

CHAPTER 20 MOBILITY: AUTOMOTIVE

I. HOMOLOGATION REQUIREMENTS FOR AUTOMOTIVE BUSINESSES

Relevant authorities: Office of Government (OOG), Ministry of Industry and Trade (MOIT), Ministry of Finance (MOF), Ministry of Transport (MOT), Ministry of Information and Communications (MIC), General Department of Customs (GDC)

On 17 October 2017, the Government introduced Decree 116¹, setting guidelines for the manufacturing, assembly, import, trade-in warranty and maintenance for motor vehicles. Following this, the Ministry of Transportation (MOT) later launched Circular 03 on 10 January 2018, which came into effect on 1 March 2018. By 2020, Decree 17² was issued, which simplified procedures by eliminating the need for the vehicle type approval (VTA) certificate. It further introduced a model-based homologation system, valid for up to 36 months for CBU vehicles, aligning with the process for CKD products.

1. Product composition declaration for customs clearance

Issue description

The General Department of Customs (GDC) in Hanoi issued Official Letter 7203, necessitating a detailed customs declaration for automotive imports.³ Automotive importers are now required to offer comprehensive information about the products, covering aspects like their nature, quantities, types, structure, composition, and properties, including spare parts made from mixed materials, as well as power measurements in watts per kilowatt.

Furthermore, for CBU imports, any discrepancy between the parts reference number on the vehicle declaration and previous document prompts the Vietnam Register (VR) to mandate a new physical homologation for the vehicles. This can only be bypassed if the importer provides certificates for the disputed parts, a process that often leads to delays and additional costs.

Starting from 15 July 2023, automotive parts, including radio transmitters and transceivers operating in the 9 kHz to 400 kHz frequency band, information technology equipment, radio transmitters and transceivers operating in the 9 kHz to 400 GHz frequency range with an effective radiated power of 60 mW or higher, as well as short-range radio transmitters and transceivers, are now required to undergo testing and homologation.⁴

Potential gains/concerns for Vietnam

Importing automotive spare parts is intricate due to the diverse materials involved. Often, the granular composition data mandated by Official Letter 7203 is not readily accessible. Implementing this requirement immediately poses significant challenge for automotive parts manufacturers and importers, especially when given no time for preparation or coordination. Some parts, due to their complex technology, might never have requested information available. This mandate has been causing unnecessary customs clearance delays, leading to heightened expenses for both automotive companies and their customers. Moreover, such in-depth data does not seem to add value and complicate business processes, which contradicts the Vietnamese Government's aim to simplify business operations.

Documents from the United Nations Economic Commission for Europe (UNECE) for EU products are acknowledged under the EVFTA. Thus, we recommend that the MOT accept UNECE documentation. Doing so would effectively

1 Decree 116/2017/ND-CP dated 17 October 2017 of the Government on requirements for manufacturing, assembly and import of motor vehicles and trade in motor vehicle warranty and maintenance services (Decree 116).
 2 Decree 17/2020/ND-CP dated 5 February 2020 of the Government amendments to some articles of Decrees related to necessary business conditions in fields under the management of the ministry of industry and trade (Decree 17).
 3 Official Letter 7203/TCHQ-TXNK dated 11 November 2020 of the General Department of Customs on data checking issued by the General Department of Customs (Official Letter 7203).
 4 Circular 04/2023/TT-BTTTT dated 31 May 2023 providing for the list of potentially unsafe commodities under the management of the Ministry of Information and Communications (Circular 04).

alleviate a major bottleneck faced by automotive spare parts importers, ensuring smooth operations for maintenance, warranty, and technical recalls. If immediate acceptance is not feasible, we propose that the General Department of Customs and other customs authorities be granted a flexible implementation period of a minimum of three years. This would give manufacturers adequate time to gather and document the requisite product data.

For imported CBU vehicles, it is essential to note that parts often undergo change throughout the vehicle's lifespan. Certificates are primarily sought and provided for parts that require "compulsory-component approval".

Recommendations

We would like to make the following recommendations:

- For vehicles that have previously undergone homologation and are produced in factories holding a valid Certificate of Production issued by the Vietnam Register, we recommend granting them immediate homologation without the need for additional testing.
- For CBU imports, we suggest that certificates should only be presented for parts deemed as "compulsory-component approval" parts, especially when the parts reference number on the vehicle declaration differs from the previous document.
- Recognise and authorise UNECE documents pertaining to products from the EU. This should be applicable to the generic model range Vehicle Type Approval for CBUs, similar to the practice across EU nations, rather than being specific to model or engine for Vietnam.
- The European Type approval operates on three distinct "layers":
 1. Component type approval (relevant for components like glasses, mirrors, horns, etc.)
 2. System type approval (referring to overarching "Systems" such as emissions, brakes, crash systems)
 3. Whole vehicle type approval (an aggregation of both Components and System type approvals)

Under the EVFTA, the comprehensive vehicle type approval from Europe is recognised, encompassing both component and system aspects (as referenced in Annex 2-B Para 3B of the FTA). Hence, individual Component and System type approvals should be deemed unnecessary.

- Amend Decree 60 to implement Annex 2-B "Motor vehicles and motor vehicles parts and equipment" by October 2023 as per the guidelines of the EVFTA.
- Provide clear testing and homologation procedures by Vietnam Register. Additionally, explicit guidelines for self-homologation, inclusive of provision from Circular 12,⁵ should be provided.

2. Recognition for safety glass in implementation of EVFTA

Issue description

As per Decree 60⁶, mutual recognition of certification for parts and vehicles imported from the EU will come into effect on 1 October 2023 and 1 August 2025, respectively. Presently, imported vehicle parts such as safety glass and mirror, requiring homologation in Vietnam, are classified under HS Chapter 70 and Chapter 87 as per Circular 31⁷. Specifically, rear mirrors and safety glasses that lack frames, heating devices or any other attached electrical or electronic devices fall under Chapter 70. This implies that the distinguishing factor between Chapter 70 and Chapter 87 for automobile rear mirror and the safety glass is merely "with" or "without" frames or attached devices.

The EVFTA's mutual recognition provisions for entire vehicles and parts are outlined in Annex 2B of the FTA, covering products from either party classified under Chapters 40, 84, 85, 87 and 94 of HS 2012. These provisions apply as described in the UNECE Regulations without restrictive criteria for attached device to these safety parts.

Potential gains/concerns for Vietnam

Annex 2-B details the commitments of both parties regarding market access, including mutual recognition of

⁵ Circular 12/2022/TT-BGTVT dated 30 June 2022 of the Ministry of Transport prescribing list of potentially unsafe commodities under the management of Ministry of Transport (Circular 12)

⁶ Decree 60/2023/ND-CP dated 16 August 2023 of the Government on technical safety quality and environmental protection inspection and certificate of conformity from inspection for imported motor vehicles and imported parts and equipment of motor vehicles under the international agreements to which Vietnam is a signatory (Decree 60)

⁷ Circular 31/2022/TT-BTC dated 8 June 2022 of the Ministry of Finance on promulgation of Vietnam's nomenclature of exports and imports (Circular 31)

motor vehicles and parts certifications. Based on shared principles and objectives, both parties aim to eliminate and prevent non-tariff trade barriers and foster certification recognition. Specifically, Vietnam will recognise valid EU all-vehicle certification.

Rear mirrors and safety glass (those without frames, attached devices) classified under Chapter 70 are vehicle safety components certified following ECE standards. These standards also apply to other safety components, including safety glass/rear mirror, tires, lamps, rims, and fuel tanks under Chapter 87.

Parts under Chapter 70 are explicitly designed for specific automobile types. As such, Chapter 70's mirror components and safety glass should be categorised alongside whole vehicles and other Chapter 87 components. Notably, Vietnam's automotive safety parts and components certification standards reference the European ECE Standard.

Recommendations

In line with the EVFTA's implementation, we would like to recommend the relevant ministries consider recognising ECE certificates for imported frameless Safety Glass and Mirror components (those without heating equipment or other electrical or electronic appliances) classified under Chapter 70, similar to the recognition provided for safety glass and other components under Chapter 87.

II. GREEN GROWTH ACTION PLAN

Relevant authorities: Ministry of Transport (MOT), Ministry of Finance (MOF), Ministry of Science and Technology (MOST), Ministry of Natural Resources and Environment (MONRE).

The Prime Minister's Decision 876⁸ mandates the Ministry of Transport (MOT) to spearhead e-mobility and enhance energy efficiency in transportation. Meanwhile, the Ministry of Finance (MOF) and the Ministry of Planning and Investment (MPI) are tasked with offering incentives for investment, production, and consumption of green energy electric vehicles and vehicles and infrastructure. The Ministry of Industry and Trade (MOIT) aims to halt the production and import of fossil fuel-dependent vehicles by 2040, and the Ministry of Construction (MOC) is collaborating with MOIT on developing charging station networks.

Issue description

In August 2023, MOT presented a proposal to Deputy Prime Minister Tran Hong Ha emphasizing the transition to electric vehicles (EVs). They recommended incentives for Battery Electric Vehicles (BEV), Fuel Cell Electric Vehicles (FCEVs) which are powered by hydrogen, and Solar EVs (SEV). MOT highlighted that the current incentive policies predominantly cater to battery EVs (BEVs).⁹

Transitioning from internal combustion engine (ICE)-equipped vehicles to pure EVs promotes eco-friendly urban mobility, including electric city buses, passenger cars, and trucks. Yet, the cost of EVs remains twice as high as compared to ICE vehicles of a similar model due to expensive raw materials and production processes. Today, electric car batteries cost US\$176 per kilowatt hour. However, that will drop to US\$87 by 2025.¹⁰ However, by 2025, EVs will account for 25 per cent of global automobile production, and by 2026, EVs prices are anticipated to be on par with traditional vehicles.

Vietnam's current standards of technical regulations (QCVN) presently encompass only five dedicated to electric vehicles: QCVN 68/2013/BGTVT and Amendment 1:2015 National technical regulation on electric bicycles; QCVN 75: 2019/BGTVT – National technical regulation on motors used for electric bicycles; QCVN 76: 2019/BGTVT – National technical regulation on batteries used for electric bicycles; QCVN 90: 2019/BGTVT – National Technical Regulation on Engines used for electric motorcycles and mopeds; QCVN 91: 2019/BGTVT – National technical regulation on batteries used for electric motorcycles and mopeds.¹¹

⁸ Decision 876/2022/QĐ-TTg dated 22 July 2022 of the Prime Minister approving action plan for transition to green energy and migration of carbon dioxide and methane emission from transportation.

⁹ "Transport Ministry proposes incentives for EVs producers, users", Vietnamplus, 02 August 2023. Available at: <https://en.vietnamplus.vn/transport-ministry-proposes-incentives-for-evs-producers-users/265490.vnp>, last accessed 26 September 2023.

¹⁰ Electric Vehicle Outlook 2019, Bloomberg New Energy Finance, 25 July 2022.

¹¹ "There are 52 national standards for electric vehicles and charging stations", Tap Chi Tai Chinh, 15 March 2023.

Potential gains/concerns for Vietnam

EVs, including Plug-in Hybrid Vehicles (PHEVs), contribute to CO₂ emission reduction. PHEVs serve as transitional technology, particularly where charging infrastructure is still underdeveloped. The advantage of this model is its very low fuel consumption (a 70% reduction compared to ICE vehicles). In fact, the latest generation of PHEVs can operate mostly as pure battery electric vehicles (BEVs) since their electric range can exceed 100km. The use of ICE is only necessary during long journeys. Additionally, PHEVs can facilitate early “economy of scale” for the investment in public charging stations and this follows the strategy used by most countries who have successfully built public charging so far.

The introduction of EVs necessitates a comprehensive investment in a complete chain of suppliers and associated services from power supply and distribution, charging stations and interfaces, and batteries, including charging, recycling, and disposal.

While the MOF has added to Decree 125 vehicles running on electric vehicles, hybrids, fully biofuel-powered vehicles, and vehicles powered by compressed natural gas (CNG) to the preferential import program for automotive components, current import taxes present challenges for EV imports and production in Vietnam. In Vietnam, EV imports and manufacturing are not feasible due to a 70 per cent import tax on EVs and hybrids, or an 18 to 20 per cent import tax on CKD kits, plus a 3 (EV) and 70% of respective ICE (35- 150%) per cent (hybrid) SCT. Furthermore, we should consider the objective of Thailand to become Asia’s EV manufacturing hub – only achievable if Thailand’s automakers export, including to Vietnam.¹²

Aiming at CO₂ emission reduction target as Vietnam committed in COP 21 and COP 26, Decision 876¹³ assigns MOT to build fuel consumption (FC) limit regulation for newly imported and assembled PC. The FC limit regulation is an estimated measure (No. E17) of the Technical Report of Vietnam’s Nationally Determined Contribution updated as of 2020 and also supporting to the measure of transition to EV. However, it is the fact that most ICE vehicle sold in Vietnam from 2016 - 2020 fail to meet the Minimum Energy Performance Standards (MEPS) method.

Vietnam needs to formulate new standards and technical regulations (QCVN) that cater to BEVs and their associated charging networks, aligning with international standards.

Recommendations

We would like to make the following recommendations:

- For the transition from ICE vehicles to EV, we propose to add PHEV to the EVs list for support policies similar those for BEV (import duty, special consumption tax, ownership fee), to refrain from applying import taxes on EV and hybrid CBU cars imported as for facilitation of consumption and market growth for the beginning of transition to EV, and CKD kits, raw materials, and production equipment to be imported for EV manufacturing and assembly. It is highly recommended to support plug-in hybrid electric vehicles (PHEV) in the short term, particularly while establishing a national public charging network.
- MOT confirmed to make available the national technical regulation for EV and EV charging stations including plugs, connectors (chargers); wireless charger; electric wires and cables; personal protective equipment (residual current devices); electricity metering equipment to support charging; electromagnetic compatibility; road vehicles - EV electric motors; road vehicles – EV power transmission systems. Technical standard of charging station is very important for operation of EVs. As EU is pioneering market in EV development, we will give our feedback during the open consultation to cooperate with Vietnam authorities by sharing respective information for building up-to-date technical regulations in Vietnam related to charging infrastructure, EVs and its components.
- Provide EV technology transfer incentives that go beyond the current support in prevailing regulations to customers, CBU-importers, and CKD manufacturers at national and provincial levels.
- Clarify how companies will invoice power charging to EV users at public and private charging stations at, for

¹² “Thailand’s 30@30 EV Production Policy Hinges on Export-Led Growth 03/03/2021 Fitch Solutions.”, Fitch Solutions, dated 03 March 2021. Available at: <https://www.fitchsolutions.com/autos/thailands-3030-ev-production-policy-hinges-export-led-growth-03-03-2021>, last accessed 04 October 2023.

¹³ Decision 876 /2022/QĐ-Tg dated 22 July 2022 of the Prime Minister approving the action program for transition to green energy and mitigation of carbon dioxide and methane emission from transportation (Decision 876)

example, car dealerships with Vietnam Electricity (EVN) charging stations.

- Provide fiscal incentives to early private investors in charging station networks that offer public high-power fast DC charging in order to ensure access, coverage, interoperability, and a sizeable market
- Offer EV owners specific benefits decided at city-level such as free tolls, dedicated and VIP parking, open access to the city centre, etc.
- For FC limit measures, we support the government's direction in fulfilling Vietnam's commitments at COP21 and COP26. We recommended the FC limit measure should be applied with CAFE (weight base -kg) method like in EU and other parts of the world. The suggested method could enhance more flexibility for the automakers to have smooth business plan while assuring the fuel efficiency required. We would highly appreciate participating in related discussions about FC limit regulations in Vietnam.

III. WASTE DISPOSAL AND RECYCLING

This session of Mobility is indicated in the Chapter "EXTENDED PRODUCER RESPONSIBILITY" of this book.

IV. IMPORTATION OF RE-MANUFACTURED PARTS

Relevant authorities: Ministry of Industry and Trade (MOIT), Ministry of Finance (MOF), Ministry of Science and Technology (MOST), Ministry of Transport (MOT).

Issue description

The EVFTA was enacted on 1 August 2020. As per the FTA's Article 2.6 concerning remanufactured goods stipulates, it mandates that "The Parties shall accord to remanufactured goods the same treatment as that accorded to new like goods. A Party may require specific labelling of remanufactured goods in order to prevent deception of consumers. Each Party shall implement this Article within a transitional period of no longer than three years from the date of entry into force of this Agreement". Implementation of importation of remanufactured goods into Vietnam under CPTPP starts effectiveness from 1st January 2024 according to Decree 77.¹⁴

Potential gains/concerns for Vietnam

Re-manufacturing is eco-friendly as it conserves energy, reduces CO2 emissions, and saves resources. It also offers advantages to Vietnamese customers and consumers. Based on the EVFTA, the provision regarding the import of remanufactured parts should have been operational from 1 August 2023.

Recommendations

- In line with the signed FTA, the Government should issue under EVFTA the same decision as Decree 77 for CPTPP regulation allowing the import of re-manufactured parts with the same treatment as that provided to 'like new' goods with specific labelling. Allow application for refurbishment license and code issued by the MOIT valid for the same duration as Decree 77 five years from the date of issue, and the refurbishment import license using similar form as Appendix 10 from Decree 77. We express our keen interest in joining dialogues and collaborating with the Government in formulating this regulation.

ACKNOWLEDGMENTS

EuroCham Mobility Sector Committee

¹⁴ Decree 77/2023/ND-CP dated 02 November 2023 of the Government on Management of importation of remanufactured goods under comprehensive and progressive agreement for trans-Pacific partnership (Decree 77).