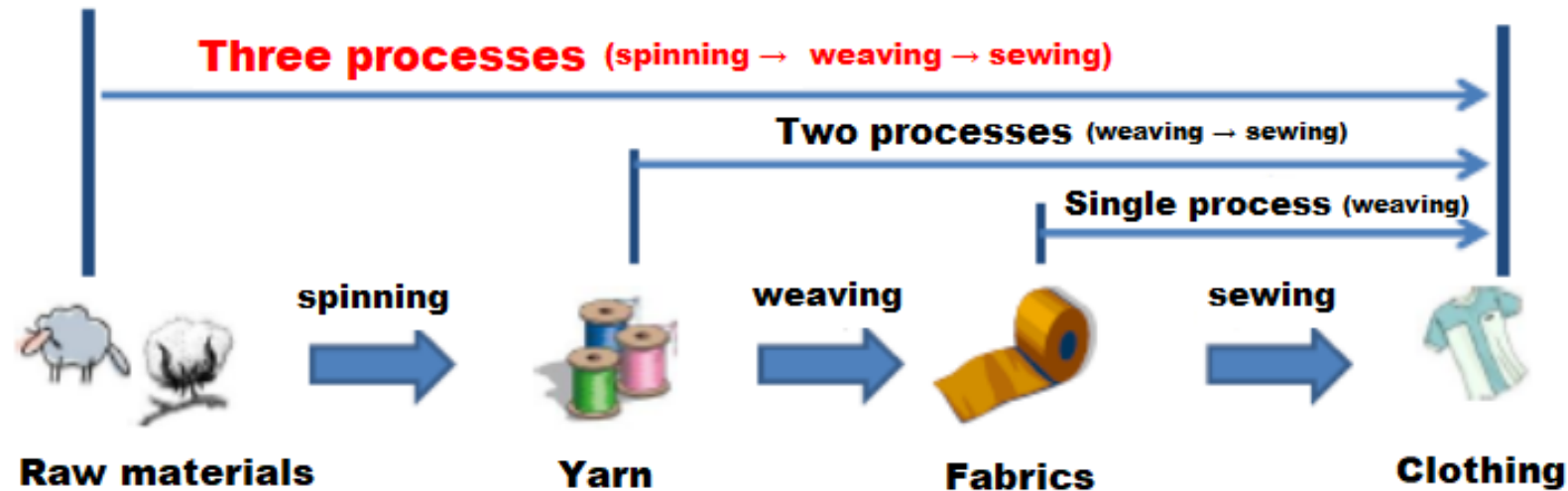
- ✓ In order to use FTAs, it is necessary to comply with **the rules of origin** specified for each item in each agreement.
- ✓ In the **VJEPA** and **AJCEP** rules of origin, **two production processes** must take place in the Party when textile products made of non-originating materials are exported.



- Under **VJEPA**, textile product is recognized as originating even if the first process is performed in Japan or an ASEAN third country.

(Source) Japan Customs

- ✓ The rules of origin for textile products under the **CPTPP** are based on the "**yarn forward**" rule, which requires that the **three processes** of (1) spinning, (2) weaving, and (3) sewing take place in the CPTPP member countries.



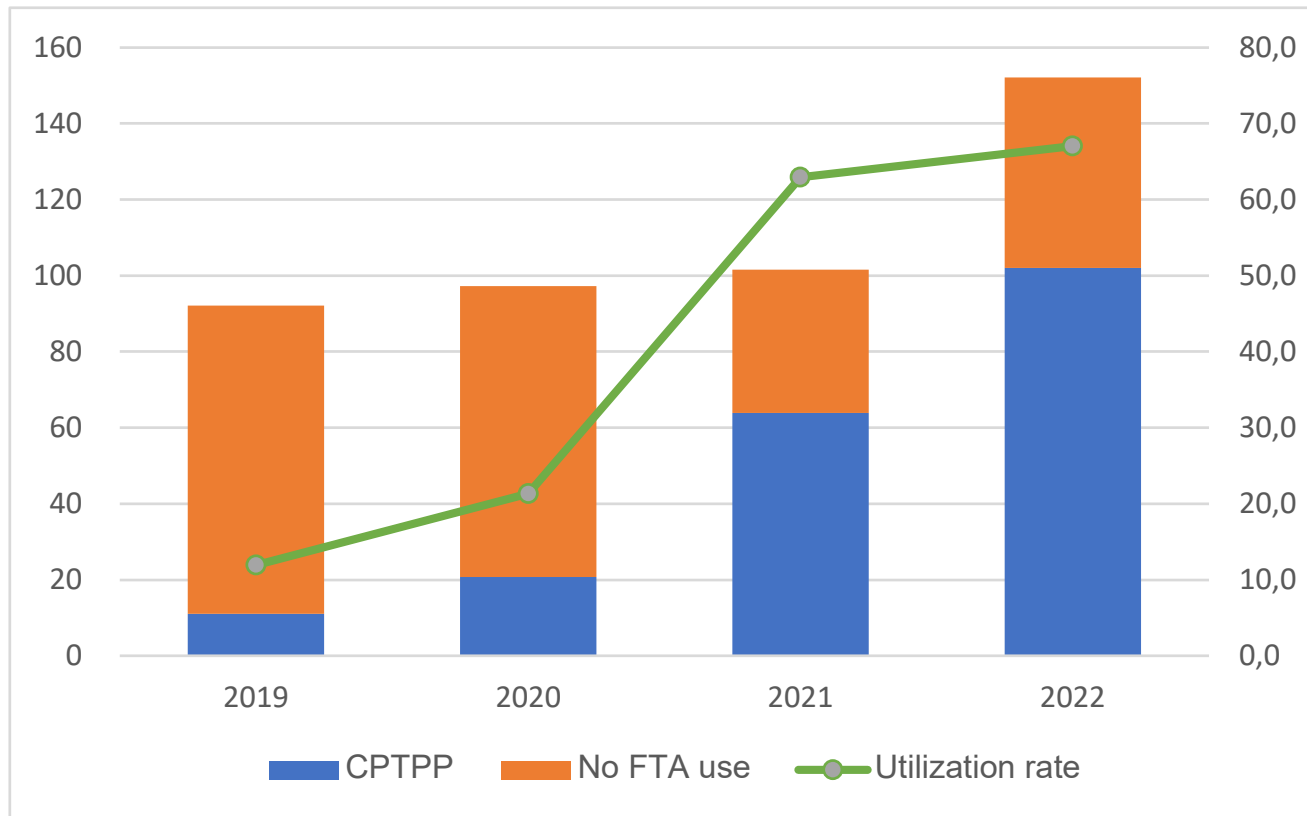
(Source) Japan Customs

- ✓ Under **RCEP**, a **single process** of sewing fabric can satisfy the rules of origin. Rules of origin are more relaxed than in other FTAs.

- ✓ Select the most suitable FTA , comparing the **tariff rates** and **rules of origin**.
- ✓ The benefit of using an FTA occurs on the **import side**. When exporting from Vietnam to Japan, consider how to secure benefits on the **export side**.
- ✓ The FTA is well used in Japan's imports from Vietnam. Therefore, imports from Vietnam without FTA tariff reductions are **disadvantage** compared to **other Vietnamese products imported under FTA**.

① Expand use of FTAs in products with low utilization rates

Trends in FTA Utilization: Footwear for gymnastics (HS6403.99.011)
(Unit : million \$ (left axis) 、 % (right axis))



(Source) Compiled from trade statistics of Japan

- ✓ The utilization rate of the **CPTPP** is relatively low at **67%** in 2022.
- ✓ However, the use of CPTPP increased significantly from 2020 to 2021 and continues to increase after 2021.
- ✓ It is important to publicize the benefit of CPTPP tariff reductions and to expand its use.

② Competing with Chinese products through RCEP

- ✓ With the implementation of the **RCEP**, tariffs applied to import from **China** will decrease.
- ✓ **Vietnam** is the **second largest supplier** of textiles and footwear to Japan, but **China** still remains at the **top** with a much larger market share.
- ✓ **RCEP** tariff cuts will increase competition with **China for Vietnamese textile and footwear.**

A comparison of Japanese textile and footwear Imports from Vietnam and China (Unit : million \$, %)

	Total Import		Import under FTA schemes			Tariff rate (2022)
	Value	Share	Value	Utilization rate	Tariff reduction	
Vietnam	6.375	15.3 (2nd)	5.558	90,1	475	0.7 (AJCEP)
China	22.684	54.8 (1st)	12.860	66,3	147	4.3 (RCEP)

- The tax rate of **RCEP** will gradually decrease and by 2041 will be about the same as the **AJCEP** tax rate in 2022.

(Source) Compiled from tariff rate table and trade statistics of Japan

1. Japan's trade with **Vietnam** has **steadily increased**, making it a major trading partner of ASEAN after Thailand.
2. **Vietnam's** use of FTAs in Japan's imports ranks **second** only to China, and it ranks **first** in terms of amount of tariff savings under FTAs.
3. **RCEP** is being used for **textile** imports with relaxed rules of origin. The use of FTAs needs to be considered in terms of both **tariff rates** and **rules of origin**.
4. In the future, **RCEP** will decrease import taxes from **China**. **Price competition** with **Vietnamese textiles and footwear** products is likely to intensify.



THANK YOU

Cảm ơn rất nhiều