VIETNAM'S TRADE POLICY IN THE TREND OF INTERNATIONAL TRADE LIBERALIZATION

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The trade policy is a system of appropriate principles, tools and measures which the government uses to manage and rectify trade activities of a nation in each period with a view to reaching planned targets in its socio-economic development strategy.

The trade policy is one of important policies based on a nation's socio-economic features. In addition it is interactive to other nations' foreign trade activities. In the trend of economic globalization and regionalization, the trade policies of countries are on the whole liberalized.

Regarding Vietnam, in recent years the Government has made great efforts to reform its trade policy in the trend of liberalization. This can be indicated in following aspects:

First, it expands the right of import and export to enterprises in all economic sectors. The Government's Decree 57/1998 dated on July 30, 1998 showed a new step in the liberalization process. Accordingly, all enterprises are allowed to do import-export business as registered previously. Before importing and exporting, the enterprise shall register its business code at the provincial customs office.

Second, the import-export duties has been further changed and perfected as follows:

- The tax ratØs are more appropriate. Most of exports currently face 0% tax rate except crude oil, mineral deposits and rattan. The import-export duties include three kinds: preferential, normal and specially preferential ones applied to different cases based on the trade relations between Vietnam and other countries. This aims to create favorable conditions in tax negotiations in compliance with international regulations our country has pledged to respect.

The number of import taxes tends to drop. The existing tax list has 18 different rates from 0% to 100%. The highest rates of 100% and 60% are applied to liquor, beer, second-hand clothing, autos, motorbikes...and 0% to basic chemicals, machinery and equipment, plant and animal strains...

- Regarding import price management: The number of items whose prices are controlled by the Government is on the decrease. At present, they include 15 items, in addition, the Government decides to cancel the minimum price for goods imported by foreign-invested companies.

Third, the Government has eased its administrative control on import-export activities and slackened limitation on the import volume. It has abolished licenses to all commodities not under the management of particular ministries. Besides, the list of goods subject to quotas has been reduced. The items under the Government management include:

- Those are banned from export (including 6 categories); from import (including 11 categories).
- Those are conditionally exported and imported: exports under quotas (2 categories); imports with approval of the Trade Ministry (18 categories) and imports under licenses from particular ministries (8 categories).

In the past, the liberal and simple trade policy has helped improve production and export. The importation served well production and life and the export revenues increased fast over years.

The combined export value reached US$43 billion from 1991 to 1999 with an average annual growth rate of 22%, meeting three-fourths of import requirements. In 1999, the country's trade deficit dropped to the bottom in the past 10 years and the country has basically balanced its foreign trade.

The structure of items has changed significantly. The processed goods account for 60% of the total exports. Some major exports are produced and accepted by foreign markets including crude oil, marine products, garments and textiles, footwear, coffee...While the import of consumer goods tends to fall, the items of machinery, equipment, raw materials take a major share of the total annual import spending.

- The country's import-export markets have been expanded increasingly. Today Vietnam has trade relations with more than 100 countries over the world, in which 10 countries are major partners representing some 75% of the total foreign trade turnover. Vietnam's exports begin to enter the U.S. market. It also recovers the traditional markets such as the CIS (Commonwealth of Independent States) and East Europe...

In addition to good effects generated by the reform of trade policy, the current policy still faces deficiencies in the situation that Vietnam has joined ASEAN, APEC and been prepared for WTO membership. Some defects can be seen as follows:

First, in theory Vietnam's development may be considered as the combination of export promotion and import substitution. However, in reality the country's trade policy and activities in the past revealed the import substitution strategy was implemented more obviously. The country encouraged the import of capital goods, the raw materials accounted for a major percentage of the total import value while the consumer goods fraction went down. It also kept its protection policy widespread and long-lasting, therefore local customers had to pay so high prices when buying goods, the smuggling increased, the competitiveness of domestic commodities was poor...Most of Vietnam's exports were farm and raw products. The country's trade policy is still not transparent, and this will create bad effects on the national development in the long run, especially when the deadline of implementing the commitments to AFTA and APEC is approaching. If the country takes no proper measures and policies, it will suffer losses in trade liberalization.

Second, the tax rates remain high and many levels. The list may help protect local enterprises but it is very complicated causing troubles to the government management. The current import tax list is established to facilitate goods classification. However, due to the protectionism of some sectors, some items are inappropriate to the list classification. In addition, there are some problems such as semantics, many codes applied to the same item. They will be misused for tax evasion. Moreover, there are still some imports whose prices are controlled by the Government. The application of taxable minimum price is not compatible with international practice which Vietnam pledges to respect when joining ASEAN and WTO, as well as when signing a trade pact with the U.S. That includes the provisions under the GATT. Accordingly, the taxable price will be based on the normal trade contract.

Third, non-tariff barriers: At present, to control the foreign trade activities, besides tariff barriers, the country uses non-tariff barriers such as banning import, restricting volume, licensing...These measures become inappropriate because the basic principles of regional trade organizations such as ASEAN, APEC which Vietnam has joined are no discrimination, free competition, market opening, no non-tariff barriers...As a result, the country should review to alleviate non-tariff barriers.

SOME KEY TARGETS OF VIETNAM'S TRADE POLICY IN THE NEAR FUTURE

- Implementing the process of trade liberalization in the world's common trend. Securing commitments to other countries in the AFTA. This is an important and urgent goal in the trade policy. First the country should reduce the tariff to 0-5% following the tax-cut schedule so that the tax cut is accomplished by 2006 in compliance with commitments to the AFTA. In the meantime, it should plan to eliminate its non-tariff barriers.
- Building the trade strategy on the condition of integration and liberalization such as specifying major markets, planning export and import items, making proper investments, effectively organizing distribution networks for exports and so on.
- Using instruments of foreign exchange rate, interest rate, subsidy and administrative measures to rectify trade activities in accordance with the planned targets.

FUNDAMENTAL ORIENTATIONS FOR TRADE POLICY

- Regarding tariff:

+ Simplifying tax rates and then eliminating the export duty to promote export, reducing the number and value of import tax rates as much as possible, expanding the gap between tax rates. The tax list will be perfected at 8 rates: 0%, 3%, 5%, 10%, 20%, 30%, 40% and 50% in the future.

+ Implementing the agreement on tariff valuation under GATT and WTO. The taxable price is based on the foreign trade contract.

+ Soon perfecting guidelines for the implementation of regulations on additional import tax in case where the imports are dumped or subsidized affecting local production.

- Regarding non-tariff measures: Initially, the authorities should make tenders for import quotas and sell import-export quotas publicly. The regulations on banning import should be deliberated to avoid bad effects such as smuggling, tax evasion. The export financing should be clearly determined in terms of purpose, method and system to prevent the fact that enterprises rely on it and do not try to enter foreign markets. In respect of international standard, the non-tariff measures to protect local production are not recognized by the WTO. As a result, the Government should consider to eliminate them in the long run and change them into taxes in line with the WTO's regulations.

- Regarding trade legalization: Continuing to perfect the system of legislation, policies and regulations on trade management. Actively ratifying international conventions on international trade and signing trade pacts with other countries to make legal conditions favorable for local enterprises, and furthermore, strengthening the enforcement of trade laws. The trade regulations should be executed strictly and their violations limited at most■