

WTO Trade Facilitation Implementation and Vietnam

- ◆ AmCham Vietnam HCMC



- ◆ Customs, Trade & Risk Management Services (Vietnam) Co. Ltd.



Nestor Scherbey

Why are the new WTO TFA and Free Trade Agreements Important ?

Potential global long-term payoff from the WTO TFA alone, not including TPP, ASEAN, EU-VN FTA:*

- ❖ Export gains: 1,043 trillion USD
- ❖ Export jobs supported: 20.6 million
- ❖ GDP increase: 960 billion USD

* Source: Gary Hufbauer and Jeffrey Scott, Peterson Institute for International Economics: Report to the International Chamber of Commerce Research Foundation, April, 2013

Estimated Job Gains From Trade Facilitation Improvements To Goods Exports:

- ❖ Developed countries export gains: 475 billion USD
- ❖ Employees per 1 billion USD added: 5,500 + 2610 estimated jobs supported = **8110**
- ❖ Developing countries export gains: 569 billion USD
- ❖ Developing countries East Asia share: 267 billion USD
- ❖ Employees per 1 billion USD added East Asia: 41,500 + 11,081 estimated jobs supported = **52,581**
- ❖ South Asia: **123,113** East & South Asia Ave.: **87,847**

Why Does Trade Facilitation Have A Huge Impact ?

- ❖ "...A large share of 21st century trade requires integrated global supply chains that move intermediate and finished goods around the world. Intermediate goods account for 60 percent of global commerce, and about 30 percent of total trade is conducted between affiliates of the same multinational corporation."
- ❖ "...This means that, to remain competitive, countries must ensure that every stage of the supply chain is fast and efficient. Indeed, research shows that poor logistics directly reduce trade volumes for goods and services alike. The World Economic Forum estimates, in *Global Enabling Trade Report 2012*, that a 10 percent worsening in its Enabling trade Index (EtI) translates, on average, into a 40 percent fall in two-way merchandise trade."

What Will Vietnam's Share Be ?

- ❖ The answer will depend upon the success of the work we and many others in Vietnam do now and in the future weeks and months ahead.
- ❖ In order to send a football team to play in the World Cup, a nation must develop a competitive national team. The team must master and compete under FIFA World Cup rules called "Laws of the Game."
- ❖ The WTO TFA and other new Free Trade Agreements reflect the new "Rules of the Game" under which Vietnam must win its share of economic growth through trade and investment.

What Are The Challenges We Face With The WTO TFA And Free Trade Agreements ?

- ❖ Implementation of WTO and other trade agreements has not been consistent in Vietnam, creating uncertainty for investors and business.
- ❖ International trade facilitation has not been a focused strategic goal for Vietnam's global competitiveness plans.
- ❖ A World Bank study of last year reports that Vietnam does not lack policies, plans and projects but they are uncoordinated. Consultancy from experts and individuals outside the government does not receive adequate attention.

How Can Vietnam's Success In Trade Facilitation Be Achieved?

- ❖ It can be achieved through a national action plan and coordinated work by a National Trade Facilitation Committee established by the national government, which works with business and trade stakeholders in a truly effective way.
- ❖ This national effort can only be successful if a regular and meaningful mechanism for ongoing consultations with business is successfully established. This is the purpose of the Vietnam Trade Facilitation Alliance.
- ❖ Working closely together, these are the key elements for Vietnam's "national team" under the WTO's new "Law of the Game."

Practical Example: What Happens To Investors and Businesses Without Advance Customs Rulings?

- ❖ Unpredictability. If you were a CEO justifying a USD 300 million investment in Vietnam in a new supporting industry to take advantage of the new free trade agreements, you must know that the resulting final products for export will be eligible for preferential trade treatment because they will satisfy the Rules of Origin of the new agreements.
- ❖ You must know this long before there are any sales contracts, payments or trade transactions.

Practical Example: What Happens To Investors and Businesses Without Advance Customs Rulings?

- ❖ If you are a Vietnamese exporter, you must know the HS Codes and resulting duties and costs of your imported raw materials and components with certainty.
- ❖ You must also know whether your manufacturing or processing operations using “non originating materials” will fulfill Free Trade Agreement Origin Certification requirements.
- ❖ A study for the International Chamber of Commerce reports that Advance Customs Rulings reduce trade costs by 3.7%.

Practical Example: The Importance of the Single Window

- ❖ The Single Window is a worldwide effort to provide traders and companies with a single electronic portal in each country to submit documentation and data requirements for importation, exportation or transit of goods through a single entry point.
- ❖ It is a critical matter for Vietnam's national competitiveness for trade and investment that Vietnam's implementation of the Single Window cannot fall behind or be less effective than the Single Windows implemented by other nations.

Practical Example: The Importance of the Single Window

- ❖ The study for the International Chamber of Commerce reports that e-Customs automation results in a 2.7% reduction in trade costs.
- ❖ It also reveals that simplification of administrative formalities and documents procedures will result in a 5.6% reduction in trade costs.
- ❖ International cooperation will result in another 1.2% reduction in trade costs.

Practical Example: Implementation of Customs Risk Management

- ❖ WCO CTS – Cargo Targeting System. Let's have a look:
www.youtube.com/watch?v=t2AJisXaAkE&feature=youtu.be
- ❖ It means that the GDVC will increasingly integrate and apply global best customs practices through International Customs Cooperation.
- ❖ It also means that companies and traders will be held to higher standards of customs and trade compliance.

Practical Solutions: Trade Facilitation And New Free Trade Agreements Implementation

- ❖ Vietnam must take advantage of technical and other global assistance from WTO donors and international organizations to develop and implement an effective National Trade Facilitation Committee.
- ❖ The National Trade Facilitation Committee must have an effective business and trade consultations partner. The Vietnam Trade Facilitation Alliance is prepared to contribute the efforts, skills and technical knowledge base of business and trade stakeholders that is needed for this national effort.
- ❖ Working regularly and effectively together in a full-time process, they will be Vietnam's "national team" to implement the TFA and other trade agreements to assure Vietnam's national competitiveness.

Thank You!

For assistance, please contact:

Nestor Scherbey

Customs, Trade & Risk Management Services (Vietnam) Co., Ltd.
Tầng 16 Saigon Tower
29 đường Lê Duẩn
Quận I, TP Hồ Chí Minh, Việt Nam

Tel: +84 (0)8 3520 7790

Fax: +84 (0)8 3520 7604

E-mail: nestor@ctrms.com

www.ctrms.com

USA: Tel: +1 803 389-8353

Fax: +1 803 339-1928