

WTO: 2006 PRESS RELEASES

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ACCESSIONS

General Council approves Viet Nam's membership

Viet Nam is set to become the WTO's 150th member following a decision by the General Council on 7 November 2006 to approve the Southeast Asian country's membership agreement. Viet Nam now has to ratify the deal, and it will become a member 30 days after it has informed the WTO that it has ratified.

The decision ends over 11 years of preparation, including eight years of negotiation. The working party of members negotiating with Viet Nam was set up on 31 January 1995 and met 14 times between July 1998 and October 2006.

"The remarkable efforts that Viet Nam has put into preparing for membership should be an inspiration to us all, as several members have observed," WTO Director-General Pascal Lamy said.

"Viet Nam has shown how anchoring domestic reforms in the WTO can yield dramatic results. Viet Nam's economic growth topped 8% last year, foreign direct investment rose steeply to over \$6 billion, and exports surged by over 20%. More must surely follow with the new laws, administrative measures, and commitments on goods and services that are in Viet Nam's membership package."

Vietnamese Trade Minister Truong Dinh Tuyen said the negotiations for WTO membership closely accompanied his country's economic reforms known as "doi moi".

"It is these reforms that ensure Viet Nam's constant economic growth, forming a firm foundation for the accession as a whole," he said. "On the other hand, WTO membership also helps Vietnam refine its reform process, creating opportunities for trade expansion, which is an important tool for economic growth.

"WTO accession poses major challenges to Vietnam's economy. However, we do believe that with cooperation extended by the members, Vietnam will make the most of opportunities, successfully handling challenges, ensuring fast and sustainable growth, pro-actively playing its part for the development of the multilateral trading system."

According to the latest WTO data, Viet Nam's merchandise exports were US\$26.5 billion in 2004, and its imports were US\$32.0 billion.

What Viet Nam has committed

The package of Viet Nam's accession documents consists of:

- Viet Nam's commitments on goods – the 560-page list for "schedule") of tariffs, quotas and ceilings on agricultural subsidies, and in some cases the timetable for phasing in the cuts
- Viet Nam's commitments on services – the 60-page document (also a "schedule") describing in which services it is giving access to foreign service providers and any additional conditions, including limits on foreign ownership
- The working party's 260-page report – describing Viet Nam's legal and institutional set up for trade, along with commitments it has made in many of these areas.

These are some highlights:

Goods: 'Schedule of Concessions and Commitments on Goods' [back to top](#)

For the majority of agricultural and non-agricultural goods, Viet Nam is promising ceilings (or "bound" rates) on duties ranging between zero and 35%. Some of these involve reductions phased over periods up to 2014, the precise end date varying from product to product.

Among products with higher ceilings are: alcoholic drinks, tobacco products, instant coffee and some related products, new and used motor vehicles and components, and roof tiles. Used vehicles less than five years old can be charged additional flat-rate duties up to specified limits.

These "bound" rates are legal ceilings. The actual duties that Viet Nam can charge (the "applied" rates) can be lower than the committed rates. Among the details of Viet Nam's commitments is a promise not to charge higher applied rates on rapeseed (also known as colza or canola) and derived meal, oil and other products than the duties actually charged on soy products — allowing the oilseed products to compete with soy.

In the separate working party report, Viet Nam has also reserved the right to charge applied duties in the form of specific duties (e.g. dollars per tonne) instead of percentages of the price ("ad valorem") so long as the result stays below the committed ceilings.

A handful of products are going to be protected with tariff quotas (higher duties for quantities outside the quotas, and lower duties for quantities within the quotas): eggs, tobacco, sugar, and salt (which Viet Nam says is the main income source for 100,000 poor farmers in coastal areas). But Viet Nam will expand the quotas until they disappear according to agreed timetables.

Viet Nam has also signed the "plurilateral" Information Technology Agreement ("plurilateral" meaning only some WTO members have signed). For these products, Viet Nam has agreed to allow imports in duty-free. In some cases, the zero duty will apply immediately; in others it will be achieved gradually over periods ending in 2010 to 2014.

In agriculture, Viet Nam has promised not to subsidize exports. It will be allowed to support its farmers domestically with trade-distorting supports ("Amber Box" or "Aggregate Measurement of Support", i.e. supports that have a direct impact on prices or quantities produced) of up to 3,961.5 billion Vietnamese dong (currently about US\$246 million) in addition to the usual allowance for developing countries (known as "de minimis") of up to 10% of the value of domestic agricultural production. As with all WTO members, Viet Nam can also spend unlimited amounts on supports that do not distort trade ("Green Box" supports).

Services: 'Schedule of Specific Commitments on Trade in Services' [back to top](#)

Viet Nam has made commitments on a range of services. In some cases Viet Nam reserves the right to limit foreign ownership of service companies operating in Viet Nam — for example in some telecommunications services the eventual limits can be 49% or 65%, depending on the service. In a few cases, permitted foreign ownership is immediately 100% (for example accountancy). In many cases, the permitted foreign ownership is phased in to reach 100% after a few years (for example express delivery courier services after five years).

As is normal in this sector, the effect of the commitments depends also on complex relationships with domestic regulations — for example in the first two years, 100%-foreign-owned architectural firms can only serve foreign companies. The commitments and some of the regulations are in the "schedule" (lists) of commitments; other information on the regulations is in the working party report.

The working party report: 'Report of the Working Party on the Accession of Viet Nam'

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The working party report outlines the economic context, and the institutional and legal framework. It includes Viet Nam's commitments to undertake reforms or to preserve reforms that have been introduced

in order to secure membership. Among the commitments are:

Foreign exchange: Viet Nam will abide by IMF and WTO rules

State enterprises: commercial business (i.e. except for supplying the government) will be conducted on commercial terms without interference from the government. A number of products are listed as subject to state trading enterprises because of consumption restrictions, for cultural and moral reasons, or because they are "natural monopolies": tobacco products, petroleum, cultural products such as newspapers, journals and audio-visual materials, and aircraft

Privatization and equitization of state enterprises: this will be handled transparently, with Viet Nam supplying annual reports while the programme lasts

Pricing and price controls : Viet Nam will comply with WTO agreements and notify the WTO of actions it takes to control prices

Policy-making and enforcing framework : a number of administrative and legal structures have been introduced or strengthened so that WTO provisions are applied, including the possibility of investigation and judicial review to deal with complaints about this

Trading rights (the right to import and export): this was a subject of tough negotiations partly because of different registration procedures for foreign and domestic traders. A new law has now harmonized the procedure for both.

Among the many additional details are a commitment that all foreign firms and individuals will be able to engage in importing and exporting as importers/exporters "of record" so long as they register, and importers will be able to choose their domestic distributors

Excise duties: the different duties charged on alcoholic drinks attracted particular attention in the negotiations. Viet Nam has agreed to simplify the structure within 3 years by applying a single rate for all forms of beer and a single rate for all spirits containing 20% alcohol or more. This has allayed concerns from some countries that the previous structure might discriminate against imported beers that have different packaging, or against imported spirits with higher alcohol content

Quantitative and other restrictions : quotas, bans and other restrictions will be abolished, including import bans on cigarettes, cigars and used vehicles, or only applied according to WTO rules

WTO agreements dealing with rules: Viet Nam will comply with the Customs Valuation, Rules of Origin, Pre-shipment Inspection, Anti-dumping, Safeguards, Subsidies, and Trade-Related Investment Measures agreements, with some provisions phased in over a period

Export restrictions : Viet Nam maintains export controls on some products such as rice, and some wood products and minerals (to prevent illegal exploitation). It is pledging to apply controls on these products in a way that conforms with WTO agreements

Standards : Viet Nam will apply the Technical Barriers to Trade, and Sanitary and Phytosanitary Measures agreements without a transition period

Government procurement : Viet Nam will consider signing the Government Procurement Agreement after it has become a WTO member

Intellectual property : almost 33 pages of the report describe in detail the administrative and legal set up in the country. Viet Nam will comply with the Trade-Related Aspects of Intellectual Property Rights (TRIPS) Agreement immediately, without any transition period

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The 7 November 2006 General Council decision completes the process as far as existing WTO members are concerned. The remaining steps are Viet Nam's:

- Viet Nam ratifies the deal
- Viet Nam informs the WTO that it has ratified
- Viet Nam becomes a member 30 days after notifying that it has ratified

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Working party members: Argentina, Australia, Brazil, Brunei, Bulgaria, Cambodia, Canada, Chile, China, Colombia, Croatia, Cuba, Dominican Republic, Egypt, El Salvador, European Union and member states, Honduras, Hong Kong China, Iceland, India, Indonesia, Japan, Republic of Korea, Kyrgyz Republic, Malaysia, Mexico, Morocco, Myanmar, New Zealand, Norway, Pakistan, Panama, Paraguay, Philippines, Romania, Singapore, Sri Lanka, Switzerland, Chinese Taipei, Thailand, Turkey, United States, Uruguay

Chairs: 1998-2004, H.E. Seung Ho (Republic of Korea); 2005-2006, Ambassador Eirik Glenne (Norway)

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