

**GENERAL AGREEMENT
ON TARIFFS AND TRADE**

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VIETNAM - REQUEST FOR OBSERVER STATUS

The Director-General has received the following communication from the Minister of Trade of Vietnam.

On behalf of my Government I wish to convey to you the request that the Socialist Republic of Vietnam be given observer status in the Council of Representatives of GATT.

I would like to recall that Vietnam has since many years status as observer at Sessions of the Contracting Parties to GATT. My Government wishes, however, to familiarise itself with the activities of GATT in order to take a decision on the accession to GATT of Vietnam.

Vietnam will further enhance the renovation process in its economy, foreign trade and customs duties. We hope to have your support in this regard.

In accordance with the procedures adopted by the GATT Council, I am enclosing herewith a short note with a description of the foreign trade policy of Vietnam. The main objective of our economic strategy is the creation of open market economy. The GATT principles are applied in the foreign trade of Vietnam.

ECONOMIC SYSTEM AND TRADE REGIME OF THE SOCIALIST REPUBLIC OF VIETNAM

I. General Introduction

The Socialist Republic of Vietnam is situated in Southeast Asia, borders on China, Laos and Cambodia, as washed by the East Sea, has a land mass of 331,000 square kilometres and a population of 69,400,000 (by 1992). Vietnam gained its independence and sovereignty on 2 September 1945. But it had to undergo another 30 years of wars for national defence.

Vietnam is an agricultural country with full characteristics of a developing country. Because of many years of warfare, Vietnam has been one of the poorest countries in the world. The economy is still agro-based and backward. The industry is still small, infrastructure less developed.

Since 1986, Vietnam has effected economic reforms in the following aspects:

(a) The State lays down as a policy to develop a multisectorial commodity economy with various forms of property ownership: public ownership, collective ownership and private ownership.

(b) The State has reorganized State-owned enterprises and at the same time encouraged the participation of all economic sectors in the national construction. The State creates favourable economic and social climate, protects capital and property ownership as well as ensures equal rights for all economic sectors and social citizens.

(c) The centrally-planned economic mechanism is replaced by the market mechanism under State management by means of laws, regulations, guideline planning and other measures; the autonomy of all businesses and citizens is ensured: the scopes of responsibility and management at different levels of the State economic and administrative authorities are well defined; the interests of individuals, collectives and the State are shared harmoniously.

II. Economic System and Macro-Economic Policies

1. Economic Regime

Vietnam's Constitution affirms that the aim of the State's economic policy is to make the people rich and the country strong, to satisfy to an ever greater extent the people's material and spiritual needs by releasing all productive potential, developing all latent possibilities of all components of the economy - the State sector, the collective sector, the private individual sector, the private capitalist sector, and the State capitalist sector, promoting the construction of material and technical bases, broadening economic scientific and technical cooperation and expanding intercourse with the world market.

All production and trading enterprises belonging to all economic sectors are equal before the law. The lawful capital and property of every citizen are protected by the State.

The overall objective of "Vietnam's Strategy of Socio-Economic Stabilization and Development up to the year 2000" is: "to get out of the crisis, to obtain the economic and social stability in an endeavour to pass the state of a poor and least developed country, to improve the people's living conditions, to consolidate the national defence and security, to create conditions for the country to faster develop by the turn of the 21st century. The GDP by the year 2000 will be doubled as compared with that of the year 1990".

To that end, the Government advocates:

(a) To promote economic structural changes in the direction of industrialization and modernization.

(b) To mobilize all potentials, labour forces and funds for domestic production development, to encourage all economic sectors to invest in the national development.

(c) To pay endless attention to expansion of economic relations with all countries on the basis of respect for independence, sovereignty, equality and mutual benefit, to strengthen and expand relationships with countries in accordance with the line that "Vietnam desires to be friend to all countries in the world community to strive for peace, independence and development".

2. Legal System

Vietnam has been establishing a legal system so as to enable the economy to operate under a market mechanism. The following major laws have been promulgated:

- the 1992 Constitution of the Socialist Republic of Vietnam was passed by the National Assembly on 15 April 1992;
- the Land Law was passed by the National Assembly on 29 December 1987;
- the Law on Foreign Investment in Vietnam was passed by the National Assembly on 29 December 1987, which was revised and amended on 30 June 1990 and 23 December 1993. Details concerning the implementation of the Law on Foreign Investment are set forth in the Government's Decree No. 18/CP of 16 April 1993;
- the Law on Turnover Tax and Law on special Sales Tax were passed by the National Assembly on 30 June 1990;
- the Marine Law was passed by the National Assembly on 30 June 1990;
- the Company Act and the Private Business Law were passed by the National Assembly on 21 December 1990;
- the Ordinance on Economic Contracts was promulgated by the State Council on 25 September 1989;
- the Ordinance on Civil Contracts was promulgated on 29 April 1991;
- Decree No. 33/CP on State Management on Import-Export was promulgated on 19 April 1994 by the Government;
- Labour Regulations at enterprises with foreign-owned invested capital stipulated in Decree 223/HDBT which was adopted by the Council of Ministers (i.e. the present Government) on 22 June 1990;
- the Statue of Bank adopted on 15 June 1991;
- the Law on Export and Import Duties passed by the National Assembly on 26 December 1991;

- the Law on Forest Protection passed by the National Assembly on 12 August 1991;
- the Law on Oil and Gas passed by the National Assembly on 6 July 1993;
- the Law on Business Bankruptcy passed by the National Assembly on 30 December 1993.

Vietnam continues to compile and enact further legal documents with a view to completing an adequate legislation system including commercial law to govern all walks of socio-economic life.

3. Pricing System

Commodity prices are set by supply and demand factors on the markets. The regime of officially controlled pricing has been abolished and an uniform system of market prices is being adopted throughout the country. On the basis of prices in the international markets, the State recommends minimum prices for exports and maximum prices for imports. Businessmen determine the prices for foreign trade contracts on their own.

The State strongly develops external economic relations, further expands co-operation and trade with all countries and regions by:

- linking the home market and the world market together;
- step by step integrating the Vietnamese economy into the world economy;
- endeavouring to improve investment environment, adopting incentive policies as to attract direct foreign investment in key economic sectors, expanding Joint Ventures with foreign countries, attracting and securing an efficient use of ODA financial sources in construction of economic infrastructure projects.

4. Equitization

The State is gradually implementing equitization of the businesses that have no longer been found necessary to be run by the State. The Government is compiling an all-sided programme concerning the State-owned businesses which will be introduced to the National Assembly at the December 1994 session, the focus of which is to consolidate those State-owned enterprises which are found necessary and liquidate the ones which are not run efficiently, to make a scheme of partial or total equitization of a number of State enterprises.

A Bill on domestic investment law wherein to specify the areas where all economic sectors including the private ones are encouraged to make investments will be introduced to the National Assembly for consideration.

5. GDP

Vietnam's 1992 GDP was 102,300 billion Vietnamese dong (1992 constant price), about US\$230 (adjusted) per capita. The 1993 GDP growth rate was 7,2 per cent and it is expected to be 8-9 per cent in 1994-95.

III. Vietnam's Foreign Trade

1. Overview

In recent years, Vietnam's foreign trade has undergone substantial changes both by composition of merchandise traded and of trading partners. Since 1989, the annual growth rate of exports has been 20 per cent on the average thanks to the creation of such new items with rather large volume as crude oil, rice, sea products and other agricultural products. Since 1991, Vietnam's trade with convertible-currency countries has rapidly increased and at the same time, the country has laid down as a policy to maintain its economic and trade relations with the traditional partner countries.

At present, Vietnam's principal trading partners are the countries in the Asia-Pacific region (such as Singapore, Japan, Hong Kong, Chinese Taipei, the Republic of Korea), Australia, the European Union countries and the Nordic countries. In 1992, Vietnam's volume of trade with the Asian-Pacific countries accounted for 80 per cent of its total trade.

The present main export items of Vietnam are crude oil, rice, sea products, textiles and garments, rubber, coffee, coal, ores, tin, etc. The main import items are oil products, fertilizer, iron and steel, cotton and yarn, garment-making equipment, transport equipment and spare parts, electronic components, chemicals etc.

2. Foreign Trade Policy

Vietnam's trade policy has been institutionalized in Article 24 of the 1992 Constitution and in such legal documents as Decree No. 33/CP dated 19 April 1994 by the Government regarding the State control over exportation and importation; the Law on Import-Export duties passed by the National Assembly on 26 December 1991; Decrees No. 110/HDBT and 54/CP by the Government regarding the Tariff of Import and Export Duties, the Letters Patent No. 32/LCT.HDNN8 published on 2 February 1990 by the Chairman of the State Council regarding the Customs Ordinance. Recently, the Decision No. 15/TTg of 15 January 1994 by the Prime Minister regarding the amended Tariff of Import and Export Duties and the Statute of Foreign Exchange Control.

Since 1989, Vietnam's import/export policy and mechanism has been renovated substantially. The system of export/import control by means of a mechanism of centralized planning with pre-set physical plan-targets has been removed. The policy of trade expansion both at home and abroad has been adopted. The State enterprises are given the full right of autonomy and loss/profit accounting responsibility to run the business on their own. All economic activities are so commercialised as to create a free intercourse on the domestic market, and to link domestic and overseas markets together. The Government has negotiated and signed Framework Agreements on Economic and Trade Co-operation and other Agreements such as Agreements on Trade and Commerce, Agreements on Foreign Investment Protection, Agreements on the Avoidance of Double Taxation and Agreements on Foreign Trade Payment etc. with various countries or countries belonging to certain regional groupings, with a view to bringing about a legal framework for international co-operation, and national business performances. Major tools for export/import management and operation are a system of economic leverage, laws and regulations. The quota-system is applied only to such commodities which are subject to other countries quota-share allocation as textiles and clothing to the European Union countries and Canada; tapioca chips to the European Union. All enterprises and companies are authorized to conduct import and export transactions on their own or by mandate.

3. Import Regime

The State controls import business by means of a system of tariff and licences.

The tariff of import duties is formulated in such a way as to encourage imports of hi-tech equipment and of essential supplies and basic materials for domestic production.

The importers ought to abide by the State regulations on import-export business licensing and on prohibited imports:

- the prohibited imports under Decree No. 33/CP dated 19 April 1994 by the Government consist of arms and ammunition explosives, drugs, toxic chemicals and all kinds of pornographic articles;
- to monitor and accommodate the supply and demand in the home market, a number of items of imports are regulated by guideline-oriented planning.

4. Export Regime

Vietnam's trade policy is to encourage to the utmost the production and the business of export and service.

Prohibited exports comprise arms and ammunition, explosives, antiques, cultural products under the State's sole ownership, drugs, toxic chemicals, timber in logs, sawn wood, raw rattan, and rare and exotic wild animals.

Merchandises which come under quota-control consist of textile and clothing shipped to the European Union and Canada, tapioca chips to the European Union.

Export licences for the quota-controlled goods are issued on the basis of duly signed contracts and in conformity with laws, and international trade practices.

5. Custom regulations

The tariff currently in force consists of the Tariff of Export Duties and the Tariff of Import Duties published under Decree No. 110/HDBT dated 31 March 1992 by the Government Council and under Decree No. 54/CP dated 28 August 1993 by the Prime Minister and other revised and amended regulations on the tariff rates of some merchandises.

- Taxes are imposed on nearly 11 groups of items of exports, mostly at 0-5 per cent. The highest rate is 45 per cent.

The Harmonized System (HS) is applied to formulate the import tariff. The export tariff rates are fixed ad valorem. Only one ordinary common import tariff is applied for every item of imports and of all origins:

- the ordinary tariff rate : 0-50 per cent;
- the highest tariff rate: 150 per cent;

- the preferential tariff at 70 per cent of the ordinary rate applicable to all items of goods which fall within the Government to Government Agreements with the tariff preferential status.

Customs valuation: based on the price of duly-signed sales/purchase contracts, which should be in conformity with other related documents that the buyer makes to the seller. Import prices include insurance fee and freight.

The items which are not eligible for contract-valuation are levied at the minimum prices prevailing at border gates.

Apart from taxes, the goods are also subject to customs fees such as for bonded storage, clearance procedure, custom supervision, transit, document certification.

At present, there is no anti-dumping law in Vietnam as yet; countervailing duties have not yet applied in Vietnam as well.

6. Foreign Exchange Control

Exchange rates are published by the State Bank on the basis of rates established at the national foreign exchange transaction centres.

Money transfers are made by means of the accounts opened at commercial banks in Vietnam and in accordance with the foreign exchange control of the country. Bringing-in and out of the country an amount of foreign currencies in cash worth US\$3,000 is not subject to customs declaration in advance. This regulation is being revised to expand.

Payment of import and export businesses should be made through banking system. Purchases, sales or deposits of foreign currencies between the companies located in Vietnam and the Vietnamese Banks should be conducted in conformity with the foreign exchange control statute as said above.

7. International co-operation

Vietnam has joined more and more international co-operation institutions and activities. Vietnam has become member of the International Council for Custom Cooperation, the country has adhered to and won active supports of such International Financial Institutions as IMF, WB, IFC, MIGA, ADB.

Currently, the country is observer to the ASEAN and will proceed to obtain a full membership status in this organization.

The country has also joined some other international and regional organizations such as UNCTAD, ICO, BIMCO.