

June 8, 2020

Fisheries & Pharmaceuticals Analyst
Nguyen Thanh Danh
danhnt@kbsec.com.vn

Vietnam fisheries

EVFTA approval paves way to EU market

EVFTA approval should immediately remove tariffs on half of Vietnam exports to the EU

— Vietnam's National Assembly approved the EU-Vietnam free trade agreement (EVFTA) on June 8 and ratification is expected to allow full implementation from August 1 (the first day of the second month after official notification is sent to the Council of the European Union). Accordingly, about half of Vietnam's fishery exports to the EU will immediately be exempted from import tariffs, while the remaining tariffs will be eliminated over the next three to seven years according to the EVFTA schedule. Fishery exports to the EU were valued at USD1.25 billion in 2019 and represented about 15% of Vietnam's total fishery exports.

Frozen shrimp the biggest beneficiary with zero import tariff from August

— The EVFTA will immediately eliminate the 4.2% import tariff on Vietnam's frozen shrimp when the treaty comes into force in August. This should allow Vietnamese shrimp exporters to gain market share, especially against Indian exporters. The market share of frozen warm water shrimps are price sensitive in the EU market, with Vietnam ranking third at 9% of the market vs Ecuador's 25% and India's 15%. Ecuador has been exempted from import tariffs since 2017 compared to the 4.2% tariff rate applied to frozen shrimp from India and Vietnam. Tariffs on prepared shrimp will remain unchanged until 2025E after which the 7% import tariff will fall to 5%. Nonetheless, Vietnam should continue to dominate and hold about one-third of this market segment as demand shifts to farmed shrimp from wild-caught shrimp.

EVFTA's stricter safety requirements may improve image of Vietnam's *pangasius* exports

— The EVFTA will also gradually reduce the 5.5% import tariff on Vietnam's frozen *pangasius* fillets until it reaches zero in 2023E. Moreover, the EVFTA will require stricter safety and environmental standards and this may create an opportunity to improve the media-damaged image of Vietnam's *pangasius* exports. European consumers have been apprehensive in buying *pangasius* and viewed it as an inferior fish grown using unsustainable methods in unhygienic conditions. Tighter safety controls from the EVFTA could help improve this perception and help turnaround market share that has been falling compared to other whitefishes since 2010.



Frozen shrimp enjoys zero tariff immediately, while tariffs on prepared shrimp will be eliminated by 2027 and frozen *pangasius* fillet by 2023.

Fig 1. Vietnam fisheries – EVFTA’s EU tariff removal schedule, 2020–2027 (%)

	Current tariff (GSP)	2020	2021	2022	2023	2024	2025	2026	2027
Frozen shrimp	4.2%	0%	0%	0%	0%	0%	0%	0%	0%
Prepared shrimp	7.0%	7%	7%	7%	7%	7%	5%	2.5%	0%
Frozen <i>pangasius</i> fillets	5.5%	4.1%	2.8%	1.4%	0%	0%	0%	0%	0%

Source: VASEP, Vietnam Customs, KB Securities Vietnam

KB SECURITIES VIETNAM RESEARCH

Head of Research – Nguyen Xuan Binh

binhnx@kbsec.com.vn

Macro/Strategy

Head of Macro & Strategy – Tran Duc Anh

anhtd@kbsec.com.vn

Macro Analyst – Thai Thi Viet Trinh

trinhtt@kbsec.com.vn

Market Strategist – Le Anh Tung

tungla@kbsec.com.vn

Equity (Hanoi)

Head of Equity Research (Hanoi) – Duong Duc Hieu

hieudd@kbsec.com.vn

Information Technology & Logistics Analyst – Nguyen Anh Tung

tungna@kbsec.com.vn

Property Analyst – Pham Hoang Bao Nga

ngaphb@kbsec.com.vn

Power & Construction Material Analyst – Le Thanh Cong

congl@kbsec.com.vn

Financials Analyst – Nguyen Thi Thu Huyen

huyenntt@kbsec.com.vn

Equity (Ho Chi Minh)

Head of Equity Research (Ho Chi Minh) – Harrison Kim

harrison.kim@kbf.com

Consumer & Retailing Analyst – Dao Phuc Phuong Dung

dungdpp@kbsec.com.vn

Fisheries & Pharmaceuticals Analyst – Nguyen Thanh Danh

danhnt@kbsec.com.vn

Oil & Gas & Chemicals Analyst – Nguyen Vinh

vinhn@kbsec.com.vn

Research Marketing

Korea Marketing Analyst – Seon Yeong Shin

shin.sy@kbsec.com.vn

KB SECURITIES VIETNAM (KBSV)

Head Office:

Levels G, 2 & 7, Sky City Tower, 88 Lang Ha Street, Dong Da District, Hanoi, Vietnam
Tel: (+84) 24 7303 5333 – Fax: (+84) 24 3776 5928

Hanoi Branch:

Level 1, VP Building, 5 Dien Bien Phu, Ba Dinh District, Hanoi, Vietnam
Tel: (+84) 24 7305 3335 – Fax: (+84) 24 3822 3131

Ho Chi Minh Branch:

Level 2, TNR Tower Nguyen Cong Tru, 180-192 Nguyen Cong Tru Street, District 1, HCMC, Vietnam
Tel: (+84) 28 7303 5333 – Fax: (+84) 28 3914 1969

Saigon Branch:

Level 1, Saigon Trade Center, 37 Ton Duc Thang, Ben Nghe Ward, District 1, HCMC, Vietnam
Tel: (+84) 28 7306 3338 – Fax: (+84) 28 3910 1611

CONTACT INFORMATION

Institutional Client Center: (+84) 28 7303 5333 – Ext: 2656
Private Customer Care Center: (+84) 24 7303 5333 – Ext: 2276
Email: ccc@kbsec.com.vn
Website: www.kbsec.com.vn

Investment ratings & definitions

Investment Ratings for Stocks

(based on expectations for absolute price gains over the next 6 months)

Buy:	Hold:	Sell:
+15% or more	+15% to -15%	-15% or more

Investment Ratings for Sectors

(based on expectations for absolute price gains over the next 6 months)

Positive:	Neutral:	Negative:
Outperform the market	Perform in line with the market	Underperform the market

Opinions in this report reflect the professional judgment of the research analyst(s) as of the date hereof and are based on information and data obtained from sources that KBSV considers reliable. KBSV makes no representation that the information and data are accurate or complete and the views presented in this report are subject to change without prior notification. Clients should independently consider their own particular circumstances and objectives and are solely responsible for their investment decisions and we shall not have liability for investments or results thereof. These materials are the copyright of KBSV and may not be reproduced, redistributed or modified without the prior written consent of KBSV. Comments and views in this report are of a general nature and intended for reference only and not authorized for use for any other purpose.