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VIETNAM

CASE STUDY

Customizing Customs

New method of assessing import duties boosts Vietnam's place in global trade



Photo: STAR

Customs officers attend a training seminar on requirements of the U.S.-Vietnam Bilateral Trade Agreement and World Trade Organization.

Vietnam has made considerable progress in implementing an effective valuation system, which implements the Bilateral Trade Agreement, facilitates WTO accession and, most importantly, promotes trade.

Challenge

Before 2004, duty paid on goods imported into Vietnam was based on a predetermined set of administrative prices. While this procedure added predictability to tariff revenue, it did not comply with the requirements of the U.S.-Vietnam Bilateral Trade Agreement and the World Trade Organization (WTO). Predetermined duties create a trade barrier by making it impossible for the government to set prices that reflect the actual transaction price; administered prices could be higher than actual prices. The trade agreement with the United States required that Vietnam's Customs Department develop a valuation system based on WTO standards by December 10, 2003.

Initiative

To address this challenge, USAID worked closely with the Customs Department to develop a circular that would require import duty to be based on the good's actual transaction value. Approved in early December 2003, the circular applied at first only to imports from the United States and ASEAN. It was soon extended to most of Vietnam's trading partners, and, in line with USAID's recommendations, the minimum price list was eliminated in mid-2004. USAID is now working with Customs to develop a handbook on valuation to provide information on specific procedures for customs officers and businesses.

Results

With USAID's assistance, Vietnam has made considerable progress in implementing an effective valuation system that implements the Bilateral Trade Agreement, facilitates WTO accession and, most importantly, promotes trade. Partly in response to USAID recommendations, the Customs Department is now developing a customs modernization program that will be supported by a loan from the World Bank. This program will develop a wide array of information systems, procedures, capabilities and training that will allow Vietnam's Customs to move toward a fully modern, accountable, online customs system in line with the Bilateral Trade Agreement, WTO and Kyoto Customs Convention. All of these efforts should greatly facilitate trade, revenue collection and customs controls.