



13 October 2005

**US-ASEAN Business Council Working Group on Customs
Issues presented to
Vietnam General Department of Customs**

The Customs Working Group of the US-ASEAN Business Council consisting of U.S. companies trading and investing in the ASEAN region commends the Government of Vietnam for its strong commitment to accede to the WTO. We believe that efficient customs and trade facilitation practices are critical to improving the trade and investment climate in Vietnam and look forward to assisting in this effort. We are pleased to highlight the following issues of priority to U.S. companies:

Customs Valuation: We applaud Vietnam's commitment to transition from a system of valuation based on reference pricing to one that is based on declared transaction prices in accordance to the principles of the *WTO Agreement on Customs Valuation*, and upon its accession. U.S. companies hope that the implementation of these practices will be conducted in a transparent manner and consistently across various ports of entry. When assessing duties for digital products, valuation should be based on the value of the medium only.

Advance Rulings, Administrative Appeal, and Judicial Review: To promote transparency and predictability for U.S. companies importing products into Vietnam, we hope that a system providing opportunities for attaining rulings on tariff levels and product classification in advance (prior to the import of goods) could be established. In addition to this, U.S. companies hope that opportunities for appeal could be made at the administrative and judicial levels.

Pre-entry clearance with minimal inspection: To expedite customs clearance, we urge Vietnam to consider the establishment of a pre-clearance mechanism whereby the processing for clearance is completed prior to flight arrival and the adoption of a risk management system where vigilant enforcement could be practiced without sacrificing trade facilitation. Risk management strategies match factors affecting risk with probability and likelihood, and take into account past performance to come up with a profile for importers. With risk management, Governments are able to identify high risk categories and focus their efforts on monitoring and enforcing compliance for these importers. Low risk shipments are released expeditiously through a "green lane". In addition, countries that have introduced the use of surety bonds and other bank guarantees for importers, plus a system of post-clearance audit, have found such policies to be more time efficient and cost effective, without revenue losses. By separating the release of goods from the accounting process, the more urgent process of releasing shipments is separated from the more complex process of customs and other border entry paperwork.

Express shipments: An increasing amount of trade is now being shipped by air and handled by express delivery service providers. These services are vital to maintaining efficient and secure supply chains for U.S. businesses across the world. As foreign investment increases in Vietnam, air cargo volumes are also expected to grow. To sustain quick customs clearance at airports for important time-sensitive shipments, U.S. businesses hope that expedited and automated customs

clearance procedures could also be coupled with the extension of customs operations beyond normal office hours and on Sundays. Additional improvements allowing for shipments to be processed at the place of arrival (in this case at airports) are also highly recommended.

Establishment of a de minimus: To assist with efficient processing, customs administrations across the world set de minimus levels and value thresholds for the import of goods. The concept of “de minimus” is the point at which it will cost Governments more resources to collect duties than to simply waive them. The establishment of such a de minimus level does not mean that Governments forego their rights to police borders. Such shipments continue to be subject to inspection, detention or seizure if suspected to be illegal. Among ASEAN countries, de minimus levels range from S\$400 (approximately \$241) in Singapore to 10 pesos (approximately \$0.18) in the Philippines. Brunei, Cambodia, Laos, Myanmar, and Vietnam do not have de minimus thresholds. To promote greater efficiency at borders, we look forward to the opportunity to provide feedback on appropriate de minimus levels for businesses in Vietnam.

Supply Chain Security: Securing global trade is vital to continued prosperity in the ASEAN region and the world. A severe disruption to the supply chain in one part of the world can negatively impact the entire global trading system in a far reaching way. Consequently, it is important that businesses and governments within ASEAN implement reasonable measures to diminish supply chain security vulnerabilities. Vietnam and the other ASEAN governments can ensure that security enhancements are complimentary of trade facilitation by developing common requirements in the region that are supportive of, or in common with, global standards, e.g., the WCO Framework of Standards to Secure and Facilitate Global Trade (“WCO Framework”). In addition, cooperation between governments and industry in developing and implementing common programs and requirements present opportunities to substantially enhance trading efficiency and reduce costs. We encourage Vietnam to work closely with industry to ensure any new programs provide, in addition to enhanced security, other measurable benefits to Authorized Economic Operators (AEOs) (e.g., reduced inspections, reduced customs clearance time) and a system for annual reporting on these benefits to demonstrate the results after implementation of the programs.

ASEAN Customs harmonization: To facilitate trade and fully benefit from trade liberalization in ASEAN, harmonization of customs practices is critical. Harmonization is even more crucial if ASEAN is to smoothly implement the *ASEAN-China FTA* and the planned *ASEAN-India FTA*. To transform ASEAN into a single platform for manufacturing, harmonization of policies and practices must be paired with the vision of ASEAN as a single customs union. Requirements for companies to supply advanced electronic cargo data to authorities for use in risk targeting for example should be harmonized. We also urge Vietnam to consider the acceleration of its AFTA and other regional commitments to support regional initiatives to enhance its competitiveness as a manufacturing center.

On behalf of the corporate members of the US-ASEAN Business Council and its Customs Working Group, we thank the Government of Vietnam for this opportunity to comment. We look forward to our continued partnership to assist Vietnam with its economic integration.