

# Chapter 11

## Trade Facilitation in Viet Nam and Result of the ASTFI Baseline Study

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# Chapter 11

## Trade Facilitation in Viet Nam and Results of the ASTFI Baseline Study<sup>1</sup>

*Doan Thi Thanh Ha and Le Quang Lan*

### 1. Overall Trade Facilitation Environment

Economic regulatory reform in Viet Nam started in the early 1990s and accelerated when the country shifted its focus to economic integration policy by acceding to the World Trade Organization (WTO) in 1995 and engaging in regional free trade agreements in the Association of Southeast Asian Nations (ASEAN). As the multilateral and regional trade negotiations of Viet Nam progressed, the trade facilitation agenda emerged as one of the key components of trade regulatory reform and liberalisation in the form of harmonisation of trade regimes, transparency enhancement, and the removal of tariffs and other business fees for enterprises.

In 2005, as a member of Asia-Pacific Economic Cooperation (APEC), Viet Nam committed to undertaking trade facilitation measures in response to the APEC leaders' call for a reduction in trade transaction costs of 5% by 2006 and a further reduction of 5% by 2010 at the APEC Economic Leaders' Meeting in Busan. Trade facilitation plays a crucial role in Viet Nam's Socio-Economic Development Strategy, 2011–2020, which aimed to improve the country's business environment with the objective of sustaining trade growth and doubling GDP per capita by 2020 compared with 2011. The strategy was translated into various legal instruments, including government decrees and ministerial decisions on improving the business environment and national competitiveness and on policy to support Viet Nam's enterprises. These legal documents are amongst the most influential legal frameworks guiding the trade facilitation process in Viet Nam until today.

The entry into force of the WTO Trade Facilitation Agreement (TFA) in 2016 brought new momentum to push Viet Nam's trade facilitation agenda forward in a more coherent and systematic manner. The Organisation for Economic Co-operation and Development (OECD) estimated that the implementation of the WTO TFA alone could reduce trade costs in Viet Nam by 18.3% (OECD, 2015). On 4 October 2016, the Prime Minister issued a decision to establish the National Steering Committee on the ASEAN Single Window, the National Single Window, and Trade Facilitation (NATF). The NATF functions as the National Trade Facilitation Committee of Viet Nam in accordance with the WTO TFA. Following this decision, the Ministry of Finance, represented by the General Department of Customs of Viet Nam or Vietnam Customs, was assigned as the coordinator for the implementation of the trade facilitation plans. The government agencies tasked with coordinating with the Ministry of Finance to implement the WTO TFA's commitments include the Ministry of

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<sup>1</sup> This report is based on the 2018 data of the ASTFI baseline study survey.

Industry and Trade (MOIC); the Ministry of Transport; the Ministry of Science and Technology; the Ministry of Information and Communications; the Ministry of Health; the Ministry of Agriculture and Rural Development (MARD); the Ministry of Natural Resources and Environment; the Ministry of National Defence; the Ministry of Culture, Sports and Tourism; and Vietnam Chamber of Commerce and Industry (VCCI). On 13 October 2016, the Prime Minister of Viet Nam issued a decision approving a plan for the preparation and implementation of the WTO TFA, which set out a concrete mechanism to direct and monitor the trade facilitation process at all administrative levels – from central to local government agencies. Viet Nam formulated a schedule to implement trade facilitation measures, which are classified into categories A, B, and C in line with the WTO TFA provisions, and submitted the schedule in its notification to the WTO on 15 October 2014.

Viet Nam's economic growth is highly dependent on trade performance, with a high level of trade openness of about 200% of gross domestic product (GDP) (World Bank, 2017). Trade is considered the major driver of the country's economic growth. In other words, trade facilitation was the key behind Viet Nam's economic success in recent years, and the government has shown continued commitment to pursue an ambitious and comprehensive plan for trade facilitation. According to the OECD Report on Trade Facilitation Indicators in 2019, Viet Nam matched or even exceeded the average performance of high middle-income countries in all trade facilitation indicators. Trade facilitation performance improved remarkably from 2017 to 2019 in many areas, particularly in information availability, advance rulings, fees and charges, automation of customs procedure and documents, and streamlining of customs procedures.<sup>2</sup> The assessment was reaffirmed by the World Bank in its report on Doing Business in 2018, which shows that Viet Nam's overall rank in the Doing Business Index in 2018 moved up 14 places from 82 to 68 out of 190 economies (World Bank, 2018b: 2). According to the World Bank's Logistics Performance Index (LPI) conducted in 2018, Viet Nam's global ranking jumped 25 incremental places to 39<sup>th</sup> in 2018 from 64<sup>th</sup> in 2016, marking a crucial leap forward in simplifying customs procedures and enlarging investment in the logistics structure to enhance its connectivity (World Bank, 2018a: 1). Thanks to continuous efforts and consistent commitment by the government in implementing trade facilitation measures, the trade revenue increased 12% to nearly \$480 billion in 2018. Viet Nam is amongst the 30 largest trading partners in the world and it exports to more than 200 countries.

Despite the remarkable progress in trade facilitation, remaining challenges risk hampering the sustainability of such progress. Imported goods are subject to more than 300 legal documents which are issued and maintained by line ministries or government agencies. Significant resources and time are needed for traders to comply with the complex trade regulations. In 2017, about 57.5% of goods were designated to the green lane where

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<sup>2</sup> The updated 2017 – 2029 OECD Trade Facilitation Indicators are now available. Data may be accessed at OECD (n.d.), Compare Your Country Trade Facilitation Indicators. <http://compareyourcountry.org/trade-facilitation> (accessed 27 February 2021). In-depth information is available at OECD (n.d.), Trade Facilitation Indicators Simulator. <https://sim.oecd.org/default.ashx?ds=TFI> (accessed 27 February 2021).

customs examination is largely exempted, 37.4% of imported goods went through the yellow lane for closer examination, and 5.1% of imported goods were subject to physical examination in the red lane. These numbers are higher than those of neighbouring countries of a similar level of economic development in ASEAN. According to a survey conducted by the VCCI on the measurement of Vietnamese businesses' satisfaction with customs procedures in 2017 (Thoi bao tai chinh Vietnam Online, 2017), 46% of traders indicated that they had difficulty complying with the customs procedures while 23% of traders were not satisfied with the coordination between customs and relevant agencies, which caused delays in customs clearance. Similarly, findings from the survey showed that only 20% of traders were fully satisfied with the quality and competency of customs agencies. Many traders expressed their disappointment over uncertain and non-transparent administrative formalities and procedures. Furthermore, limited infrastructure capacity and lack of efficient logistics and transport are negatively impeding the flow of goods. The government needs to carry out significant work to ensure that trade facilitation measures can benefit traders and the whole economy.

## **2. Trade Facilitation Environment – Customs Authority**

Customs procedures form a larger part of relevant measures in trade facilitation and are set out under *the Customs Law* No. 54/2014/QH13 dated 23 June 2014 and its numerous implementing decrees and guiding circulars. All imported and exported goods are subject to customs procedures, which effectively check the quality, specifications, quantity, and volume of goods. In addition, thousands of goods items are subject to sectoral inspections undertaken by line ministries or agencies. When goods are exported or imported, traders must submit a dossier of documents to customs authorities – typically including bills of lading, cargo release orders, commercial invoices, customs import declaration forms, inspection reports, packing lists, and technical standard/health certificates. Although sectoral inspection is essential to ensure the full compliance of exports and imports with mandatory standards, quality, quantity, and sanitary or phytosanitary regulations issued by line agencies or ministries, traders often spend most of their time and resources navigating complex procedures maintained by those line agencies or ministries rather than the procedures regulated by Vietnam Customs. Therefore, the simplification and modernisation of customs procedures require a great deal of coordination between customs authorities and line agencies or ministries.

Following the government's adoption of the Strategy for Customs Development 2020, Vietnam Customs aimed to build a modern customs infrastructure that supports the operation of a transparent and efficient data exchange platform for customs clearance, taking into account international best practices and standards. Since 2014, Viet Nam has deployed an automated customs clearance system which incorporates two components – the Vietnam Automated Cargo Clearance System (VNACCS) and the Vietnam Customs Intelligence Information System (VCIS). The VNACCS/VCIS integrates all necessary customs processes in a single automation and electronic platform that caters for e-customs dossiers, e-manifests, e-payments, and e-licences in line with international

standards. The system enables enterprises or traders to register and submit their customs declarations electronically. It automatically calculates applicable taxes and duties to be paid, and alerts customs officers if the goods are declared incorrectly. The system can also generate a code for each shipment and designate the shipment to the respective red, green, or yellow channels based on their risk management methodology for customs control.

The VNACCS/VCIS underpins the operation of the National Single Window (NSW) and the ASEAN Single Window (ASW) to accommodate effective connection and data exchange between (i) regional data processing centres throughout the country; and (ii) Viet Nam's ASW gateway and the ASW gateways of other ASEAN Member States (AMS) in the production environment. According to the strategy for Customs Development 2020, all customs authorities at points of entry (e.g. seaports, airports, land border checkpoints, and economic zones) will apply the electronic customs clearance system to accommodate basic customs procedures. It was estimated that some 80% of traders, whose trade turnover consists of more than 90% of total turnover, would be ready to use the system by 2020 (Vietnam Customs, a). The plan also sets out the goal of reducing the customs processing time to a level which is comparable to that of advanced developing countries.

### **3. Results from the ASTFI Survey**

A survey on the ASEAN Seamless Trade Facilitation Indicators (ASTFI) was conducted amongst major relevant agencies in Viet Nam – including customs, the MARD, the MOIC, the Ministry of Science and Technology, the Ministry of Health, and the Ministry of Transport. Contact persons in the respective agencies were requested to respond to questionnaires based on their knowledge and expertise. Experts and independent local consultants of the Economic Research Institute for ASEAN and East Asia (ERIA) verified the answers against the available information.

#### **3.1. Transparency of information**

Viet Nam performs quite well under this component. In terms of transparency and information on laws, regulations, and procedures, Vietnam Customs has put into operation a centralised system which regularly updates necessary information about the customs law and regulations, procedures, tariff books, export and import customs documents and updated guidance, and decisions from Vietnam Customs to local customs authorities. The website offers a broad range of online public services provided by customs authorities, including an online tariff rate finder; an e-payment system for taxes, duties, fees, and charges; online customs declarations; and tracking of the customs clearance process. Furthermore, the website is designed to render a high level of interaction between customs authorities and traders through friendly electronic interface tools to assist traders to address their concerns in a timely manner through online enquiry points or call centres. More remarkably, all information and communication in the system is available in both Vietnamese and English.

In supporting the efforts of Vietnam Customs, major line ministry agencies also provide information on their respective trade regulations, and import and export procedures and guidelines, on their respective websites. Traders can access this information without incurring any fees or charges. The NATF is the body responsible for monitoring the implementation of the publication and transparency obligations of relevant ministries and agencies.

On the National Trade Repository (NTR), while certain information is made available, the non-tariff measures (NTMs) database and best practices in trade facilitation have not yet been completed. Despite many efforts to consolidate the NTM database, with technical support from the European Union and ERIA, Viet Nam was not able to develop a reliable NTM database or provide best practices for traders. The NTR website, which is operated by MOIC (MOIC, n.d.), is primarily designed to be the NTR of Viet Nam, covering all nine elements of the ASEAN Trade in Goods Agreement (ATIGA). The NTR website, nevertheless, does not work properly and contains outdated and obsolete information. As a result, there is only minimal traffic on the website. On the contrary, the Vietnam Trade Portal (in Vietnamese: Cong Thong tin Thuong mai Viet Nam), operated by Vietnam Customs, provides sufficient and updated content to serve traders, though its interface is modelled differently (Vietnam Trade Portal, n.d.). It contains a wide range of practical and updated information, with several interactive tools that enable traders to search or sort information easily. The low usage of the NTR raises a question regarding how the NTR is still relevant to businesses or traders. Meanwhile, some alternative sources, such as the websites of line ministries (particularly the Ministry of Finance, Vietnam Customs, and the MOIC), could better serve traders' information demands.

### **3.2. Communication and active engagement of the private sector**

Viet Nam's performance is outstanding in this aspect. The highest body that coordinates the implementation of trade facilitation is the NATF, which is chaired by a Deputy Prime Minister and coordinated by the Ministry of Finance (Vietnam Customs) (Cong Thong Tin Thuong Mai Viet Nam, 2016). The NATF covers three strategic initiatives, including (i) the ASW, (ii) the NSW, and (iii) the implementation of trade facilitation measures under the WTO TFA. The NATF functions as a government steering body which is responsible for monitoring the implementation of Viet Nam's obligations on trade facilitation under the WTO TFA, setting up consultations with traders and stakeholders, establishing a mechanism to fulfil the objectives of reducing trade transaction costs, and speeding up the movement of goods. The NATF does not specify whether the private sector could aspire to full membership under its institutional structure. However, an ad hoc consultation mechanism with the private sector could be initiated by the chair of the VCCI, a semi-government body which represents the interests of the business community in Viet Nam and is a full member of the NATF. Since its establishment in 2016, the NATF has addressed many bottlenecks to trade in the country. It also determines how to expedite specific mandates, as reflected in a work plan of coordination amongst the relevant ministries or agencies in implementing various trade facilitation measures.

On the mechanism to engage stakeholders, especially micro, small, and medium-sized enterprises, Viet Nam has implemented a relatively good mechanism with a view to empowering stakeholders to participate effectively in the drafting of laws and regulations. Public feedback and comments on draft regulations regarding trade-related measures (including NTMs) are strictly required by law. Any ministry or agency which is responsible for drafting a regulation must publish the draft on their website and organise consultations in appropriate formats to receive public comments and input. All stakeholder inputs and comments are taken into consideration. Drafting agencies are legally required to observe a strict timeline for seeking and responding to public comments. To foster this process, cross-ministerial verification of the content of the draft regulation must be undertaken before the responsible bodies can promulgate or issue the regulation. The Ministry of Justice and functional committees of the National Assembly are responsible for reviewing the draft laws and regulations to ensure that they adequately address all legitimate stakeholder concerns. Although no special facility is in place to accommodate direct consultations or dialogue with micro, small, and medium-sized enterprises, stakeholders may reflect their concerns or interest via the appropriate mechanisms. Furthermore, public feedback through the media, press, and social networks are contributing significantly to the drafting of laws and regulations in Viet Nam.

### **3.3. Release and clearance formalities**

Vietnam Customs has successfully put in place an effective customs control system with formalities and methods based on risk management, in accordance with international best practice. The system allows local or regional customs agencies to create alerts at any point during the customs procedure in an integrated computerised system controlled by Vietnam Customs. Nevertheless, while Vietnam Customs is accelerating its efforts to harmonise risk management practices for customs clearance, relevant major agencies have not done enough to fulfil this objective. It is not clear when and how risk management approaches based on international best practice could be commonly applied by other major agencies. At this juncture, Vietnam Customs is prioritising its resources to harmonise and integrate customs procedures in an electronic production environment under the NSW. It is expected that risk management could be identified as the next step for harmonisation, in collaboration with other line ministries or agencies.

With respect to an e-payment system for public services, Vietnam Customs is amongst the pioneer agencies that have successfully deployed an advanced e-payment system for tax and duty collection.<sup>3</sup> On 26 September 2017, the Vietnam Customs e-payment system was officially launched on a designated platform embedded in the customs website (Vietnam Customs, a). Any trader that completes the online registration for e-payment can access the service around the clock (24/7). Once the trader completes the submission of the digital customs declaration, the e-payment system automatically generates the necessary information and calculates the amount of taxes or fees payable by that trader.

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<sup>3</sup> Following Decision No. 241/QĐ-TTg dated 23 February 2018 on Approving a Plan to Encourage Electronic Payment Through Commercial Banks for Tariff Duties, Taxes, Electricity, School Fees, Hospital Fees, and Other Social Security Charges.

Some e-payment systems are also available on major agencies' websites (e.g. the MOIC and the MARD) to accommodate certain e-payments for administrative fees and charges. However, an integrated e-payment system that enables traders to pay the full amount of taxes, tariff duties, fees, and charges in relation to exports and imports has yet to be fully realised.

Dwell time publication is the indicator measuring the time that cargo spends within the port between unloading and pickup. It is considered one of the most accurate indicators to measure the efficiency of the logistics sector in a country. The World Customs Organization (WCO) uses dwell time to help customs authorities identify bottlenecks in the customs clearance process and optimise their operations to reduce trade transaction costs and promote the timely delivery of exported and imported goods. This indicator provides a key benchmark of trade facilitation and encourages concerned customs agencies to simplify and modernise customs and transport procedures to strengthen the logistics industry. However, Viet Nam has not fully conducted dwell time publication as it is prioritizing the Time Release Study (TRS) as an alternative. No plan is yet specified for Vietnam Customs to adopt dwell time at this juncture.

Viet Nam conducted its first TRS in 2013 and updates it annually. The TRS is implemented at 11 customs entry points in seven provinces and cities for three types of transport – sea, air, and land. A full TRS has not been published, but some of the key TRS results could be released by Vietnam Customs. A multiple stakeholder workshop is held by Vietnam Customs in collaboration with the VCCI each year, with the participation of representatives of the Asian Development Bank, WCO, government agencies, and business associations to share the outcome of the TRS and receive feedback.

With regard to trade facilitation measures for Trusted Traders or Authorised Economic Operators (AEOs), in 2015, Vietnam Customs introduced a trusted economic operators scheme for domestic enterprises or traders based on the WCO model for AEOs and the WTO authorised operator scheme. However, the actual progress of implementation is rather slow. Most AEOs are large national or international companies with well-structured records that demonstrate their full compliance with requirements. Meanwhile, most small and medium-sized enterprises may have difficulty meeting the AEO requirements. This potentially causes unreasonable and unfair treatment in customs procedures.

Regarding self-certification of rules of origin (ROO), the full operation of the ASEAN-wide Self-Certification (ASWC) scheme was a remarkable milestone in ASEAN trade facilitation, following two self-certification pilot projects in 2010 and 2014. The ASWC is a unified scheme that allows Trusted Traders who can demonstrate their capacity to comply with ROO requirements to self-declare the origin of their export under the ATIGA. This progress paves a good foundation for Viet Nam to continue its reforms and enhance its trade facilitation agenda. Efforts are under way to expand the pilot project to non-ASEAN trading partners under free trade agreements between ASEAN and its Dialogue Partners. Nevertheless, the progress of ASWC deployment is still slow due to the lack of capacity of local businesses.



Post-clearance audit (PCA) involves examination or review to be conducted by customs and other agencies authorities on imported or exported goods after goods have been released from customs control. In general, Vietnam Customs maintains the PCA system based on international best practice and standards, as recommended by the WCO. According to Articles 77 and 78 of the Customs Law No. 54/2014/QH13, customs and other major agencies can perform PCAs based on risk management. However, not all agencies have adopted risk management based on international best practice for PCA.

### **3.4. Import and export formalities**

Viet Nam's performance is impressive under this component. The NSW is a powerful tool that simplifies import and export formalities. It enables traders to submit documents electronically necessary documents including customs declarations, commercial invoices, transport documents, licences, permits, certificates of origin, quality certificates, and other required documents to customs authorities for customs clearance. In a fully integrated system, with an NSW connecting all relevant ministries and agencies, the customs agencies which receive a complete set of the required documents seek collaboration from line ministries or agencies through appropriate platforms on the NSW to examine, access, and decide whether to release the goods.<sup>4</sup> Since the process is fully automated, traders are able to track the progress of their application for import and export licensing, certificates of origin issuance, or customs clearance.

Thanks to the continuous endeavours of the Vietnamese government, the NSW has progressed at a remarkable pace. Since the establishment of a pilot NSW in 2011, the NSW has successfully accommodated paperless documentation amongst 13 line ministries, with more than 207 electronic documents exchanged on the NSW for customs procedures. Additional resources and time are required to streamline and harmonise processes and documentation to be exchanged electronically on the NSW as Vietnam Customs continues its unwavering commitment to fully maximise the use of NSW as a means to accelerate customs modernisation in the country.

The progress of the NSW underlies the active participation of Viet Nam in the ASW. The ASW is a decentralised system in which electronic documents are exchanged through the ASW platform that connects the NSWs. The success of the ASW mirrors the level of operational effectiveness of the respective NSWs. In 2018, Viet Nam and four other AMS (i.e. Indonesia, Malaysia, Singapore, and Thailand) were implementing the ASW by exchanging the electronic Form D in the production environment of the ASW.

### **3.5. Cross-border coordination with neighbouring countries**

Viet Nam's performance is rather modest in this area. A coordination mechanism was established to harmonise procedures amongst different agencies domestically and with their counterparts in other countries (e.g. Cambodia, China, and the Lao People's Democratic Republic (Lao PDR)). Such procedures include the examination of goods,

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<sup>4</sup> Decision No. 448/QĐ-TTg of the Prime Minister dated 25 March 2011; and the Law on Customs No. 54/2014/QH13 dated 23 June 2014.

people, means of transport, and movement of goods for customs purposes such as duty, taxes and charges, import and export restrictive measures and quotas, quality regulations, and standards. The three operational components for the coordination mechanism include sharing common facilities, joint control, and alignment of working hours amongst relevant agencies, especially line agencies or ministries. Progress largely depends on tremendous coordination efforts by all relevant agencies, as well as the capacity and political will of neighbouring countries.

Progress in setting up facilities and legal instruments for a computerised transit and transit guarantee mechanism remains slow. The trade transit regime in the Greater Mekong Subregion (GMS) falls under the GMS Cross-Border Transport Agreement (GMS-CBTA), which is being supported by technical assistance from the Asian Development Bank. To date, the CBTA has been signed and ratified by all six GMS countries: Cambodia, China, the Lao PDR, Myanmar, Thailand, and Viet Nam. The provisions of the GMS customs transit system (GMS-CTS), i.e. the trade transit regime, are set out in Annex 6 of the CBTA and related technical attachments and protocols.

Viet Nam does not have specific regulations on transit guarantees. The purchase of guarantees for goods in transit has not been *de facto* considered a legally mandatory obligation because it is widely recognised that goods in transit are not subject to customs duties, fees, or charges imposed by any government agencies. New legislation on transit guarantees will likely be introduced as long as Viet Nam honours its commitments to facilitating the movement of goods in transit under the GMS and ASEAN. This process may take time and resources to set up necessary enabling infrastructure and familiarise customs officers and businesses.

Viet Nam has no specific regime for Authorised Transit Traders (ATTs). Nevertheless, it provides simplified procedures for trusted or priority traders who operate in the provision of services for goods in transit. Any qualified trader that meets Vietnam Customs' criteria or conditions is eligible for a priority or fast-track customs lane (i.e green lane) in which goods can be immediately released for import or export without closer customs examination. The scope of simplified procedures for ATTs could be expanded or even be strengthened in line with the implementation of the ASEAN Customs Transit System and the GMS-CTS.

### **3.6. Transport facilitation**

Viet Nam's performance under this component is rather modest. Transport facilitation requires a great deal of collaboration between neighbouring countries in ASEAN. However, the issuance of ASEAN goods vehicle cross-border permits and the harmonisation of land transport facilitation procedures through the operationalisation of protocols 1, 2, and 4 have not progressed well. The implementation of those protocols faces extremely difficulty due to the lack of commitment by AMS, insufficient infrastructure investment, and possible conflicts between vested interests in the transport sector. The slow progress of the ratification of the ASEAN Framework Agreement on the Facilitation of Inter-State Transport (AFAFIST) and the ASEAN

Framework Agreement on Multimodal Transport (AFAMT) continues to be the major impediment to ASEAN cooperation in this area. Despite this challenge, Viet Nam has unilaterally implemented electronic data interchange at some ports to speed up the movement of cargo at key ports, giving some hope for improving trade facilitation in this area.

### **3.7. E-commerce**

Viet Nam performs moderately under this component. Three activity variables under the ASTFI were used to capture e-commerce performance: (i) the implementation of a legal framework and the operationalisation of interoperable, mutually recognised, secure, and user-friendly e-identification and authorisation; (ii) a revenue collection framework for cross-border e-commerce trade; and (iii) a legal framework for domestic and cross-border e-commerce dispute settlement. Although the current ASTFI may not directly reflect the contribution of e-commerce to trade facilitation, the implementation of these three measures based on international best practice is essential to the success of e-commerce for the country and the progress of trade facilitation in the new digital age.

Viet Nam is doing rather well in promoting the country's e-commerce. According to the Vietnam E-commerce Association (VECOM) in 2017, 30% of Viet Nam's population could engage in online shopping by 2020, with per capita purchasing value reaching \$350 per year. VECOM also estimated that the annual growth rate of e-commerce in Viet Nam was about 22% in 2017 and could reach 30%–50% per year in the coming years (Nhan Dan, 2018). The growth of e-commerce gives rise to business-to-consumer (B2C) and business-to-business (B2B) transactions. It incentivises the use of cashless payments and paperless documentation (e.g. e-invoices and e-signatures) amongst traders and consumers. This poses an immense opportunity for Viet Nam to boost e-commerce and modernise logistics sector so that it can significantly reduce transaction costs.

## **4. Conclusions and Recommendations**

The implementation of trade facilitation in Viet Nam has been progressing steadily in many areas, with the involvement of all government agencies – especially Vietnam Customs and major agencies including the MOIC, the MARD, and the Ministry of Health. The entry into force of the WTO TFA gave new momentum to the process. Under the coordination of the NATF, which is under the direct supervision of the government, the policy agenda for trade facilitation has been conducted more strategically and in a coherent manner. Significant resources and efforts, as well as strong political commitment, are necessary to keep the process moving forwards.

Despite good progress in trade facilitation, Viet Nam should not be complacent. A number of outstanding obstacles to trade need to be addressed expeditiously. Traders still find it difficult and time-consuming to deal with line agencies and ministries' excessive administrative procedures, especially in relation to customs clearance. The enhancement of transparency, simplification and harmonisation of procedures, and customs

modernisation – with a focus on the operation of the NSW – continue to be policy mandates consistently pursued by the Vietnamese government. In this connection, the application of information technology may offer effective and innovative solutions to many of those obstacles. However, it does not mean that the progress may be achieved without challenges. Instead, it requires stronger determination from the relevant agencies or ministries and greater resources and financial investment to enhance the appropriate infrastructure and human capacity.

In an attempt to achieve a robust region-wide trade facilitation agenda, ASEAN has been expediting a number of initiatives and measures under the AEC 2025 Trade Facilitation Strategic Action Plan (TFSAP), with the clearly identified objectives of reducing trade transaction costs in the AEC by 10% by 2020 and doubling intra-ASEAN trade from 2017 to 2025. The plan also aims to improve the performance in global rankings/surveys, e.g. the World Economic Forum's Global Competitiveness Report and the World Bank's Ease of Doing Business. The implementation of the TFSAP complements ongoing endeavours undertaken by each AMS. Biennial surveys on trade facilitation using the ASTFI, as specified in the TFSAP, are a meaningful policy tool to assist individual AMS to address bottlenecks or outstanding issues while advancing trade facilitation policy goals. The ASTFI provide a score for each trade facilitation measure undertaken by an AMS based on prescribed parameters. Although the ASTFI do not dictate when and how a concerned AMS implements the measures, they are a powerful instrument to demonstrate how an AMS has performed in promoting trade facilitation and to assist that AMS to decide how to prioritise trade facilitation measures given its specific circumstances and limited resources.

The current ASTFI scores proved that Viet Nam had made substantive progress in the areas of transparency and publication of laws, regulations, and procedures. An effective mechanism for communication with and active engagement of stakeholders, especially in the private sector, has been put in place. Progress is steady in customs release and clearance formalities – from advance rulings, fees and charges, documents, and automation, to streamlining of procedures. On the other hand, dwell time publication, e-payment self-certification, and trade facilitation measures for Trusted Traders or AEOs are the most contentious areas that need to be strengthened for effective use by traders.

Much work has been done regarding import and export formalities and coordination, especially in the realisation of the ASW/NSW. The operationalisation of ASW/NSW plays a pioneer role in the modernisation and simplification of the procedures of customs and other major line agencies and ministries. One of the biggest challenges remains in the attempt to harmonise those various procedures in a single digital platform for electronic exchange of information amongst relevant agencies. In this regard, the leading role of Vietnam Customs in the NSW should be fostered to coordinate inter-ministerial agencies. Once the NSW is fully operational, it could unleash new energy to the overall trade facilitation process in the country.

Outstanding challenges remains formidable in cross-border coordination, transit, and transport areas, where progress is conditional on the level of commitment of the concerned countries to realise some key ASEAN trade facilitation initiatives in transit (e.g. the ASEAN Customs Transit System) or other regional schemes (e.g. the GMS-CTS). However, some progress has been made in border agency institutional coordination and cross-border operational coordination with neighbouring countries to support the traditional movement of goods in transit.

E-commerce is not only the most dynamic factor for economic growth but also the major catalyst for trade facilitation. It substantively brings down the cost of doing business, while promoting productivity and consumption efficiency. The results of the ASTFI have pointed out a number of outstanding difficulties, particularly in establishing a new legal framework on e-commerce. In this connection, Viet Nam needs to prioritise its resources to formulate a comprehensive regulatory framework on e-commerce that strikes a balance between the promotion of trade and investment in industry and the creation of a trustworthy, secure legal environment for fair competition and consumer protection, including the protection of personal data.

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