

# VIETNAMESE CUSTOMS ON THE WAY TO REGIONAL INTEGRATION

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The fact that Vietnam joined ASEAN on July 28, 1995 marked the beginning of a new era in the relationship between Vietnam and neighboring countries. Vietnam also joined AFTA on Jan. 1, 1996 and will become an APEC member on Nov. 15, 1998. The membership of economic associations helps enhance Vietnam's political position, allows Vietnam to enter various international relations, get access to information about development trends in the world and take all possible opportunities to develop its economy. Joining economic agreements also helps Vietnam promote its export, attract foreign investment and new technology. However, Vietnam has started facing many challenges. To find a foothold in the regional market, make the best use of all opportunities and avoid all possible risks, Vietnam has to make preparations and carry out many reforms in order to integrate into the regional community. In its own preparation plan to join APEC, Vietnam has to reform 15 fields of activity, and of which, the system of customs procedures is one of the most important. A system of customs procedures which is reasonable and appropriate can help Vietnam integrate faster into the world economy, increase tariff receipts, promote foreign trade and encourage foreign investment.

## I. AN ESTIMATE OF CURRENT SYSTEM OF CUSTOMS PROCEDURES

After 53 years of development, the system of Vietnam customs procedures has been improved and perfected incessantly. At present, customs procedures include six stages:

(1) Customs declaration: In this stage, customs declaration is made, submitted, examined and registered.

(2) Check on imports and exports: Customs officials check cargo being exported or imported against the cargo list, determine code, amount and description of goods,

and send reports to officials responsible for determining tariff category.

(3) Tariff assessment: Customs officials make assessment of value of and tariff on merchandise, and inform owner of merchandise about these details. All documents are then sent to the control office and customs procedures are completed before the documents are sent to the owner.

(4) Procedure completion: Control officials make sure that everything is all right (all possible mistakes must be corrected) and hand documents to the owner. Complaints made by the owner about merchandise value and tariff must be handled properly. A copy of documents will be kept at customs office.

(5) Cargo loading and unloading: Merchandise is loaded or unloaded under the supervision of customs officials.

(6) Completion of service: Documents are closed and put in office of records after a final examination.

Theoretically, the Vietnam's customs procedures seem strict and effective, but on closer examination they proved to be complicated and greatly different from their counterparts in foreign countries, therefore, they aren't suitable to development trend in the world. They are not only complicated and time-consuming, but also full of loopholes that allow corruption. This situation leads to a paradox: honest companies meet with difficulties of all kinds while dishonest ones slip through unnoticed.

In our opinion, causes of the situation are:

1. Many customs regulations are ambiguous and inappropriate to reality:

a. In making declaration: when there are too many owners who want to make customs declaration, it's unreasonable to require them to make declaration for each lot shipment. Moreover, there is no time limit for a declaration to be registered, therefore owners have to suffer a waste of time.

b. In checking merchandise: the lack of a system of customs classifi-

cation, suitable checking equipment and well-trained customs officials causes a lot of troubles to both customs offices and merchandise owners.

c. In assessing tariff: according to current regulations, only if tariff assessment is made and sent to owners is the merchandise allowed to leave the port, but this can only be done after the merchandise is examined and checked. This procedure is time-consuming and complicated.

d. Goods exported under subcontracts: Customs regulations require subcontractors to keep records of goods supplied under subcontracts and provide the customs with samples before exporting these goods. This regulation causes a lot of troubles especially when the amount of subcontracts increases.

2. Many customs offices lack organization: many customs office holders fail to inspect their subordinates regularly with the result that the latter tend to cause troubles to exporters (or importers), or violate regulations.

3. Many customs officials fail to reach required standard of skills and behavior. The policy on customs officials isn't appropriate. In our opinion, these are the most important causes.

Speaking of the army of customs officials, we must admit that besides officials with good skills and behavior who are respected by importers and exporters, there are many others who didn't have such qualities.

In the development process, the customs authority has recruited officials from the police or the armed forces. That is why they haven't got the same level of skills and education. Before 1983, most of them finished only middle school. In the years 1983-94, they managed to finished the secondary education. At present, their education level is improved remarkably. In the HCMC Customs Authority, 42.94% of customs officials have had university or college degrees. However, many officials didn't have enough knowledge of foreign languages to read documents they had to examine every-

day. Their imperfect education also caused troubles and difficulties to companies.

As for the work ethic, some officials have considered being customs officers as a way to make rich, so they have exploited all legal loopholes to milk money from companies.

As for the policy on customs officials, they are not well paid while they are responsible for checking and examining billion worth of goods. This situation, along with the lack of strict discipline, leads them to corruption easily. So, in our opinion, it's necessary to reform the salary scale and impose strict discipline on the army of customs officials.

4. Many policies introduced by related ministries are ambiguous, inconsistent and inappropriate to the reality, and they also make customs procedures more complicated and troublesome. The following are some examples:

- The tariff set by the Ministry of Finance includes too many rates and anomalies: taxes can be charged according to both purposes and features of a product; some products can be put in different categories and have different codes, therefore, different tax rates are all applicable. This situation usually leads to a lot of arguments and complaints. In addition, the delay of tax payment given to imported raw materials needed for production of exports is too short, and minimum values of certain products aren't well assessed.

- The Ministry of Trade, when granting import-export licenses, didn't give the HS codes and made it difficult for the customs to do their work. Procedures for importing materials needed for completing subcontracts or products used as capital goods are still complicated.

Thus, the customs procedures include too many shortcomings that prevent Vietnam from integrating into the world community. So they must be dealt with as quick as possible.

## II. RECENT CHANGES

At present, the Customs General Department is carrying out a plan to reform customs procedures. This plan includes the following main features:

1. Improving the clearance procedure by dividing merchandise into three lanes: green, red and yellow:

- The green lane is for common merchandise that could be handled

fast.

- The yellow lane is for merchandise that should go through certain procedures at ports.

- The red lane is for merchandise that should get approval from higher authorities.

Customs officials with appropriate levels of skills will take charge of each lane and the time limit on completion of each procedure will be set.

2. Offices where the clearance procedures are made will be reorganized more reasonably with a view to forming a sequence of officials in which one can inspect the others and the office holder can inspect subordinates. Glass windows will be installed in all offices in order to facilitate the inspection and control.

3. A work program to cooperate with related governmental bodies will be made.

4. Task forces responsible for inspecting warehouses and ports will be assembled to prevent corruption.

5. Equipment and facilities will be modernized: customs offices will be equipped with computers; two container checking devices will be installed in Hải Phòng and HCMC.

6. Customs broker service will be offered to companies.

These changes introduced by the Customs General Department are promising but many companies didn't think they would produce intended results. Naturally, everything will take time. And we want to present here some opinions about measures to accelerate the reform in customs procedures.

## III. SOME SUGGESTIONS

1. The method of dividing merchandise into three lanes is appropriate and effective, however, criteria of division are too general to put into practice. The HCMC Customs Authority where this method was first applied, has made these criteria more detailed. They are as follows:

- Green lane:

+ Exports.

+ Merchandise used for diplomatic corps.

+ Imports (frozen food and other goods that enjoy tax exemption or the 0% tax rate.)

- Yellow lane:

+ Imports taxed at a rate of 30% or more.

+ Imports under specialized control.

- Red lane

+ Imports and exports need ap-

roval from higher authorities.

+ Merchandise sent to (or from) companies that have violated regulations three times since Jan. 1, 1998.

+ Consumer goods on which tax rates of 30% or more are imposed.

However, the task of dividing merchandise has still been carried out slowly and caused a lot of complaints. We think that there must be consistent and interdepartment measures to deal with this problem. The following are our suggestions:

- The harmonized system must be used by all related parties (ministries, exporters, importers, customs, transporters and others) in classifying and coding merchandise.

- The Ministry of Finance had better reduce the tariff to five or seven rates and allow merchandise to be taxed according to its features instead of its purposes.

2. Applying the same customs procedures as foreign counterparts, exporters (or importers) will be allowed to make declaration, assess payable taxes and make tax payments when they are notified, at the same time, the regulations will have retroactive effect of five years and merchandise owners will be fined heavily if violations are discovered.

- All customs services will be computerized and automated step by step to reduce, and avoid, waste of time.

- Merchandise owners can be allowed to make declaration before the arrival of their shipment, or make a declaration for many shipments of the same goods.

3. As for the customs broker service, necessary precautions must be taken because this service is very new to Vietnamese companies. The Customs General Department had better make careful studies and work out minute regulations about right and duties of suppliers of the customs broker service, especially about fees they are allowed to charge customers. It's worth noting that the customs reform must mainly aim at facilitating the foreign trade, not at causing troubles to companies.

4. Personnel will be the matter that determines all plans. The army of customs officials must be beefed up. Their living standard must be ensured, necessary preferential treatment must be given, and at the same time, strong measures must be taken to punish violations and purge the army of corrupt officials. Only if this task is carried out properly is there a hope of reforming successfully the customs procedures.