



-Vietnam-

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GENERAL FEATURES OF TRADE POLICY

The official name is Socialist Republic of Vietnam with capital Hanoi. Its population is 78.7 million. Land area 332,000 sq. km. Location: South-eastern Asia, bordering the Gulf of Thailand, Gulf of Tonkin, and South China Sea, alongside China, Laos, and Cambodia.

The Dong is the unit of currency in Vietnam. The government regime is a Socialist Republic.

Ethnic groups: Vietnam has about 50 ethnic and language groups but ethnic Vietnamese constitute the vast majority of the population.

Independence: 2 September 1945, Constitution adopted on 15 April 1992.

Economy

Vietnam natural resources are coal, phosphates, manganese, bauxite, chrome and wood.

Exports: Crude oil ,footwear, textiles, rice, sea products, coffee.

Imports: Petroleum products, steel, food, manufactured products, machinery.

Economy - overview: Vietnam is a poor, densely populated country that has had to recover from the ravages of war, the loss of financial support from the old Soviet Bloc, and the rigidities of a centrally planned economy. Substantial progress was achieved from 1986 to 1996 in moving forward from an extremely low starting point - growth averaged around 9% per year from 1993 to 1997. The 1997 Asian financial crisis highlighted the problems existing in the Vietnamese economy but, rather than prompting reform, reaffirmed the government's belief that shifting to a market oriented economy leads to disaster. GDP growth of 8.5% in 1997 fell to 4% in 1998 and rose slightly to an estimated 4.8% in 1999. Despite its relative insulation during 2001 Vietnam has been exposed to the increasing influence of the globalisation process. In spite of these difficult times, Vietnam's GDP growth has been second in the region, only surpassed by China; it should be around 5% in 2001. These numbers masked some major difficulties that are emerging in economic performance. Many domestic industries, including coal, cement, steel, and paper, have reported large stockpiles of inventory and tough competition from more efficient foreign producers. Foreign direct investment were an amount of 1.26 billion € during year 2001. Macroeconomic performance has mostly been adequate and stable. The Vietnamese non-convertible currency depreciated 0.84% against the Euro and 4,5% against the US \$, with so far very small spreads with the non-official exchange rate. Domestic demand has been largely fuelled by industry and construction. But a very expansive monetary policy complicates the task to separate organic growth from that resulting from the important credit growth during the last three years. Meanwhile, Vietnamese authorities have slowed implementation of the structural reforms needed to revitalise the economy and produce more competitive, export-driven industries. Privatisation of state enterprises remains bogged down in political controversy, while the country's dynamic private sector is denied both financing and access to markets. Reform of the banking sector - considered one of the riskiest in the world - is proceeding slowly, raising concerns that the country will be unable to tap sufficient domestic savings to finance growth. Administrative and legal barriers are also causing costly delays for foreign investors and are raising similar doubts about Vietnam's ability to attract additional foreign capital.

Vietnam's trade regime is still characterised by serious distortions which constitute a major constraint on

the efficient allocation and use of resources. Vietnam trade deficit, worsened by the financial crisis but now brought under control has led the Vietnamese authorities to follow a trade policy based on ad hoc restrictions of certain imports, which creates an uncertain environment for traders. The lack of transparency in trade legislation and procedures is the main difficulty for companies trading in Vietnam. These difficulties include customs valuation, licensing, and the use of reference price (check price) for categories of imports to calculate customs duties. While for certain products tariffs remain prohibitively high, they are not as important as these non-tariff barriers. Vietnam's revised Trade Law, which entered into force on January 1998, allows foreign traders to set up branches and engage in direct transactions, carry out trade deals and offer trade services. However clear application decrees for the trade law need to be issued in order to make the law an effective instrument for trade.

GDP 143.1billions US \$; GDP per capita: 1,823 US \$.

Total exports of Vietnam in 2001 are 16.7 billion € and total imports are 18 billion €.

Vietnam 's main export markets in 2001 are the EU (22%), Japan (16%), China (9%),USA (7%),Singapore (7%), Australia (7%). Vietnam imports come mainly from Singapore (15%), from Japan (14%), Taiwan (12%), South Korea (12%), China (10%) and from EU (9%). Vietnam's main imported products are fuel, chemicals fertilisers, raw materials (steel) and equipment for garments and shoe manufacture .

Vietnam is not a WTO member but as launch a demand for accession to the WTO.

Relations with EU: In December 1992 a first EC-Vietnam Textile and Clothing Agreement was signed and entered into force on January 1993. The third textile agreement was signed in October 2000. A Framework Co-operation Agreement was signed between EC and Vietnam in July 1995 and entered into force on 1 June 1996. Vietnam formally acceded to EC-ASEAN Co-operation Agreement on 1 May 1999.

EU-Vietnam Trade Balance 1999-2001

year	1999	2000	2001
Value in Millions of €			
EU Imports	3,155	3,964	4,652
EU exports	1,052	1,228	1,694
Balance	-2,103	-2,736	-2,959
	1999	2000	2001
EU imports growth	20,70%	25,64%	17,37%
EU exports growth	-1%	16,72%	37,98

Main EU exports to Vietnam

year	1999	2000	2001
Value in Millions of €			
Machinery and mechanical appliance	331	316	331
Aircraft,spacecraft	162	173	205
Electrical equipment	101	113	169
pharmaceutical products	36	47	83
milling products	30	44	38
optical, measuring,medical or surg.	28	34	35
Peral, precious stones & metals	24	31	28
Vehicles	21	25	27
Articles of iron & steel	19	25	26
Plastic products	17	24	26
Total	1052	1228	1270

Main EU imports from Vietnam

year	1999	2000	2001
Value in Millions of €			
Footwear	1283	1636	1479
Apparel, knitted	497	617	489
Coffee and Tea	344	318	201
Leather products	167	223	184
Textiles	140	179	145
Furniture	86,00%	118	143
Ceramic products	76%	108	101
Pearl, precious stones & metals	73	89	90
Toys and sports equipment	64	86	77
Fishery product	58	70	66
Total	3155	3964	3489

Vietnam has adopted European Quality Standard and is a member of various international organisations (ISO). Given the existing regulations and the Government's commitment to improve it constantly and consistently, making WTO'S requirements on Technical Barriers to trade (TBT) should not pose major problems.

In order to monitor prices of some essential items (petroleum, iron, steel and fertiliser), the Government of Vietnam established the Price Stabilisation Fund that acts as a variable levy applied to raise import prices. For Petroleum and petroleum products, these surcharge rates are applied at different rates in North and in the South. The 10% surcharge is invoked when international prices rise funds from the stabilisation fund are disbursed to stabilise domestic prices.

Interesting links:

<http://www.worldbank.org.vn/rep20/enter.htm>

The following table is an overview of the tradeflow between the European Union and Vietnam

Section	Year	Import(Euro)	Export(Euro)
Animals & animal products	1996	25,083,440	11,155,700
	1997	59,159,330	9,127,970
	1998	88,391,080	5,650,960
	1999	76,986,270	11,173,580
	2000	90,310,100	24,469,050
	2001	101,965,650	26,025,430
	2002	75,697,680	15,712,900
	2003	109,563,320	25,743,670
Vegetable products	1996	124,760,330	38,920,380
	1997	248,332,970	33,715,590
	1998	344,750,110	31,245,030
	1999	357,446,810	23,617,700
	2000	356,717,080	24,916,590
	2001	308,161,240	20,996,860
	2002	274,340,530	18,613,720
	2003	337,817,090	26,350,800
Animal or vegetable fats	1996	101,730	299,710
	1997	165,320	561,500
	1998	148,230	918,070
	1999	152,930	524,200
	2000	551,640	561,750
	2001	454,110	661,150
	2002	166,310	3,795,200

	2003	80,580	925,670
Prepared foodstuffs	1996	13,710,370	20,900,560
	1997	13,326,070	22,477,750
	1998	13,762,560	23,296,420
	1999	21,786,220	23,252,810
	2000	32,965,170	30,944,780
	2001	44,501,890	43,055,480
	2002	47,163,770	46,381,320
	2003	49,834,120	58,710,500
Mineral products	1996	13,721,170	2,772,540
	1997	16,986,430	2,498,420
	1998	17,908,460	2,238,890
	1999	25,601,920	3,653,200
	2000	34,772,530	3,755,680
	2001	37,208,460	9,589,450
	2002	27,853,240	8,483,120
	2003	32,616,530	4,768,980
Chemical products	1996	9,304,230	149,503,780
	1997	14,835,300	188,960,010
	1998	22,147,730	183,242,380
	1999	8,469,360	182,201,730
	2000	6,159,530	217,490,370
	2001	7,192,460	232,612,860
	2002	12,504,010	255,954,440
	2003	8,445,920	258,642,360
Plastics & rubber	1996	25,776,170	17,984,740
	1997	44,945,340	17,368,980
	1998	43,096,040	20,095,410
	1999	45,631,060	23,999,530
	2000	60,336,950	35,980,220
	2001	65,358,500	38,854,700
	2002	78,230,380	53,429,150
	2003	94,527,000	47,376,050
Hides & skins	1996	93,072,720	3,394,180
	1997	139,921,120	7,596,230
	1998	145,735,410	7,480,620
	1999	165,272,610	6,190,770
	2000	191,682,370	13,095,140
	2001	199,088,660	17,571,110
	2002	187,584,420	22,310,170
	2003	166,851,390	31,717,750
Wood & wood products	1996	21,886,590	695,340
	1997	22,757,790	2,319,800
	1998	26,527,460	2,289,720
	1999	33,242,710	4,354,980
	2000	50,463,620	6,475,440
	2001	60,491,070	9,559,630
	2002	70,744,360	16,968,860
	2003	73,608,050	16,035,010
Wood pulp products	1996	855,190	17,056,420
	1997	5,853,010	23,086,130
	1998	6,061,780	21,238,990
	1999	10,915,260	23,416,640
	2000	16,191,870	21,918,820
	2001	12,760,270	32,358,000
	2002	9,941,920	39,677,890
	2003	9,301,170	31,581,540
Textiles & textile articles	1996	331,063,710	20,952,840
	1997	463,933,500	26,309,880
	1998	500,270,910	29,213,410
	1999	570,651,990	30,230,480

	2000	727,182,130	36,373,130
	2001	741,011,500	39,120,730
	2002	677,772,210	44,373,910
	2003	529,403,940	41,795,870
Footwear, headgear	1996	531,184,470	1,708,660
	1997	850,019,850	2,888,340
	1998	947,426,200	1,381,140
	1999	1,255,594,160	1,818,210
	2000	1,654,806,350	5,550,870
	2001	1,870,458,880	3,799,610
	2002	1,991,167,840	3,800,610
	2003	1,987,574,720	3,048,470
Articles of stone, plaster, cement, asbestos	1996	33,168,700	9,027,840
	1997	47,033,850	9,841,790
	1998	56,427,250	8,337,350
	1999	84,433,730	8,914,970
	2000	132,498,960	14,009,020
	2001	139,778,360	15,975,160
	2002	127,595,450	17,828,600
	2003	130,145,970	14,902,640
Pearls, (semi-)precious stones, metals	1996	21,308,260	24,758,990
	1997	27,866,770	27,843,860
	1998	25,877,820	17,967,830
	1999	36,472,710	22,632,470
	2000	62,030,310	36,813,830
	2001	60,560,620	26,884,830
	2002	64,719,090	27,729,060
	2003	49,244,930	27,579,000
Base metals & articles thereof	1996	3,703,550	49,631,620
	1997	9,399,400	43,045,710
	1998	14,001,890	47,248,360
	1999	19,632,920	35,248,820
	2000	31,248,590	54,112,340
	2001	53,879,650	94,633,790
	2002	89,930,220	88,443,200
	2003	97,193,040	96,680,120
Machinery & mechanical appliances	1996	9,459,130	460,731,430
	1997	25,100,330	427,744,560
	1998	44,841,560	449,590,270
	1999	70,417,240	471,049,450
	2000	95,652,680	461,218,170
	2001	98,559,640	741,024,470
	2002	108,070,840	803,842,600
	2003	115,800,400	909,405,620
Transportation equipment	1996	3,626,070	42,283,800
	1997	8,728,730	72,974,320
	1998	20,837,330	31,838,970
	1999	35,270,190	14,456,960
	2000	51,048,570	40,295,460
	2001	79,926,810	41,861,260
	2002	107,611,260	55,804,070
	2003	121,020,130	46,449,630
Instruments - measuring, musical	1996	2,614,910	32,137,090
	1997	4,865,800	28,914,430
	1998	8,809,250	32,149,160
	1999	9,413,010	28,700,900
	2000	8,049,840	46,436,940
	2001	15,305,130	48,214,250
	2002	15,027,250	78,715,320
	2003	11,571,040	61,127,640
	1996	0	62,940

Arms & ammunition	1997	330	172,850
	1998	0	245,790
	1999	0	148,710
	2000	0	230,980
	2001	19,030	286,910
	2002	349,160	239,230
	2003	611,540	272,400
Miscellaneous	1996	74,511,970	8,140,840
	1997	132,666,090	9,745,340
	1998	164,958,790	9,020,440
	1999	211,587,970	10,145,260
	2000	308,922,310	11,261,920
	2001	322,155,320	13,947,280
	2002	350,435,900	14,146,150
2003	431,236,900	11,103,540	
Works of art	1996	156,120	39,380
	1997	313,290	59,130
	1998	369,190	27,790
	1999	320,040	78,460
	2000	464,710	3,490
	2001	688,540	33,850
	2002	632,100	34,910
2003	4,598,010	21,330	
Other	1996	2,290,150	4,534,230
	1997	1,275,760	4,918,990
	1998	3,040,510	4,384,140
	1999	2,269,360	10,823,720
	2000	4,414,070	6,430,770
	2001	2,613,630	3,697,520
	2002	3,577,520	6,738,660
2003	5,855,140	12,335,020	

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TARIFFS AND DUTIES

Tariffs and Duties.

The export-import tariff law, adopted in 1991, was amended in 1993 and 1998. From 1/1/99 it was implemented with the following main changes of tariffs:-normal tariffs applied to goods originating from countries which have no MFN trade agreements with Vietnam; and preferential tariffs applied to goods originating from the countries which have special preferential tariff agreements with Vietnam (AFTA).

The heterogeneity and variable nature of the tariff structure also create more uncertainty for domestic as well as foreign producers in their investment projects and tends to increase the power of customs to take arbitrary decisions.

Agriculture and Fisheries **Tariff Levels**

970299- spirits taxes and quotas [2004-10-19]

The cumulative burden of import taxes, sales taxes and special consumption taxes, which for some alcoholic beverages amounts to 204%, represents a substantial barrier against European spirits. Wholly foreign-owned companies are not authorized to import alcoholic beverages.

- Following Decision no. 17/2004/QĐ-BTC dated 12 February 2004, from 1 January 2004 imported wines and spirits under subheadings 2204, 2205, 2206 and 2208 originating in the EU are subject to import tariffs of 80%. Vietnam has further committed to reduce these duties to 70% from 1 January 2005 as laid down in Annex E point 1 of the amendment to the Textiles and Market Access Agreement published in the Official Journal on 20 June 2003.

At about the same time that the tariff change was implemented (1st January 2004), the Vietnamese authorities raised their internal tax rates to the following levels:

-VAT on wines and spirits increased from 5% to 10%

-Special Consumption Tax increased from 70% to 75% for "liquors" of 40% alcohol by volume (a.b.v.) or greater. "Liquors" between 20% and 40% a.b.v. are taxed at a rate of 30%

Automotive

Tariff Levels

040002-Automobile Import Tariffs [2004-01-30]

The Ministry of Finance recently decided to increase the tariff rates on imported automobile components, to gradually reduce the Special Consumption Tax on imported cars and to apply the value-added tax (VAT) to vehicles assembled domestically. Many domestic automobile assemblers are concerned with this decision. The Government's stated aim is to develop the automobile industry. In order to protect the fledging industry the Prime Minister approved on September 31, 2002 a development strategy for the automobile industry through 2020. Quach Duc Phap, Director of the MOFs Taxation Department, stated that if the State kept taxes on CKD imports unchanged, businesses would stop at assembling, rather than investing in manufacturing parts in Vietnam. He advocated that automobile assemblers should re-organise their production and reduce expenses on component imports, advertising and promotional activities. He also said that the tax increase will not make car sales drop dramatically because people have more money now and the demand for vehicles is growing. The plan aims at higher import duties to encourage assemblers to invest in component manufacturing plants to increase the localisation ratios in automobiles produced locally. It seems that the plan has backfired since it has resulted in making locally assembled vehicles more expensive. A number of assemblers have raised prices per vehicle instead of increasing localization rates to reduce unit costs. Ministry officials have defended the increase stating that "it is essential to ensure the local automotive industry can secure a strong foundation while Vietnam is integrating with regional and international economies" however according to economists, tariff measures are unlikely to force assemblers to set up new component manufacturing plants but will only mean higher vehicle prices in Vietnam.

Domestic automobile assemblers said an increase now is devastating and will make it even more difficult for them to achieve the target localisation-rate because producing automobile parts is costly and is only possible if the sale of vehicles reach a fixed amount. Raising taxes means rising costs and reducing vehicle sales and therefore the localisation rate is more difficult to achieve. The Vietnam Automobile Manufacturers' Association estimates that in 2004 the increase in price since 2002 will reach 35% which will mean that the majority of FDI automakers may have to shut down their operations. Not only will this lead to a dramatic shrinking of the automotive industry, it will also negate all efforts for further industrial development. They also state that sudden changes in Government regulations do not assist enterprises in their long-term business planning.

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TRADE DEFENCE INSTRUMENTS

Vietnam has no specific provisions for anti-dumping, countervailing or safeguard measures. However, inside the Law on Import and Export Duties Vietnam on a number of articles is in the process of developing specific legislation for anti-dumping, countervailing and safeguard measures.

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NON TARIFF BARRIERS

Weapons and military equipment, narcotics, toxic chemicals, certain cultural products, firecrackers and certain categories of toys, cigarettes, used consumer goods, cars with right hand drive, used spare parts of automobiles, and fully assembled motorcycles (including used).

Import licensing procedures should be, as will be required by the WTO, neutral and transparent. The present import arrangements, where non-automatic import licences act as de facto quotas, are severely restricting for a number of products such as alcoholic beverages, vegetable oils, tiles, ceramic and marble.

 040099-Vietnam- Live cattle, bovine semen [2004-09-10]

Ban on the import of live cattle and bovine semen due to BSE

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