

INVISIBLE BARRIERS TO TRADE

Viet Nam: Business perspectives



International
Trade
Centre

With the support of



**MINISTRY OF
FOREIGN AFFAIRS
OF DENMARK**

© International Trade Centre 2023

The International Trade Centre (ITC) is the joint agency of the World Trade Organization and the United Nations.

Street address: ITC
54-56, rue de Montbrillant
1202 Geneva, Switzerland

Postal address: ITC
Palais des Nations
1211 Geneva 10, Switzerland

Telephone: +41-22 730 0111

Fax: +41-22 733 4439

E-mail: itcreg@intracen.org

Internet: <http://www.intracen.org>

Viet Nam: Business perspectives

INVISIBLE BARRIERS TO TRADE

About the paper

Nearly half of Vietnamese exporters face regulatory or procedural trade barriers, according to an International Trade Centre survey of 1800 businesses. Lack of trade information, complexities with certification and compliance, administrative delays in some regions, and complex visa requirements and lack of support for women entrepreneurs were among the top challenges. Abroad, Asia and Europe have the most challenging non-tariff measures.

Public-private dialogues following the survey led to an action plan that emphasized business environment reforms, e-government to reduce delays and improve transparency, more international regulatory cooperation, and better trade facilitation measures. The report includes a matrix of concrete actions for the trade ecosystem as well as specific sectors.

Publisher: International Trade Centre

Title: Viet Nam: Invisible barriers to trade. Business perspectives.

Publication date and place: Geneva, December 2023.

Page count: 72

Language(s): English

ITC Document Number: TMI-74-23.E

Citation: International Trade Centre (2023). *Viet Nam: Invisible barriers to trade. Business perspectives*. ITC, Geneva.

For more information, contact: Vianney Lesaffre, vlesaffre@intracen.org

For more information on NTM surveys, see www.ntmsurvey.org

ITC encourages the reprinting and translation of its publications to achieve wider dissemination. Short extracts of this paper may be freely reproduced, with due acknowledgement of the source. Permission should be requested for more extensive reproduction or translation. A copy of the reprinted or translated material should be sent to ITC.

Digital image(s) on the cover: © Shutterstock

© International Trade Centre (ITC)

ITC is the joint agency of the World Trade Organization and the United Nations.

Foreword

The crises and disruptions of recent years have taken a heavy toll on Viet Nam's exporters, especially women and youth. These same developments have also fuelled an important conversation about the barriers that hamper exporters' trading prospects, along with how policymakers and other stakeholders can respond.

Currently, almost half of Viet Nam's exporters grapple with restrictive regulations or related trade obstacles. Among these are difficulties complying with technical requirements, lack of trade-related information and inadequate domestic infrastructure. Women entrepreneurs also face social constraints and need greater support from government agencies and business support institutions.

Viet Nam has immense export potential: the next step is to translate that potential into practice. The country can potentially increase its exports by up to \$220 billion by 2025, even when considering the disruptions caused by COVID19 and other crises, according to the International Trade Centre's latest assessment. Achieving this potential means more jobs—including for youth and women—and greater economic development.

But it can only happen if exporters are able to become better integrated into global value chains, and that means tackling those market frictions that make it harder for small businesses to trade. Thus, identifying which non-tariff measures are hindering Vietnamese exports is critical for the Government as it formulates its trade policies.

The clearest insights come from talking to these exporters themselves. That's why the International Trade Centre's business surveys on non-tariff measures focus on identifying key trade hurdles that small businesses experience, based on what these firms tell us. Over the years 2019-2020, we undertook a large-scale business survey of exporters and importers in Viet Nam to identify the most challenging non-tariff measures (NTMs) that they face.

The results are meant to give policymakers insights into which policies, procedures and facilities must be strengthened to reduce trade costs, boost competitiveness, and enable greater integration into global value chains. Our survey showed that there is great scope for the Government of Viet Nam to streamline processes, improve quality management and work with exporters to provide consistent, transparent and timely information.

The International Trade Centre remains committed to supporting Vietnamese small businesses to fulfil their export potential, especially as they recover from recent crises and build resilience for the future. We also stand ready to work with the Government of Viet Nam as they develop policy responses.

We know, from nearly 60 years of working with small businesses, that market access begins at home. I hope this report will help pave the way to a more inclusive and competitive trade policy, in line with local needs and priorities.



Pamela Coke-Hamilton
Executive Director
International Trade Centre

Acknowledgements

The International Trade Centre (ITC) expresses its appreciation to the representatives of enterprises, business associations and institutions, and the experts who agreed to be interviewed and shared their experiences on regulatory and procedural trade obstacles.

Camilo Giraldo, Nguyen Anh Duong, and Vianney Lesaffre wrote this report. Yared Befecadu, Abdellatif Benzakri, Adam Adou and Paula Castañeda contributed to data quality control and provided statistical support. Cintia De Lima Cardoso contributed with editing and Iva Stastny with the illustrations.

Vianney Lesaffre managed the implementation of the business survey on non-tariff measures (NTM) in Viet Nam.

ITC acknowledges Mekong Economics and VIETRADE, which conducted the interviews in Viet Nam, and Nguyen Thuy, Deputy Director of Vietrade, for coordinating the NTM programme in Viet Nam.

ITC thanks the Ministry of Industry and Trade of Viet Nam for its trust and support throughout the project.

The NTM business survey in Viet Nam was implemented as part of ITC's programme on non-tariff measures under the general supervision of Mondher Mimouni and Ursula Hermelink (both ITC).

We would also like to thank Natalie Domeisen and Anne Griffin (both ITC), who oversaw production and quality control; Laura Wallace, who edited the report; Iva Stastny Brosig, Design (+) who provided the design services, and Serge Adeagbo (ITC) who provided the print support.

ITC thanks the Government of Denmark for its financial contribution.

Contents

Foreword	iii
Acknowledgements	iv
Acronyms	vi
Executive summary	vii
Chapter 1: Company perspectives	1
Key challenges	1
Certification: Complicated testing, complex requirements	3
International compliance: Complex processes, limited facilities	7
Administrative services: Regional disparities create delays	10
Regulatory bodies: Lack streamlined practices	13
Company guidance: Lack training to implement regulations	18
Transport regulations: Inefficient new circulars and laws	22
Tax regulations: Changes too frequent for services providers	24
Visas: Complexity is offputting for tourists, foreign professionals	26
Regions: Asia, Europe have most onerous NTMs	29
Women: Only 25% are owned or managed by women	30
Chapter 2: What needs to change	32
Trade	32
Business environment reforms	32
Good regulatory practices	32
Trade facilitation, governance	32
E-Government for speed, transparency	33
International regulatory cooperation	33
Sectors to prioritize	33
Goods	33
Transport and logistics	35
Information and Communication Technologies	35
Travel and Tourism	36
Matrix of actions	37
Appendices	38
Appendix I: Country Overview	38
Appendix II: Project timeline	41
Appendix III: Methodology of the survey	42
Appendix IV: Regulatory classifications	48
Appendix V: Data source and additional explanations	52

Figures

Figure 1: Asia and Europe impose most of the challenging regulations	29
Figure 2: Female employment by company size in Viet Nam	30
Figure 3: Burdensome regulations affect more men-led exporters than women-led exporters	31

Acronyms

Unless otherwise specified, all references to dollars (\$) are to United States dollars.

AHTN	ASEAN Harmonized Tariff Nomenclature	MRL	Maximum Residue Limits
ASEAN	Association of Southeast Asian Nations	NAFIQAD	National Agro-Forestry Fisheries Quality Assurance Department
BRC	British Retail Consortium	NTM	Non-tariff measure
BSCI	Business Social Compliance Initiative	NGO	Non-Governmental Organization
CO	Certificate of Origin	OECD	Organization for Economic Co-operation and Development
CPTPP	Comprehensive and Progressive Agreement for Trans-Pacific Partnership	PO	Procedural obstacle
EU	European Union	PARA	Pest Risk Analysis
EVFTA	EU-Viet Nam Free Trade Agreement	REX	Registered Exporter System
FDA	Food and Drugs Administration	SME	Small and medium-sized enterprise
FSC	Foreign system certification	SPS	Sanitary and phytosanitary
FTA	Free Trade Agreement	TBT	Technical barriers to trade
GATS	General Agreement on Trade in Services	UNCTAD	United Nations Conference on Trade and Development
GATT	General Agreement on Tariffs and Trade	VIETRADE	Viet Nam Trade Promotion Agency
ITC	International Trade Centre	VCCI	Viet Nam Chamber of Commerce and Industry
KFDA	Korea Food and Drug Administration	WTO	World Trade Organization
MoIT	Ministry of Industry and Trade		



Executive summary

Foreign and local regulations are burdensome for almost half of Viet Nam's goods exporting companies

- **Non-tariff measures (NTMs) pose major challenges for most Vietnamese exporters.** Almost half of the 1,736 companies surveyed on NTMs in 2019-2020 report facing restrictive regulations or related obstacles to trade in Viet Nam or abroad. Regulations affect exporters and importers similarly, but their impact varies across different sectors and sub-sectors in Viet Nam.
- **Companies in the agriculture sector are the most affected.** While burdensome regulations and procedures cause problems for 36% of exporters in the manufacturing industry, the number rises to 47% among agricultural exporters. These products are highly regulated to protect human health and the environment.
- **Companies of all sizes are affected.** Nearly 50% of micro and small firms, 30% of medium-sized enterprises, and 42% of large companies reported difficulties with regulations. Smaller companies struggle more than larger enterprises to shoulder the costs of complying with regulations and tackling related procedural obstacles.
- **Both foreign and local regulations are burdensome.** Partner or destination countries accounted for 77% of the problematic regulations, while Viet Nam accounted for 11%. However, for importers of goods, Viet Nam accounted for all of the burdensome regulations. The key area where exporters are more likely to agree that Vietnamese standards and regulations would be necessary is food sanitation and safety.
- **Asian and European countries account for most of the NTM obstacles.** Europe led with a share of 31% of NTMs, followed by ASEAN with 16% and Asia (except for ASEAN) with 27%. But the higher share of NTMs did not go hand-in-hand with a higher trade volume. For example, while 44% of Vietnamese exports go to the Asian (except ASEAN) region, only 27% of companies faced obstacles there. In contrast, while only 6% of Vietnamese exports go to the ASEAN region, 16% of companies experienced obstacles there.
- **Proving compliance with technical requirements is challenging.** Vietnamese exporters cited technical measures (foreign and local ones) as the biggest hurdle, accounting for nearly 60% of onerous NTMs. Rules of origin (23%), and export related measures (notably procedures) (11%). For importers, however, the biggest obstacle cited were technical measures (43%), notably conformity assessments (34%), followed by pre-shipment inspection (26%) and charges, taxes and price control measures (18%)

- **The most problematic domestic regulations differ for exporters and importers.** While exporters point to export inspection (37%), followed by certification required by the exporting country (20%), importers point to pre-shipment inspection and other entry formalities (26%), followed by product certification (15%) and customs valuations (15%).
- **Procedures cause serious problems.** Vietnamese exporters pointed to delays related to regulation as the biggest procedural obstacle from partner countries (41%) and Viet Nam (39%). Meanwhile, partner countries' second most prevalent procedural obstacle involved unusually high fees and charges for reported certificates/regulations. Importers of goods also report similar incidence.

Trade in services

- 10% of services providers faced obstacles related to importing goods and services needed to conduct their export operations. Among the companies that faced obstacles and procured key goods and/or services from abroad, the share of companies facing issues with service imports was relatively higher than those facing issues with goods imports. The rate of NTM affectedness for MSMEs does not differ from that for larger companies. Domestic regulations, particularly technical requirements, are the primary source of concern for exporters. Burdensome administrative procedures were the main reasons for worry.
 - **The ICT is the most affected service sector.** About 73% of the exporting companies reported obstacles to export operations – primarily, regulatory barriers on the movement of natural persons (e.g., hiring) and tax measures. Also problematic are excessively strict or unclear domestic requirements.
 - Logistics and transport is the second most affected service sector. About 63% of the exporting companies reported obstacles to export operations – notably for consolidators of transport and logistics operations (91%) and providers of auxiliary transport services (88%). Security and safety standards pose the most challenges to freight transport. Key regulatory obstacles include speed control and weight, which are often justified on the grounds of underdeveloped transport infrastructure.
- Tourism is the least affected service sub-sector.** About 61% of the exporting companies reported obstacles to export operations – primarily, licensing, qualifications and registration requirements. Tourism operators complain about delays in administrative procedures applied to the movement of people by partner countries (when purchasing tourist visa services through foreign suppliers) and by Viet Nam (when recruiting foreign tourist guides to cope with the country's lack of language skills).

Viet Nam's business environment is challenging but improving

- For traders of goods, time delays were the most frequently cited issue, as perceived by 35% of the companies. Other substantial issues involved informal payments (i.e., bribes), complex clearance mechanisms, and inconsistent or arbitrary behaviour of officials. Even so, surveyed companies perceived improvements in the business environment affecting their trade in goods – mainly electronic or computerized procedures and electricity supply.
- As for services exporters, they face quite a different set of business environment issues. A large share of services providers (49%) recognized complex and lengthy administrative procedures. Other substantial issues included frequent changes in regulations, arbitrary or discriminatory behaviour of officials, unreliable internet connectivity, and lack of access to business-related information. Nevertheless, the surveyed companies engaged in services exports recognized improvements in all aspects of the business environment – even more so than in the case of trade in goods.

RECOMMENDATIONS AND ACTIONS

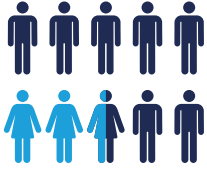
- Viet Nam should move forward now taking both across-industries (horizontal) and sector-specific approaches. The broader approach includes: (i) pursuing comprehensive business environment reforms, especially under Resolution 02; (ii) preserving momentum for reforms even during mitigation of COVID-19 impacts; (iii) enhancing good regulatory practices to streamline NTMs and reducing the unnecessary regulatory burden on businesses; and (iv) promoting e-government to help shorten delays and to facilitate more consistent decision-making by officials. It should also take steps to make trade facilitation and better public sector governance intertwined and promote international regulatory cooperation.
- For trade in goods, Viet Nam should increase compliance with conformity assessments by: (i) simplifying requirements; (ii) raising awareness among exporters about why compliance matters; and (iii) reducing time and costs for customs clearance (a National Single Window). It should take steps to enhance the accessibility and transparency of trade policy information. And it should devise a better strategy to implement free trade agreements (FTAs) – especially for certificates of origin (COs), sanitary and phytosanitary (SPS) measures, and technical barriers to trade (TBT).
 - For trade in services, government-led reforms can increase the competitiveness of the sectors, as most obstacles occur at home.
 - In transport and logistics, reform efforts should focus on (i) reducing excessive tolls and charges for freight transport services; and (ii) upgrading infrastructure to facilitate transport activities.
 - In ICT, reform measures are needed to: (i) relax visa requirements for foreign IT experts; (ii) reduce taxes on ICT services; and (iii) develop ICT standards and foster public-private information sharing on ICT standards.
 - In travel and tourism, Viet Nam needs to: (i) simplify visa requirements and processing time for foreign tourists; and (ii) improve regulations related to registration of foreign tourists and service quality control.



59% MPMEs



23% of services providers, less than a **fifth** of employees are **under the age of 35**.

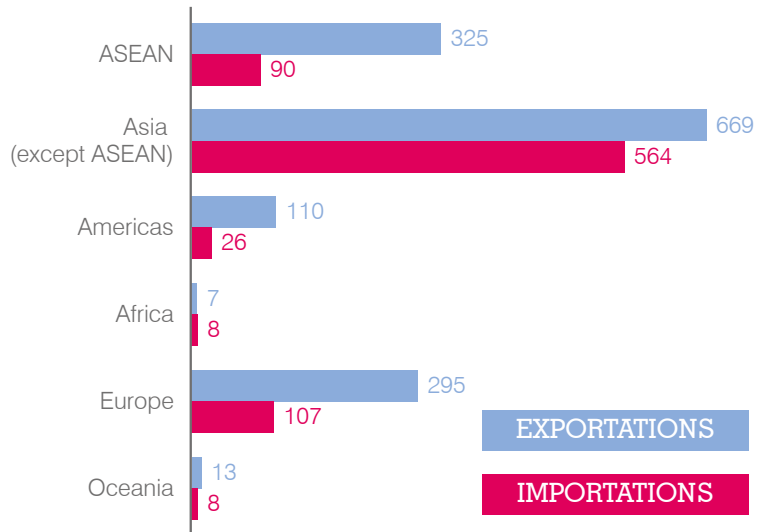


74% both owned and managed by **men**.



Export partners:
44% from: Asia

Asia is the most important trading partner of interviewed companies



Companies interviewed

1,736 companies surveyed in all regions of Viet Nam (between March to November 2019)

GOODS

SERVICES

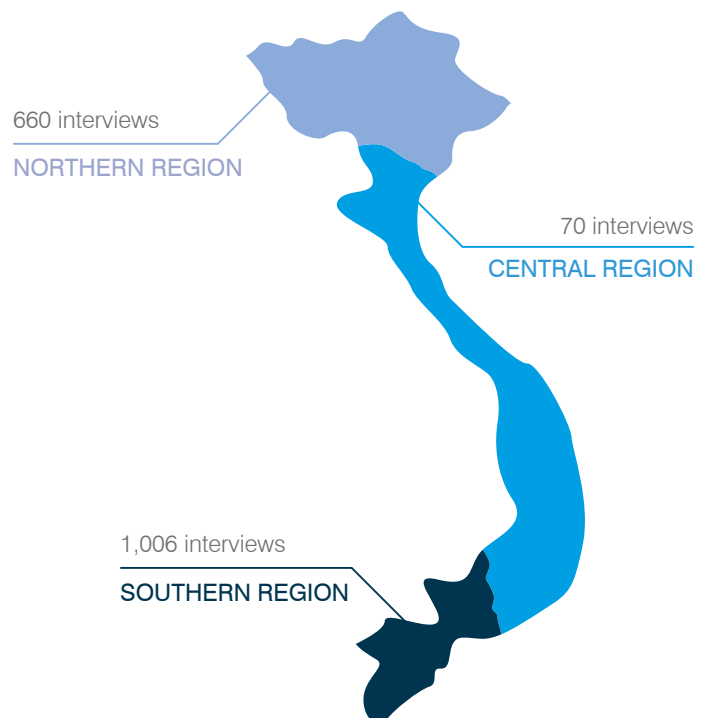
389
Agriculture

112
Transport and Logistics

956
Manufacturing

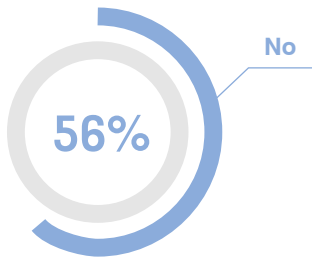
171
Tourism and Travel

108
Information and Comm. Technology

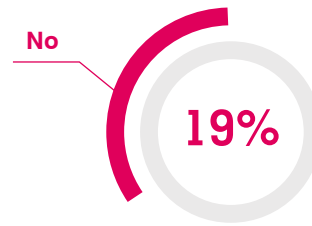




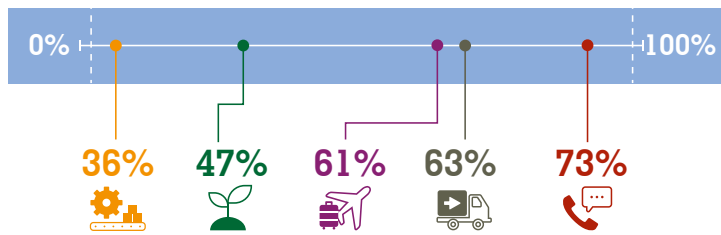
Do they export easily?



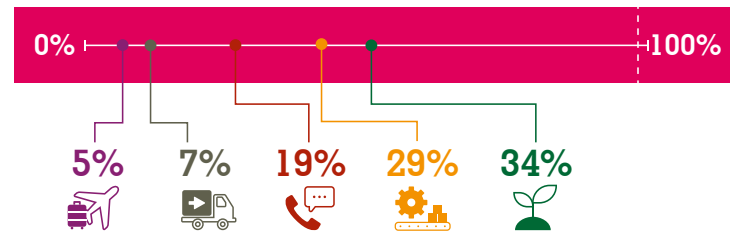
Do they import easily?



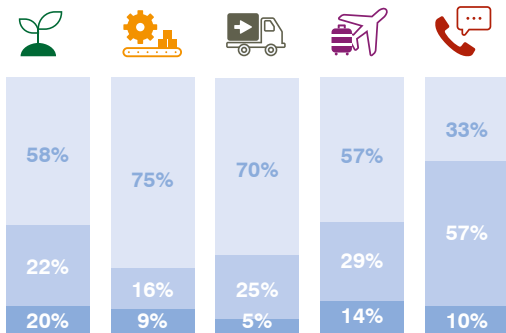
EXPORTS



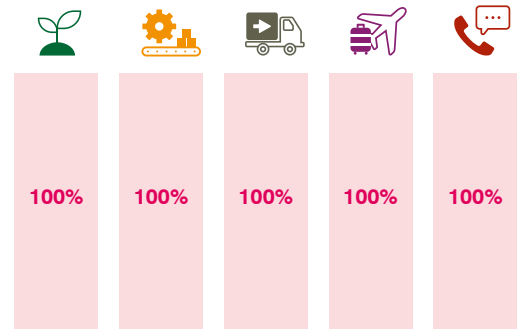
IMPORTS



Exports



Imports



Regulatory obstacle
Both
Procedural obstacle

Procedural obstacle

Delays are the biggest procedural obstacle.

GOODS

SERVICES

Time constraints
25%
40%

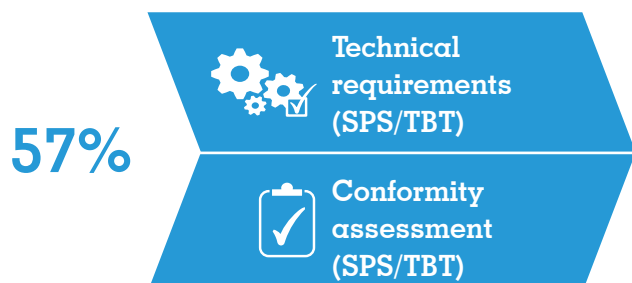
Informal or unusually high payments
15%
30%

Administrative burdens
15%
25%

Discriminating behavior of officials
5%
25%



Technical measures account for the **largest share of obstacles** that hinder both **agriculture (80%)** and **manufacturing (50%)** sectors. **Rules of origin and export related measures are a huge problem** for exporters of manufactured goods (40%).



“Lack of information on pesticide management required by international markets makes difficult for Vietnamese companies to export.”

“The required ISO standard for medical devices is too costly as it is originally provided for three years, but the global certification body in charge of the process makes annual audits.”



“Quite often, our suppliers do not have documents proving the origin of their material. Therefore, it is very difficult meet the requirements of Rules of Origin to export sports footwear to Europe.”



“Proving the production respects animal well-being conditions is very difficult. Besides, it takes time – at least 15 days – to apply for a leather export certificate.”



“United States of America did not accept the HS code provided by our company. Therefore, the HS code reclassification demand caused time delays.”



“For some markets in Oceania, governments regulate that imported products must be inspected twice before the shipment. Besides, an accredited international inspection body must implement this inspection, doubling the costs for the company.”



“To import alloy steel bar, we must register our product for importing quality guarantee at the Department of Science and Technology. These results should be available online within 24 hours. Unfortunately, it can take longer, raising the storage costs for our company.”



Technical requirements highly affect all sectors, in particularly **transport**. **Tax measures** are also a burden for trade in **ICT and transport**. **ICT sector** must face difficulties as well in **movement of persons for employees** as **tourism** faces the same **problems for clients**. For all three services sectors, **market entry issues such as licenses are problematic**, especially for tourism.



“ Road transport services encounter random checks to deliver the fresh fruits to neighbouring countries. The multi-layered inspection process provoke delays and raises the operating costs. ”



“ To claim tax deductions, the Ministry of Finance in Vietnam requires firms to obtain a ‘red receipt’ from the buyer. However, it is impossible to obtain it in some foreign countries, as they do not grant it. Furthermore, the Ministry of Finance also does not have any specific framework or adequate procedures to process the receipts or to find a viable alternative. ”



“ The hotel was already registered as a provider of passenger transport services. However, the Department of Transport we requested an additional license. We had to present several documents and it took us one month to have this license. This delay affected our daily activity. ”



“ According to the current regulations, foreigners must prove a minimum of three years of work experience. Freelancers in the ICT sector find difficult to comply with this regulation, affecting our hiring plans. ”



“ Some costumers demand the hotels and restaurants provide Halal food certificates. This certification is expensive – up to 6,000 USD. This cost is considered too high for small businesses. ”



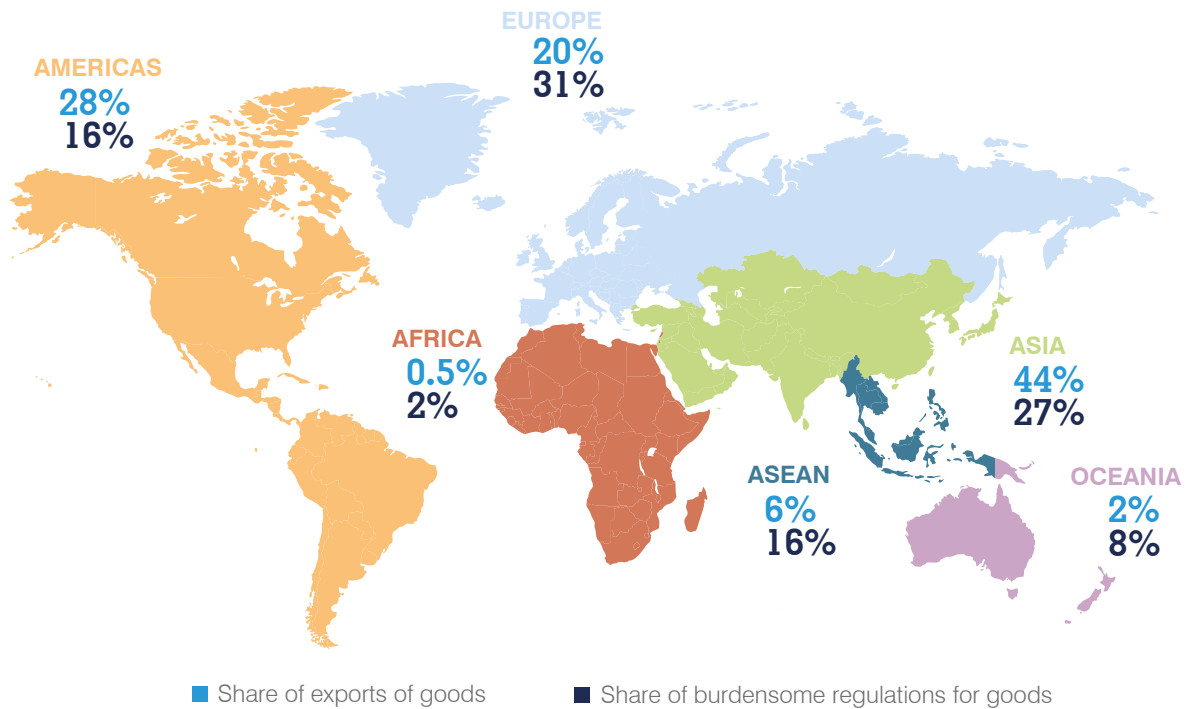
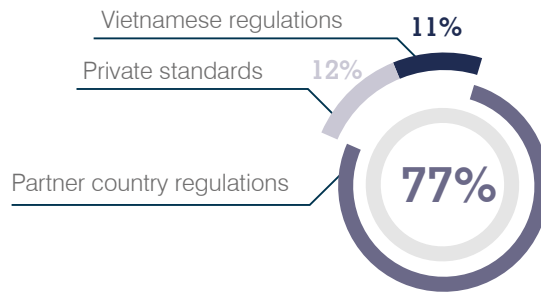
“ Tourists from France, Spain and the UK can stay up to 15 days without a tourist visa. However, this period is not renewable. Therefore, tourists willing long stay travels may turn themselves to neighbouring countries such as Thailand, Laos. This affects our competitiveness. ”



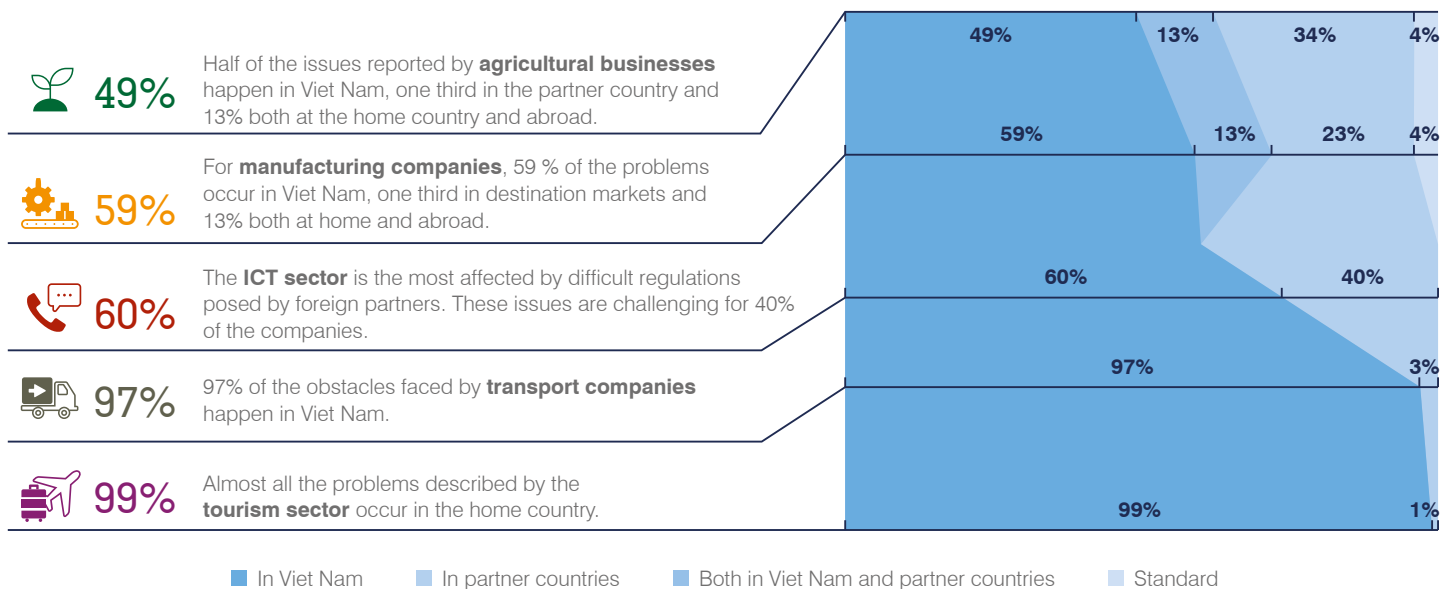
“ The company complied with all requirements. However, our product was retained by customs for almost a month because of sudden changes in the documents and guidelines regulating the importing of goods to provide the services. ”



Relative difficulties when accessing markets:
















Most trade obstacles can easily be addressed as they mostly occur in Viet Nam.





Who can make a difference?

<p>Ministry of Industry and Trade</p> 	<p>Ministry of Tourism</p> 
<p>Viet Nam Chamber of Commerce and Industry</p> 	<p>General Department of Taxation</p> 
<p>Ministry of Information and Communications</p> 	<p>Viet Nam Textile Research Institute</p> 
<p>Ministry of Health</p> 	<p>Viet Nam Environment Administration</p> 
<p>Ministry of Public Security</p> 	<p>Viet Nam Association of Tourism</p> 
<p>General Department of Viet Nam Customs</p> 	<p>Viet Nam Road Administration Department</p> 
<p>Ministry of Transport</p> 	<p>... and more</p>

CHAPTER 1

Company perspectives

Key challenges

CERTIFICATION:

Complicated testing, complex requirements

- Companies must adjust their production process and hire a globally recognized organization to comply with the British Retail Consortium (BRC) standards.
- Hiring a recognized third party to audit and grant the BRC certificate is time-consuming and costly.
- Training staff in good practices to get the foreign system certification (FSC) is costly and time-consuming.
- Hiring international certification bodies to get the CE marking certificate is expensive.

INTERNATIONAL COMPLIANCE:

Complex processes, limited facilities

- Partner countries do not recognize certifications by Eurofins or the Quality Assurance and Testing Centre in Viet Nam.
- Companies are still using pesticides prohibited by several markets, given inadequate information on changes in the Maximum Residues Limits (MRLs) in Viet Nam.
- Applying for the Food and Drug Administration (FDA) code is costly and time-consuming.
- Administrative services: Regional disparities create delays
- Some services offered by the Viet Nam Chamber of Commerce and Industry (VCCI) must be processed in certain regions, forcing companies to take long trips to get there, losing time and money.
- VCCI authorization for the self-certification mechanism (Registered Exporter System (REX)) requires many documents, takes months to be granted and causes delays.

REGULATORY BODIES:

Lack streamlined practices

- Certification of agricultural products is lengthy and costly at the National Agro-Forestry-Fisheries Quality Assurance Department (Nafiqad).
- It takes too long for the Vietnamese Plant Protection Agency to issue the phytosanitary certificate.
- Excessively long inspections and controls are worsened by the involvement of multiple agencies, damaging delicate products.
- Poorly implemented security standards in Viet Nam create a general lack of expertise in complying with the high technical requirements set by clients in partner countries.

COMPANY GUIDANCE:

Lack training to implement regulations

- Lack of clarity and harmonization with the new customs circular 39/2018/TT-BTC (addressing the issues with tax and customs procedures under circular 38/2015/ND-CP) leads to inconsistencies in its implementation across customs offices in different provinces.
- New eCustoms system is hampered by inefficiencies (such as manual verification).
- Arbitrary interpretation and implementation of fire prevention and fighting law (27/2001/QH10) creates excessive paperwork and delays.
- Unclear testing criteria and limited resources affect compliance with national hygiene and safety standards, leading to delays in business operations and prompting informal payments to speed up procedures.
- Certificate of Origin (CO) issuance is delayed: Customs Department and Chamber of Commerce sometimes disagree on HS code.



TRANSPORT REGULATIONS:

Inefficient new circulars and laws

- Freight transport providers cannot take full advantage of the vehicle's performance, given new requirements on axle and total cargo load set by circular 46/2015/TT-BGTVT.
- Restrictions on hours of operations of road network and terminal points change without prior notice, causing delays for transport service providers and raising operating costs.

TAX REGULATIONS:

Changes too frequent for service providers

- Transparency and predictability of the taxation imposed by road transport authorities and customs offices are not homogeneous.
- Software developers lack adequate support to understand and comply with tax practices.

VISAS:

Complexity is off putting for tourists, foreign professionals

- Limited coverage of tourist visa exemptions loads of paperwork, limited capacity to process peak season demands and complexities in visa extensions affect tourism services providers.

- Visa requirements imposed by the Vietnamese immigration office on foreign IT experts are too demanding, not properly disseminated and not adapted to the reality of the ICT sector.
- Inadequate administrative procedures and the lack of skilled human resources increase the difficulty of obtaining the passenger transport certificate and the tourist guide card.

REGIONS:

Asia, Europe have most onerous NTMs

- Europe's regulations account for 31%, ASEAN for 16%, and Asia (except ASEAN) for 27%.
- But a higher NTM share does not go together with a higher trade volume.

WOMEN:

Only 25% are owned or managed by women

- Average share of female employees in all Vietnamese companies is 34%; women own 19% of the firms and manage 22%.
- Female employment concentrated in a handful of sectors – fresh & processed food, clothing, and miscellaneous manufacturing.

CERTIFICATION: Complicated testing, complex requirements

WHAT IS THE ISSUE?

Companies bear the high level of requirements set by international certifications and standards, forcing them to adjust their production process and creating delays and additional costs. Sometimes, they must hire internationally recognized third-party organizations to audit and grant the usually expensive certificates.

Here are the four most important product certification cases that the 1,736 companies reported as burdensome during ITC's non-tariff measure (NTM) survey:

NTM type related to the issue	Companies facing this obstacle
Conformity assessment: product certification.	29% of the problems reported by agricultural exporters and 22% of the problems reported by manufacturing exporters.

Case N°1: BRC Standards

Some governments require Vietnamese importers to get a **BRC Food Safety Certificate**. **This requirement demands high levels of compliance**, including a wide-ranging certification programme with food and safety planning, site and process controls, and proper premises management. To fulfil this requirement, **companies must adjust their production process and control** by investing in infrastructure, warehouses and storage (in some cases, spending more than VND 2 million). Additionally, they must hire a globally recognised organization (like Intertek to audit and grant the certificate, which is time-consuming (20 days) and costly (\$3,000 - \$3,500).

Companies that have decided to adjust production processes are training and coaching farmers in areas like materials, pesticides and watering methods. Still, **this process takes about one year** to complete.

Other companies are selling their products in countries like Thailand, which helps facilitate the BRC certificate. They do the packaging and labelling and then export to Europe, which **increases Vietnamese companies' costs by 25% - 30%**.

'We must obtain the BRC certificate to be allowed into the United States. It requires a high level of compliance, as the certification programme includes food and safety planning, site, process controls and gaining management procedures. To fulfil this requirement, we need to hire a globally recognised organization to adjust the production process and control, mainly Intertek or SGS, to come, audit and grant the certificate, which is time-consuming (20 days) and costly (\$3,000 - \$3,500).'

Exporter of tuna

Products concerned

Dried banana, pepper, tuna.

Obstacles related to the issue

- Delays.
- Unusually high fees.

Issue related to exports to

Canada, Denmark, France, Germany, Netherlands, Spain, Sweden, United Kingdom, United States

About BRC (Source.brcgs.com)

BRC is a product and process certification standard known for compliance with industry best practices. It is an internationally recognized mark of food safety and quality. Certification is achieved by undertaking a third-party audit against standard requirements by an accredited certification body.

WHAT ARE THE CONFORMITY ASSESSMENT REQUIREMENTS?

The World Trade Organization agreement on Technical Barriers to Trade defines **conformity assessment as any procedure used, directly and indirectly, to determine that relevant requirements in technical** regulations or standards are fulfilled. These requirements include procedures for sampling, testing and inspection; evaluation, verification, and assurance of conformity; and registration, accreditation, and approvals (ITC, 2005).

Exporters must present a certificate of conformity of their goods, a mark on the product label or both. National standards bodies, trade and industry associations, or third-party certification bodies usually issue the certifications. Though the importing country requires the certificate, it may be issued in either the exporting or the importing country.

In the context of the NTM survey, the term 'conformity assessment' is also used for procedures to prove compliance with sanitary and phytosanitary (SPS) measures.

Case N°2: BSCI Certificate case

Other foreign customers **require a BSCI (Business Social Compliance Initiative) certificate** to ensure that companies have a responsibility towards labour conditions, the scale of the factory and respect for the environment. To get one, **companies must hire an internationally recognized third party** to audit and grant it, which is time-consuming ((3 – 6 months) and costly (about \$1,000 - \$2,000).

They must submit many documents, directly affecting the contracts with their clients and their reputation. Some companies are willing to **change their production technology, but it requires an investment of about \$200,000 - \$400,000**.

This certificate is mandatory in the EU, where Vietnamese companies export high-value products (more than \$425,000 per contract). However, European markets require several certifications related to standards on food safety, management system and social responsibility. Still, companies complain that some EU markets require different certificates (i.e., other than the BSCI), even though the purpose and nature of these might be similar.

This need for a variety of certificates is burdensome, as companies need to invest and spend a lot of money on facilities to improve production, enhance environmental issues and labour conditions. For example, regarding food safety, Germany prefers IFS, and the UK prefers BRC. Regarding social responsibility, Germany prefers BSCI, while others prefer SEDEX-SMETA or SA8000.

'We are required to have some certifications such as BSCI and Sedex. To obtain these, we must change our production technology, which requires an investment of about \$200,000 - \$400,000, but we are not capable to invest this huge amount of money. Besides, it will take a long time to get.'

Exporter of bamboo handbags

Products concerned

Bamboo products, bed linen, blankets, ceramics, footwear, hats, porcelain, statuettes, tableware, wooden seats.

Obstacles related to the issue

- Delays.
- A large number of documents.
- Unusually high fees.

Issue related to exports to

Argentina, Australia, Canada, Denmark, France, Germany, Japan, Spain, Thailand, United Kingdom

About BSCI Certificate

(Source tuv-sud.cn)

It is a business-driven platform for social compliance monitoring and qualification of the supply chain. It considers 11 principles, such as decent working hours, ethical business behaviour, fair remuneration and environmental protection.

Case N°3: FSC Certificate

Other governments require Vietnamese products to get a **FSC certification** to prove the origin of the wood used in the production. However, several companies use crushed wood as the primary input and cannot obtain a FSC certificate; accordingly, other companies buy the FSC certified wood directly for their production, increasing the costs.

Companies that diversify their exports spend a long time on this process. **They must apply for a separate FSC certificate for each country** (5 – 7 days each). Those who want to outsource the certification process to a professional organization (such as Control Union Certifications or Bureau Veritas) must follow up using many administrative windows and parties (like the Forest Management, the People Committee at the Communal and provincial levels of Viet Nam), which **takes about 2 – 3 months to obtain it finally**. Additionally, companies need to pay for an annual audit, which takes 4 – 5 months for the auditor team to assess, give feedback and grant the certificate, costing \$8,600 - \$12,000.

Products concerned

Articles of wood, massage apparatus, medicaments.

Obstacles related to the issue

- Delays.
- Unusually high fees.

Issue related to exports to

Australia, Cambodia, France, Germany, Japan, Malaysia, Moldova, Russian Federation, Spain, Ukraine, United States.

'Some importers require us to get the FSC certificate. To fulfil this, we must hire an internationally certified organization, such as Control Union, to come and audit annually. Normally, it takes 4 - 5 months for the auditor team to come, assess, give feedback and grant it. But this requirement is costly.'

Exporter of wooden handcraft

About FSC Certificate (Source fsc.org)

FSC runs a forest certification system with two key components: forest management and chain of custody. The process is conducted by independent certification bodies, which assess forest managers and forest products companies against ten standards, such as environmental values and impact, indigenous peoples' rights and benefits from the forest.

Case N°4: CE Certificate

Vietnamese companies must also comply with the EU safety, health and environmental protection requirements. Companies must hire a big international certification body such as TÜV or SGS to check and issue the **CE certificate**. However, **this accreditation process is costly and takes a long time**.

Companies also consider this regulation burdensome, as the minimum requirements are already too strict. For example, related to the quality of the inputs, companies importing electrical components complain about the **lack of qualified suppliers in Viet Nam**, forcing them to import low-quality parts to save on time and money. These companies will need to **spend about \$10,000 - \$15,000 to audit and review** the CE certification for a single project. Other companies that want to apply for the CE certificate for the whole company need to pay \$100,000 - \$200,000.

Products concerned

Basketwork, clay bricks, cranes.

Obstacles related to the issue

- Delays.
- Unusually high fees.

Issue related to exports to

France, Germany, Netherlands, Norway, United Kingdom.

'Many products require CE marking to export to the EU. It is hard for us to comply with it as the quality of the electrical components we use does not meet CE standards, as there are no qualified suppliers in Viet Nam. We need to spend about \$10,000 - \$15,000 to audit and review this certification after 3 years.'

Exporter of basketwork

About CE marking (Source ec.europa.eu)

CE marking indicates that a product has been assessed by the manufacturer and deemed to meet EU safety, health and environmental protection requirements. It is required for products manufactured anywhere globally that are then marketed in the EU.

WHAT IS THE OPINION OF THE INSTITUTIONS CONCERNED?

'We have been providing policy guidelines on support to SMEs to access and adopt progress in science and technology (in line with the Law on SME Support).'

- Ministry of Science and Technology

'We have raised awareness of CSR through several capacity-building programs and workshops for Vietnamese enterprises. For the moment we are considering plans to mobilize technical supports to fund the capacity-building program over BSCI specifically.'

- AMFORI

RECOMMENDATIONS

Simplify test procedures and certification requirements and invest in infrastructure.

- a. Speed up the certification process. Review their cost and reduce the number of documents.
- b. Establish accurate testing facilities with high credibility on the testing results. This ensures the quality of the products and saves time and money.
- c. Homogenize the procedures in all the testing centres across Viet Nam.
- d. Negotiate the acceptance of testing centres. Eurofins and Quatest should be approved and open new branches in other cities.
- e. Support mechanisms to do on-site testing for companies in line with regulations.
- f. Deliver capacity-building programs. Train enterprises in certification and labelling programs (including costs, length and implications) and trade-related information.
- g. Create financial assistance. Help SMEs to invest in certification programs and new technologies.
- h. Invest in infrastructure. Upgrade in transport roads, weighbridges, etc.
- i. Reduce the frequency of tests where possible. Simplify the test requirements for those companies with good performance records.

INTERNATIONAL COMPLIANCE: Complex processes, limited facilities

WHAT IS THE ISSUE?

Vietnamese exporters are hampered by the lack of acceptance of national certification centres by foreign counterparts – which stems from non-existent cooperation programs with foreign markets and inadequate knowledge of limits on pesticides or residues for exported products. Additionally, the limited amount of testing facilities across the country pushes up costs, as companies need to travel to big city hubs to be certified.

Here are the three most important product certification or testing cases that companies reported as burdensome during the survey:

NTM type related to the issue	Companies facing this obstacle
Conformity assessment: product certification & testing.	29% (product certification) & 14% (testing) of the problems reported by agricultural exporters.

Case N°1: Partner countries often do not recognize certifications by Eurofins or the Quality Assurance and Testing Centre in Viet Nam

Several partner countries request that Vietnamese companies obtain a certificate on hygiene and food safety to protect consumer health and ensure product safety. Such a certificate can be issued by the Quality Assurance and Testing Centre (Quatest 3 or 5) in Ho Chi Minh City. However, **even though there is a testing centre (Quatest 1) in Hanoi, counterparts do not accept it.** The result is further delays (up to 10 days) and higher costs (around VND one million), as companies must send samples to Ho Chi Minh City to be tested. And when a certificate is needed immediately, such delays make timely customs clearance quite difficult.

Moreover, some markets, like the Republic of Korea, have returned exported goods even if they have gone through the phytosanitary check (done by Quatest 5 or Eurofins). **The inspection results issued by these agencies are not accepted by the Korean authorities**, who have their own inspection agency (KFDA), with a list of 500 additional forbidden substances.

Products concerned

Frozen Lychee, frozen shrimp, wormwood herbs.

Obstacles related to the issue

- Lack of recognition.
- Long waiting times.
- Unusually high fees.

Issue related to exports to

Europe & Middle East.

'Goods were returned from the destination market even if it went through the phytosanitary check-in Viet Nam (conducted by either the Quality Assurance and Testing Centre or Eurofins). The inspection results were not accepted as the partner country has its inspection agency with a list of 500 additional forbidden substances. Obtain their certificate caused delays and increased costs.'

Exporter of wormwood herbs

'The partner country requests we obtain a certificate on hygiene and food safety from the Quality Assurance and Testing Centre in HCMC (Quatest 3). Even though there is an office of Quatest 1 in Hanoi, the counterpart did not accept it and ordered us to get it from Quatest 3. This causes a delay, as we need to wait almost ten days for it.'

Exporter of frozen lychee

About Eurofins (Source eurofins.com)

Institution dealing with food, environment, pharmaceutical and cosmetic testing. It is involved in testing and laboratory services for genomics, discovery pharmacology, forensics, advanced material sciences and supporting clinical studies. It evaluates the safety, identity, composition, authenticity, origin and purity of biological substances, and products and clinical diagnostics.

About Quatest

Science and technology organization under the Ministry of Science and Technology (MOST). Established in 1976, it conducts science and technology tasks related to inspection, testing, certification, metrology, barcode, proficiency testing, instrumental services, and training.

Case N°2: Companies are still using pesticides prohibited by several markets, given a lack of information on changes on the Maximum Residues Limits (MRLs) in Viet Nam

*'The US Government stipulates that product must have the Quality Certificate by the US Food and Drug Administration (FDA), to be allowed to enter this market. This regulation is too strict for us as it is difficult to apply for the FDA code: **we must have a US representative or import partner and confirm the registration of its establishment. This representative is responsible for verifying that our products meet the current US safety standards.***

Exporter of coffee

Foreign customers also require Vietnamese companies to **comply with the quality criteria related to Maximum Residue Limits (MRL)**, following general provisions and regulations from partner countries. Products must meet limits on pesticide residues and heavy metal content (like lead, aflatoxin, salmonella, sulphur dioxide, carbon and other 256 toxic substances).

Usually, these limits are 20 times lower than Viet Nam's allowed level, meaning that companies only meeting the Vietnamese limits are not eligible to export to several markets unless toxic residues are reduced.

That said, some of the problem begins at home for a few reasons. **Pesticide management is not strict enough. Information about authorized levels in counterparts is not easily available in Viet Nam.** And with crop areas growing massively, control is complicated.

Thus, companies will have to find the information by themselves and, only then, hire internationally recognized institutions – such as Sac Ky Hai Dang (acquired by Eurofins), Hoan Vu labs, Intertek, or SGS – to audit, test and grant this certificate.

But given the lack of domestic certification bodies eligible to do this kind of certification, companies will have to contend with **a lengthy process** (up to two months) and **higher costs** (\$4,000 - \$5,000 per sample).

*'Customers require us to meet the Maximum Residue Limits - MRL, following the general provisions of the EU. We must hire an internationally recognized agency, such as Sac Ky Hai Dang Science Technology Service JSC, to come, test and grant the certificate. **This requirement is time-consuming (ten days) and costly (\$4,000 - \$5,000 per sample per year).***

Exporter of coffee

Products concerned

Anise, cashew nuts, cinnamon, coconuts, cucumber, frozen fruits, green and black tea, Japonica rice, lobsters, pepper, squid, tea.

Obstacles related to the issue

- Delays.
- Difficulty meeting required standards.
- High costs of certifications.
- Long waiting times.
- Limited or inappropriate facilities for testing.

Issue related to exports to

Canada, China, Europe, Middle East, Japan, Republic of Korea, United States, Switzerland.

About the Maximum Residues Limits (Source ec.europa.eu)

It is the highest level of pesticide residue that is legally tolerated in food or feed that will not be a concern to human health. The number of residues found in food must be safe for consumers and as low as possible. In the EU, the European Commission fixes MRLs for all food and animal feed. National authorities in the EU and the Middle East control and enforce MRLs by taking samples and checking pesticides levels.

Case N°3: Applying for the Food and Drug Administration (FDA) code is costly and time-consuming

The US government stipulates that products entering its market must present a **quality certificate by the US Food and Drug Administration (FDA)**.

Companies surveyed say this regulation is too strict, as **it is challenging to apply for an FDA code**. To do so, companies must have a US representative or import partner to confirm the registration of their establishment. This representative is responsible for verifying if imported products meet current US safety standards. Companies must also have US representatives to re-register with the FDA and obtain new codes every two years. If companies do not take these steps, their FDA code will not be renewed. The estimated fee for FDA registration is around \$600 per code. Finally, companies must submit all documents to the US for approval, which is time-consuming and costly.

Products concerned

Coffee, pepper.

Obstacles related to the issue

- Delays.
- Documentation is difficult to fill out.
- Unusually high fees.

Issue related to exports to

United States.

About the Food and Drug Administration (FDA) (Source fda.gov)

It is responsible for protecting public health by ensuring the safety, efficacy, and security of human and veterinary drugs, biological products, and medical devices; and ensuring the safety of food supply, cosmetics, and products that emit radiation.

WHAT IS THE OPINION OF THE INSTITUTIONS CONCERNED?

'We are already discussing with partners the possibility of exchanging data to support the clearance of certifications by Quatest.'

- Quality Assurance and Testing Centre (Quatest) Viet Nam

'We are opening offices in Hanoi, Ho Chi Minh City and Can Tho.'

- Eurofins

RECOMMENDATIONS

Cooperate with foreign Governments and create linkages with local businesses to enhance compliance with international requirements.

- a. Increase cooperation with the European Commission. Homogenize requirements with the Market Surveillance Department.
- b. Facilitate the exchange of data on SPS – especially under EU-Viet Nam FTA.
- c. Increase cooperation on SPS measures among institutions in Viet Nam and foreign counterparts.
- d. Inform of changes in market demands and international requirements to relevant stakeholders on platforms like spsvietnam.gov.vn and tbtvn.org.
- e. Cooperate with foreign partners to improve and harmonize tax practices.

Strengthen cybersecurity standards.

- a. Government agencies should work more to provide detailed regulations in line with the Cybersecurity Laws that entered into force in January 2019.
- b. Develop ICT standards and foster public-private information sharing on ICT standards.

ADMINISTRATIVE SERVICES: Regional disparities create delays

WHAT IS THE ISSUE?

Vietnamese exporters are hampered by the lack of acceptance of national certification centres by foreign counterparts – which stems from non-existent cooperation programs with foreign markets and inadequate knowledge of limits on pesticides or residues for exported products. Additionally, the limited amount of testing facilities across the country pushes up costs, as companies need to travel to big city hubs to be certified.

Here are the three most important product certification or testing cases that companies reported as burdensome during the survey:

NTM type related to the issue

Rules of origin and related certificate.

Companies facing this obstacle

28% of the problems reported by manufacturing exporters.

Case N°1: Some services that the VCCI offers can only be processed in certain regions, forcing companies to take long trips to get there, losing time and money

Companies apply for the CO through the online system – but they still need to go to the VCCI premises in Ha Noi for some other services **to finish the process**. Doing so **increases the indirect costs** associated with the CO and the necessary time to process it.

About the Viet Nam Chamber of Commerce and Industry (VCCI)

The VCCI is a semi-public organization that gathers and represents the business community, employers and business associations in Viet Nam. VCCI develops, protects and supports the business community in economics, trade, investment activities, science and technology. Some key mandates include:

- To collect perspectives and feedback from the business community to report and make policy recommendations to relevant authorities related to the business environment and national competitiveness.
- To conduct research, advice and support to the business community on issues related to economic integration.
- To grant the Certificate of Origin for Vietnamese products and certify other related documents.

Products concerned

Articles of bamboo, suitcases.

Obstacles related to the issue

- Delays.
- Requirements and processes differ from information published.

Issue related to exports to

Germany, Italy, Republic of Korea.

'When applying for the CO, "form A", we followed many procedures and met many administrative windows. Whereas it should take half a day to obtain it, it took us one day travelling back and forth to the authority's offices in Ha Noi.'

Exporter of bamboo crafted baskets

Case N°2: VCCI authorization for the self-certification mechanism (Registered Exporter System - REX) is subject to many documents that take months to be granted, thereby causing delays.

As of 2019, Vietnamese companies that want to export to the EU can apply for the self-assessment Registered Exporter (REX) system. To complete the process, **they must get a Trader Identification Number (TIN) at the VCCI** and proceed with the self-certification of origin, instead of applying for it by sending a hard copy (form "A") as before.

The problem is that even after providing all the supporting documents – and waiting many months – some **companies still have not received their REX code** and the VCCI has either not responded or not asked for additional information. This means that companies cannot complete the necessary export documents for shipments to the EU. Moreover, even for companies that receive the code, the processing time is quite long (usually more than one week), and they may lack the information on how to send the CO to the client.

Products concerned

Articles of bamboo, wooden furniture.

Obstacles related to the issue

- Difficulty meeting required standards.
- High costs of certifications.
- Long waiting times.

Issue related to exports to

Europe & Middle East.

'From January 2019, we must apply for the Registered Exporter System Code at VCCI to export to the EU and implement the self-certification of origin. However, it has been six months since providing all the supporting documents, but we have not received the REX code. We are afraid we will not be able to complete the documents before our next shipments.'

About the REX system

It is a scheme of certification of the origin of goods based on a principle of self-certification. Companies declare goods' origin using the so-called "statements on origin". To be entitled to make out a statement on origin, an economic operator must be registered in a database by his competent authorities (VCCI in Viet Nam).

For the time being, the REX system is used only in some FTAs, the Generalized System of Preferences of the EU, and in the context of the Overseas Association Decision. It applies to any exporter for any consignment whose total value does not exceed EUR 6.000. Its practical application is 01/Jan/2019, and the end of the transition period is 31/Dec/2020.

WHAT ARE THE RULES OF ORIGIN?

Rules of origin set out the criteria determining a product's country of origin. Governments of importing countries apply them. They are needed to assess a product's eligibility for preferential treatment within a bilateral or regional FTA.

The related **certificate of origin provides official proof of compliance with the rules of origin**. While the certificate of origin is demanded in the importing country (often checked at customs), it is usually issued in the exporting country (for example, the Chamber of Commerce). Despite complying with the rules of origin, obtaining the respective certificate may be burdensome.

WHAT IS THE OPINION OF THE INSTITUTIONS CONCERNED?

'Since April 2020, we have put more effort into promoting and facilitating the registration for the REX code. We hope that the companies can register easily now and benefit from exporting to the EU. Also, we are upgrading the technical infrastructure and building capacity for the CO issuance process.'

- Viet Nam Chamber of Commerce and Industry

'We are working together with VCCI to prevent overlapping required documents. Also, regarding solving hurdles, facilitating trade and avoiding approval delays, we promulgated decision N°4846/QĐ – BCT (2016), aiming at reducing administrative procedures (implementing resolution N° 19-2016/NQ-CP).'

- Ministry of Trade and Industry

RECOMMENDATIONS

Promote e-Government to help shorten delays and reduce arbitrary behaviour of officials.

- a. Increase public services connected to the National Single Window (NSW). Particularly payment of taxes and fees related to administrative procedures conducted via NSW.
- b. Update trade-related databases such as ePing, UNCTAD-TRAINS or ASEAN i-TIP.
- c. Make available an online portal to guide tourists on procedures related to the tourism sector.
- d. Develop a fully functioning National Trade Repository and connect it to the ASEAN Trade Repository.
- e. Popularize the use of electronic invoices and payments.
- f. Improve the quality of responses to companies going through the Q&A on the Vietnamese Plant Protection Agency website.
- g. Increase the capacity to register and process the REX code and train companies on the right way to do it.
- h. Simplify documents related to the Certificate of Origin, especially under FTAs.

REGULATORY BODIES: Lack streamlined practices

WHAT IS THE ISSUE?

Companies complain that obtaining different certificates – such as the one granted by the National Agro-Forestry-Fisheries Quality Assurance Department (Nafiqad) or the one granted by the Vietnamese Plant Protection Agency – involves a lot of and high costs.

Also, for services providers, technical requirements – such as inspections and controls for transport companies and low-security standards for ICT providers' – carries unnecessary costs and a lack of confidence from foreign clients.

Here are the four most important conformity assessment, technical requirements and business environment cases that companies reported as burdensome during the survey.

NTM type related to the issue	Companies facing this obstacle
Conformity assessment: product certification.	29% (product certification) of the problems reported by agricultural exporters.
Technical requirements: mandatory inspections and controls.	39% (inspections and controls) of the problems reported by transport services providers.
Business environment: facilities lacking international accreditation or recognition.	13% (facilities lacking international accreditation) of the problems reported by ICT services providers.

Case N°1: The certification of agricultural products is lengthy and costly at the National Agro-Forestry-Fisheries Quality Assurance Department (Nafiqad)

Companies exporting shrimp to several markets must **obtain a quarantine certificate**, which tests for white spots and yellow head diseases. They also must hire the National Agro-Forestry-Fisheries Quality Assurance Department (Nafiqad) to audit their products and fulfil this requirement. This process is time-consuming (7 days) and costly (\$80 - \$130 per shipment).

Companies exporting tuna must obtain a **Certificate of Food and Safety** from Nafiqad. They also must submit many types of documents, including the application form, the business registration, a statement from the processing factories, the list of manufacturers and owners of manufacturing units, and the shipment lot number. This process takes 5 - 10 days and is about \$150.

Companies that need an ISO certificate can hire Nafiqad to audit and grant it, but the process is costly (\$1,300 per year).

Products concerned

Catfish, skipjack, shrimps, tuna.

Obstacles related to the issue

- Delays.
- A large number of documents.
- Unusually high fees.

Issue related to exports to

China, Germany, Netherlands, Poland, Switzerland, United States.

About Nafiqad

The National Agro-Forestry-Fisheries Quality Assurance Department (NAFIQAD) is an institution under the Ministry of Agriculture and Rural Development that assists in the quality and safety of agricultural, forestry, fishery products and salt. Based in Hanoi, it has the mandate to manage the quality and safety of fishery via:

- Submitting technical regulations on the quality and safety compliance of non-food agro-forestry and fishery products.
- Synthesize and propagate national standards, technical regulations, and requirements of international organizations on the quality and safety of fishery products.
- Check and certify or withdraw certification of health conditions concerning fishery foodstuff safety of aquaculture sites.

'The Chinese Government orders that imported frozen fillet pangasius must obtain the health certificate so that shipments are fit for human consumption and meet the safety standards. Therefore, we must hire the National Agro-Forestry-Fisheries Quality Assurance Department (Nafiqad), to come and audit our products. This requirement is time-consuming (5-6 days) and costly (\$100 - \$200 per shipment).'

Case N°2: It takes too long for the Vietnamese Plant Protection Agency to issue a phytosanitary certificate

To confirm that forestry products do not carry epidemic diseases and follow the quarantine regulations, different governments (like the Myanmar one) **require the phytosanitary certificate** for companies importing for the first time into this market.

The plant protection Department of the partner country requests Vietnamese companies to **conduct a Pest Risk Analysis (PRA)** on their products. This process can be performed either by the Vietnamese or the partners' Plant Protection Department, but only through a formal request from the Vietnamese agency. However, the Vietnamese request does not usually reach partner countries when they are a newly open market, with a weak connection with the Vietnamese counterpart.

Another recurrent issue is the limited facilities for testing the products in Viet Nam, leading to inaccurate results. Additionally, **companies need to spend about \$1,300 - \$1,800 per shipment** to issue this certificate.

Further, **arbitrary behaviour of officials** is present during the process, as they force company managers to talk directly to the Plant Protection Agency officials to facilitate the certificate issuance. If managers are unwilling to do so, companies are affected by premeditated delays or the requirement of additional and unnecessary documents.

About the Plant Protection Department

It is an organization under the Ministry of Agriculture and Rural Development, advising and assisting the Minister in state management and law enforcement in plant protection, SPS, fertilizers and food safety. Some notable mandates include to:

- *Direct and organize the investigation, discovery, estimation and prediction of harmful organisms.*
- *Establishing and maintaining a monitoring and warning database on plant protection and quarantine.*
- *Carry out quarantine of objects subject to quarantine for (temporary) export or import.*
- *Organizing pest risk analysis for objects subject to quarantine.*
- *Manage testing, export, import and registration conditions for plant protection drugs and fertilizers.*
- *Manage production, trading and quality of plant protection drugs.*

Products concerned

Cashew nuts, cinnamon, coconuts, cucumber, maize, pepper, preserved fruits, rice, vegetable seeds.

Obstacles related to the issue

- Arbitrary behaviour of officials.
- Delays.
- Documentation is difficult to fill out.
- Unusually high fees.
- Limited or inappropriate facilities for testing.

Issue related to exports to

Canada, Germany, Lithuania, Morocco, Netherlands, Russian Federation, Republic of Korea.

'Our partner country requires us to obtain a Phytosanitary Certificate, issued by the Vietnamese Plant Protection Department, to confirm that we export products without epidemic diseases, and that we are following the quarantine regulations. This is burdensome, as the process in this agency takes too long to finish.'

Case N°3: Excessively long inspections and controls are worsened by the involvement of multiple agencies, damaging delicate products

There is always a thorough examination (of documentation and cargo) by the Customs Inspection Agency for shipments transported by sea. Especially for frozen seafood and fruits, it takes a lot of time to verify quality before exports. Different government agencies participate, such as the Quarantine Agency (under the Ministry of Agriculture). **Because of this long inspection, the costs of frozen storage and containers in the port are often high.** This reduces the quality of exporting products, affecting the reputation of companies involved in custom clearance services.

Additionally, companies must upload different inspection licenses to the national electronic portal for specialized censorship agencies. But even if they have downloaded the required documents from the website, they must take the hard copies to the Plant Quarantine Station to test. This doubles the workload for logistics companies, as staff also need to upload the documents on the website and bring them to the quarantine station, incurring **unnecessary travel expenses** and delaying the entire process.

Products concerned

Customs clearance and warehousing related services.

Obstacles related to the issue

- Informal payments.
- Delays.

Issue related to exports to

Local clients.

'There is always a thorough examination of the Customs Inspection Agency for shipments transported by sea. Frozen products or fruits often take a lot of time to be verified, as other government agencies, such as the Ministry of Agriculture, are involved. Because of these long inspections, the costs of storing food in the port are often high. This reduces the quality of exports, affecting our reputation.'

Provider of storage and warehousing related services

MAIN TYPES OF OBSTACLES TO TRADE IN SERVICES IN VIET NAM

Technical requirements: measures that establish the minimum requirements for the content and quality of the service provided within a country. They can establish uniform engineering or technical criteria, methods, processes and practices. They include capacity and technology requirements, safety and security standards, environmental standards, and ethical conduct requirements or restrictions related to hours of operation.

Tax measures: measures that increase the price of the service provided through the imposition of additional fees. They include taxes and fees applied to all domestic or foreign services providers. They include fees on network usage (transport and intranet networks), fees on foreign service providers and content, and taxation of international transactions – which can lead to double taxation.

Conditions on licensing, qualifications and registration for market entry: conditions set to obtain a license/qualification to enable market access. They include educational and qualification requirements, registration and authorization requirements, licensing fees, and other restrictions in the allocation and duration of licenses to provide services (economic or labour needs test, renewal and transferability of licenses).

Case N°4: Poorly implemented security standards in Viet Nam create a general lack of expertise on how to comply with the high technical requirements set by clients in partner countries

Consumers that want communications services are often careful about cybersecurity and **require Vietnamese IT companies to strictly comply with international laws of network security and information confidentiality**. However, foreign clients are not satisfied with the enforcement of these laws in Viet Nam. Even if local companies are competitive in price, **clients keep raising concerns about Vietnamese security practices**, often negotiating a reduction in the contract price as compensation for the incomplete regulations and laws.

In recent years, there has been progress, with the Government enacting cybersecurity laws for information and technology companies. But there are still **unclear points, especially on whether Vietnamese companies can set up servers abroad**. Meanwhile, Vietnamese companies need to hire foreign IT consultants, as in Singapore, to design software and store data.

Products concerned

Value-added telecommunication services, telecommunication related services.

Obstacles related to the issue

- Lack of regulatory framework in the sector.
- Information on regulations and procedures is not adequately published or disseminated.

Issue related to exports to

Japan, Singapore.

Japanese customers often demand that we strictly comply with the laws of network security and information confidentiality. They worry that these laws and regulations are not strict and complete in Viet Nam. They still sign contracts with us, but often ask for compensation for the risk involved.'

Provider of value-added telecommunication services

WHAT IS THE OPINION OF THE INSTITUTIONS CONCERNED?

'We are considering options to prioritize and speed up the certification process for those companies with good performance records in line with existing regulations.'

- National Agro-Forestry-Fisheries Quality Assurance Department (Nafiqad)

'The Cybersecurity Law has entered into force in January 2019. Government agencies are working to provide detailed guidelines to strengthen security standards.'

- Ministry of Information and Communication

'We agreed and worked with different Government agencies to add more procedures to the National Single Window, like the phytosanitary certificates. A state inspection of food safety and quality of animal feed and aquatic were added. Our website has an active Q&A window, and we have been improving the quality of responses to companies. Also, we are considering the facilitation of data exchange and other cooperation methods on SPS under EVFTA.'

- Vietnamese Plant Protection Agency

'We have been seeking measures and options to increase cooperation on SPS. However, care should be taken to prevent trade fraud; in agriculture, fraud or miss-compliance by one exporter can lead to trade remedies imposed by partners on all exporters from Viet Nam.'

- Vietnamese customs

RECOMMENDATIONS

Enhance good regulatory practices in Viet Nam (like ex-ante and ex-post regulatory impact assessment, public consultation and international regulatory cooperation) to streamline NTMs and reduce the unnecessary regulatory burden on businesses.

- a. Reduce the time of procedures in different institutions.
- b. Raise awareness among exporters to facilitate smoother compliance with conformity assessment

Promote comprehensive business environment reforms.

- a. Continue implementing Resolution 02/NQ-CP dated 01/01/2020 to improve the business environment and strengthen national competitiveness – especially on trading across the border, getting electricity and registering property indicators.
- b. Update measures and targets for business environment reforms using international benchmarks (such as the Global Competitiveness Index) and integrate reforms in a post-COVID19 recovery plan.

COMPANY GUIDANCE: Lack training to implement regulations

WHAT IS THE ISSUE?

Companies complain that some of the new circulars and laws in Viet Nam lack clarity and harmonization, carrying inefficiencies (like manual verification) and arbitrary interpretation and implementation from the different agencies.

Here are the four most important technical requirements and rules of origin related cases related to circulars and regulations that companies reported as burdensome during the survey:

Regulation related to the issue

Technical requirements: mandatory inspections and controls.
 Business environment: lack of sector-specific regulatory authority/framework.
 Technical requirements: safety and security standards.
 Technical requirements: environmental standards.
 Rules of origin and related certificate.

Companies facing this obstacle

30% of the problems reported by transport services providers.
18% of the problems reported by tourism services providers.
3% of the problems reported by tourism services providers.
28% of the problems reported by manufacturing exporters.

Case N°1: Lack of clarity and harmonization in the new customs circular 39/2018/TT-BTC leads to inconsistencies in its implementation

Companies must make the electronic declaration using ECUS (a software solution for export/import operations), according to circular 39/2018/HQ. All the related documents must be uploaded to the e-customs system at least 24 hours before the shipment. However, **the uploaded files cannot exceed 3MB**, or they will overload the system and be rejected. Thus, companies have **no other way but to submit several documents directly to the customs office**. This results in unnecessary travel expenses and increased waiting time.

In addition, information on the recently released circular – notably, how to comply – has not been adequately published and disseminated among the customs offices (Branch in Mong Cai, Hai Phong, etc.). As a result, **the circular is being implemented in different ways in different provinces**, reflecting arbitrary decision-making by officials. For companies, it is a question of sufficient time to update their rules and change how they go through customs.

Service concerned

Freight consolidation and deconsolidation services.

Obstacles related to the issue

- Information not published.

Issue related to exports to

Local clients.

'We must make the electronic declaration via e-customs using the Ecus software, according to circular 39/2018/TT-BTC by uploading the documents at least 24 hours before the shipment. However, if the size of the files exceeds 3Mb, it will be rejected. Then, we need to submit them directly at the customs office, increasing travel expenses and waiting times.'

About circular 39/2018/TT-BTC

In 2018, the government issued decree 59/2018/ND-CP, guiding the implementation of customs procedures, inspections, supervision and control. To monitor its implementation, the Ministry of Finance issued Circular 39/2018/TT-TC to amend various articles on customs procedures and export/import tax and administration.

Case N°2: Inefficiencies, such as manual verification, hamper a smooth implementation of the new eCustoms system

Companies providing freight services complain that the Customs procedures are more complicated when gathering different goods from several customers into one standard container. Custom officers then verify the goods, the contract and the agreement with the sender of the goods.

About eCustoms

The information system used for completing electronic customs procedures is eCustomer (formally, VNACCS/VCIS), as defined under the Circular 42/2015/TT-BTC of the Ministry of Finance. It includes various modules: e-declaration, e-payment, e-invoice, single window, e-manifest and a shipping declaration system (OLA).

Service concerned

Freight consolidation and deconsolidation services.

Obstacles related to the issue

- Information not published.

Issue related to exports to

Local clients.

'When we gather many types of goods from many customers into one container, customs officers require a lot of verifications to prove that the customer and the contract are real and that there is an agreement between receiver/sender of the goods. Sometimes, the verification can take up to two months, causing a lot of delay for businesses.'

Provider of value-added telecommunication services

Case N°3: The arbitrary interpretation and implementation of fire prevention and fighting law (27/2001/QH10) creates excessive paperwork and delays

When accommodation providers register to be eligible for service, they have to obtain a fire protection certificate. Hotels, motels, hostels or homestays must apply to be certified – **investing around \$20,000 in new equipment** (such as smoke detectors and outside stairs) **and buying a complete prevention and fighting system**. The purchase must be made from an agency recommended by the police department of fire prevention and fighting, causing them a high extra fee. Hotels usually must adjust several times these requirements before having the final approval.

In addition, hotel owners **must submit many types of complicated documents to get the certificate** – including a map of the hotel or resort, and an activity plan in case of fire. The submissions are checked by the fire extinguishers and prevention team, under the district people's committee, to verify that the hotel or resort meets all requirements. A big problem is that the requirements are complicated, unclear, and not adequately published and disseminated, driving companies to make informal payments to accelerate the process.

Service concerned

Accommodation services, tour packaging.

Obstacles related to the issue

- A large number of documents.
- Unusually high fees.
- Information on regulation and procedures is not adequately published or disseminated.
- Lack of regulatory framework in the sector.
- Delays
- Informal payments.

Issue related to exports to

Chinese Taipei, France, Germany, Republic of Korea, United Kingdom.

'Regulations on construction and installation of fire protection equipment are very complicated and unclear. Smoke detectors must be placed in some precise points but when the police department comes to check, they conclude that the smoke detectors are not placed at the right spots.'

Provider of tour packaging services

About law 27/2001/QH10

The risk of fire to a hotel or resort should not be underestimated. The Fire Prevention and Fighting law was issued in 2001 and revised by Law 40/2013/QH13 in 2013, with new stipulations on applying fire prevention and fighting standards.

Case N°4: Unclear testing criteria and limited resources affect compliance with national hygiene and safety standards

The environmental authority in different provinces (like the one in Hoa Binh) checks, about every six months, companies providing accommodation services for tourists, which are subject to environmental standards and requirements. However, **the test criteria are usually unclear, and the test results are inconsistent. General violations** regarding the discharge from pools and restaurants result in companies being subject to fines or informal payments.

'The environmental authority of Hoa Binh province monitors our premises every six months. However, the test criteria are not clear, the results are inconsistent and there are general violations regarding the discharge from our pool or restaurant, resulting in fines or involvement of irregular payments.'

Provider of accommodation services

Service concerned

Accommodation services.

Obstacles related to the issue

- Informal payment.

Issue related to exports to

Germany.

Case N°5: The Certificate of Origin (CO) issuance is delayed: Customs Department and the Chamber of Commerce sometimes disagree on the HS code

Companies need to know the HS code for the CO while importing the raw materials during customs registration. However, companies may initially be given one code, and then be provided with a different code after the product is finished – resulting in **customs blocking the export due to two different HS codes on the CO**. At that point, companies must contact their suppliers to get the same HS code on the CO of imported and exported goods. But if by changing the code, the imported product is now subject to tax, it will be difficult for both parties to agree on one code, and solving this issue takes up to two months.

Companies also face problems if the **HS code provided by the Customs Department is not accepted by the Chamber of Commerce**. Resolution requires the companies to go back and forth between the two agencies to come up with an acceptable code to both.

'When we tried to obtain the Certificate of Origin, we encountered a problem between the Customs Department and the Chamber of Commerce, for determining the HS code. We were advised to use the HS code accepted by Customs; however, the Chamber of Commerce did not agree. We were required to check with Customs and revise the declaration and the products. However, Customs did not change it, thus we had to travel back and forth, providing explanations to both. In the end, after five trips, we finally got the certificate.'

Exporter of wooden furniture

Service concerned

Polymers, shirts, blouses, seats, wooden furniture.

Obstacles related to the issue

- Arbitrary behaviour of officials.
- Delays.
- Information on selected regulation is not adequately published and disseminated.
- A large number of documents.
- Unusually high fees.

Issue related to exports to

Australia, Canada, China, Denmark, France, Japan, Netherlands, Russian Federation, Korean Republic, United Kingdom, United States.

About Customs Department

The CO under the WTO framework is granted by VCCI, and COs under other FTAs are issued by the Ministry of Industry and Trade. Since 2018, disciplines over CO management have been strengthened. This change could be attributed to the US-China trade conflict, which increased the circumvention phenomenon (i.e., products of certain countries being exported via Viet Nam to a third country to avoid import tariffs).

WHAT IS THE OPINION OF THE INSTITUTIONS CONCERNED?

'We have had frequent exchanges between the Customs Department and VCCI regarding the HS codes. We are working on increasing the use of the ASEAN Harmonized Tariff Nomenclature (AHTN).'

- Vietnamese customs

RECOMMENDATIONS

Reform the organizational apparatus of concerned ministries to ensure that, for each commodity, there is only one focal agency carrying out specialized inspection procedures (such as for food safety and sanitation or SPS/TBT).

- a. Adequately resource the SPS/TBT Offices.
- b. Shorten the list of products subject to specialized inspection.
- c. Promulgate decision N° 4846/Q□-BCT (2016) to reduce administrative trade measures or procedures (implementing resolution No19-2016/NQ-CP)

Homogenize procedures among Vietnamese institutions.

- a. VCCI should process the same services in Ha Noi and HCMC and prevent overlapping reports with MOIT.
- b. Create liaisons between the Customs Department and the Chamber of Commerce to standardize the allowance of HS codes and increase the use of the ASEAN Harmonized Tariff Nomenclature (AHTN).
- c. Review the implementation of Circular 39/2018/TT-BTC and concretize understandings of customs officials across provinces, as its vagueness leads to its inconsistent interpretation and implementation.
- d. Consider the use of an online notification system for national circulars and laws.

TRANSPORT REGULATIONS: Inefficient new circulars and laws

WHAT IS THE ISSUE?

Companies complain that some of the current regulations – such as the one setting a maximum on transport cargo – do not consider the actual capacity of the machinery used to deliver transport services. Also, these companies need to adapt to sudden changes in the hours of operations of the road network in Viet Nam.

Here are the two most important technical requirements cases that companies reported as burdensome during the survey:

Regulation related to the issue	Companies facing this obstacle
Technical requirements: capacity and technology requirements.	5% of the problems reported by transport services providers.
Technical requirements: restrictions related to hours of operations.	7% of the problems reported by transport services providers.

Case N°1: freight transport providers cannot take full advantage of the vehicle's performance because of the new requirements on the axle and total cargo load set by circular 46/2015/TT-BGTVT

The Vietnamese Ministry of Transport issued a regulation on the total vehicle load permitted on the road under circular 46/2015/TT-BGTVT, **reducing the maximum load to 15 tons from 20 tons**. Some transport companies vary the axle load according to the goods transported, considering the distribution in the containers (especially with machinery or engines), maximum speed of the trucks, deviation of goods during the load and unload process at ports. In these cases, even if the total weight of the cargo is still within the permitted limits, companies are punished for exceeding the axle limit that also decreased with the new regulation. For that reason, **companies cannot take full advantage of the vehicle's performance**, losing efficiency and business opportunities.

If companies do not comply with this regulation, they will be fined over VND20 million, increasing their operating costs by around 20%. Plus **regulations on vehicle load change continuously**, challenging companies to adapt with short or no notice.

'Besides regulation on the total vehicle load permitted on the road, the Ministry of Transport issued another regulation on the limit of axle load. As one vehicle can handle 20 tons, it is useless to set a 15 tons max of cargo with these new laws. Moreover, regulations on vehicle load change continuously, creating systematic challenges to adapt to them.'

Provider of road transport services with own fleet and crew

Service concerned

Road transport services with its fleet and crew.

Provision of road transport services (including short haulage).

Obstacles related to the issue

- Delays.
- Involvement of multiple agencies.
- Selected regulations change without prior notice.
- Unusually high fees.

Issue related to exports to

Cambodia, Singapore, Local clients.

About circular 46/2015/TT-BGTVT

This Circular was issued in line with item 3, Article 28 of the Law on Road Traffic. During its drafting process, the Ministry of Transport consulted the public via its website and provincial branches, VCCI, etc. The maximum load was considered relevant to balancing road transport safety (considering the quality of road infrastructure in Viet Nam) and transport efficiency.

Case N°2: restrictions related to hours of operations of the road network and terminal points change without prior notice, leading to delays and increasing operating costs

The local government in Ho Chi Minh City restricts the hours of operation for large commercial trucks, banning them from operating on domestic highways during specific time and days of the week. Sometimes, these regulations change due to big events happening in the city, without notifying transport services providers. **Companies may pay fines for failing to comply with the regulations of the Ho Chi Minh City People's committee. Most of the time, firms change the route, increasing the travelling time and operating cost.**

Service concerned

Provision of road transport services.

Obstacles related to the issue

- Delays.
- Unusually high fees.

Issue related to exports to

Local clients.

*'We pay fines for failing to comply with the operating hours on domestic highways during certain days of the week, according to the regulations of the Ho Chi Minh City People's committee. Most of the time, we must change the transport route, **increasing the time and operation costs.**'*

Provider of road transport services (incl. short haulage)

RECOMMENDATIONS

Review circulars and reduce unreasonable, excessive or duplicated burdens (like tolls and fees) for transport companies.

- a. The Ministry of transport should implement Directive No. 21/CT-TTg (2018) to effectively reduce logistic costs and improve transport connectivity.

TAX REGULATIONS: Changes too frequent for services providers

WHAT IS THE ISSUE?

Companies complain that the General Department of Taxation and the Department of Customs sometimes lack coordination on terms of taxation, resulting in their following different types of rules.

Here are the two most important tax measures cases that companies reported as burdensome during the survey:

Regulation related to the issue

Tax measures: fees on foreign services content.

Companies facing this obstacle

3% of the problems reported by transport services providers

Case N°1: the transparency and predictability of the taxation imposed by different road transport authorities and customs offices across the country are not homogeneous

In Viet Nam, the issue of transfer pricing is managed by the General Department of Taxation, as well as local tax authorities, while the General Department of Customs manages custom values. The rules in determining customs value and transfer pricing are based on market prices. However, the provisions defining market prices for products in business transactions are based on OECD guidelines, following international practices and appropriate Vietnamese practices. Meanwhile, customs authorities always determine taxable values based on the methods specified in the GATT/WTO.

Coordinating these two goals for the General Department of Taxation and the General Department of Customs is not an easy thing in Viet Nam today, as firms often have difficulty working simultaneously with two state agencies.

Service concerned

Customs clearance services.

Obstacles related to the issue

- Involvement of multiple agencies.

Issue related to exports to

United States, Local clients.

'We find burdensome that the General Department of Taxation and the General Department of Customs do not match in their tax rules, so we often have difficulties working simultaneously with these two agencies.'

Provider of customs clearance services

Case N°2: software developers lack adequate support to understand and comply with tax practices

Some high-tech and IT companies often write in contracts – “Service provided: Website development”, which includes creating a website address and designing the interface. And since the final product is a website, they only charge for a “Website Development” service. But the Tax Department regularly separates the contract value into two services, as “website interface design” is not included in the tax exemption list. Although companies explain that they cannot record the fees of these two services separately, tax department officials often reject the explanations, without clear guidance.

Another issue for these companies is that tax reduction or exemption laws demand high requirements and standards for high-tech enterprises, usually accompanied by many procedures and documents.

Service concerned

Website development.

Obstacles related to the issue

- Lack of enquiry points for information on reported regulation.
- Arbitrary behaviour of officials regarding the interpretation and application of the reported regulation.

Issue related to exports to

Japan, United States.

WHAT IS THE OPINION OF THE INSTITUTIONS CONCERNED?

'Government agencies have been in dialogue and are cooperating with foreign partners to find alternatives to improve and harmonize tax practices. However, tax practices for a rapidly evolving sector such as high-tech and IT are quite complicated. The government agencies will review the guidelines to facilitate smoother compliance by IT companies.'

- Ministry of Finance

RECOMMENDATIONS

Apply tax deferral, deduction and exemption to IT, transport & logistics and accommodation and hotel services companies during the mitigation of the COVID-19 pandemic.

VISAS: Complexity is off putting for tourists, foreign professionals

WHAT IS THE ISSUE?

Companies complain that the visa exemption program from the Immigration Department should consider the reality of some of the services providers sector, as some ITC skilled workers can be found abroad. Also, for tourism providers, the burdensome procedures that foreign clients need to undergo when applying for a short-term visa deter foreign visitors from staying in the country.

Here are the two most important visa related cases that companies reported as burdensome during the survey:

Regulation related to the issue	Companies facing this obstacle
Restriction on clientele: tourist visa and regulations restricting the movement of foreign clients.	22% of the problems reported by tourism services providers.
Conditions on market entry: movement of natural persons.	17% of the problems reported by ICT services providers.

Case N°1: limited coverage of tourist visa exemption, much paperwork, limited capacity to process the demands in peak season and complexities in the process of visa extensions affects tourism services providers

Given that the visa application process usually takes a long time (20 - 30 days), **foreign tourists buying last-minute tours often have to cancel the trip or change the flight ticket.** Although they are sometimes compensated for cancellations by travel agencies, the agencies then have to bear the fines of the already reserved air ticket and accommodation.

In addition, tourists from countries like France, Italy, Japan and the Republic of Korea do not have to apply for a visa if they stay for 15 days maximum, according to Vietnamese regulations on visa exemptions. But this period is short, especially for tourists from Europe, who often travel for more than one month, as the average tour fee is high (more than \$2,000 per person).

These tourists must go through travel agencies to make a petition to the Administration of Immigration.

Some **visitors must add documents – such as attorney permission, a letter of introduction, financial proofs, identity verification** and a complete schedule at the Tan Son Nhat airport – even though they have already prepared all the required documents. As a result, companies usually need to give informal payments at the airport to avoid difficulties for tourists.

During peak season (Like on Tet Holiday), the Immigration Department and the Ministry of Public Security are overloaded, **forcing tourists to go back to their countries when their visa is close to expiring**, making Vietnamese agencies lose potential customers and receive reduced profits.

Service concerned

Accommodation services, assistance with obtaining travel-related documents and permits, resale of travel components, tour packaging services

Obstacles related to the issue

- Delays.
- Unusually high fees.
- Large number of procedures or documents.
- Informal payment.
- Inadequate procedures for monitoring of compliance with licensing requirements and authorizations.
- Lack of regulatory framework in the sector.
- Ineffective or inexistent legal enforcement.

Issue related to exports to

France, Germany, United States, Pakistan, Republic of Korea, United Kingdom.

Further, companies providing support services for obtaining travel-related documents and permits suffer as **the digital signature between the General Department of Taxation, and the Immigration Department is not integrated.** When

customers pay their expenses, these companies must get two different digital signatures. This is time-consuming and costly (more than VND three million per signature plus the annual maintenance fee).

*'The Vietnamese government has a tax reduction or exemption policy for some services exported by ICT companies. However, we will only be granted the privilege if we meet the standards of high-tech enterprises. When we applied for the certification of high-tech enterprise, **there were many procedures and documents that we had to comply with, making it difficult for us to get it.**'*

Provider of on-premises software development

Case N°2: visa requirements for foreign IT experts are too demanding, not properly disseminated and not adapted to the realities of the ICT sector

Some customers require Vietnamese companies to **hire foreign IT experts to monitor the quality of services provided**. However, the process of issuing a **working visa or resident status for these experts is complicated**, as there are several procedures and time-consuming documents to comply with, such as:

- Permit for operation of a representative office.
- Certified copy of the License branch operations.
- Registration forms and signatures of branch directors (NA16).
- Form of application for Vietnamese entry for foreigners (NA2).
- Branch introduction letter for employees to go to work procedure.

If a foreign technical expert wants to enter Viet Nam once a month, there is no need for a visa. But for multiple entries within a month, the Immigration Department must grant a visa, usually issued for three months. However, **if the expert wants to apply for a one-year visa with multiple entries, the Ministry of Labour - Invalids and Social Affairs must approve the contract**, which can take up to ten days. Other companies hire a specialized agency for a visa application for foreigners to complete the recruitment quickly, incurring additional expenses.

Service concerned

Software as a Service (SaaS) and web-based application development, website development.

Obstacles related to the issue

- Large number of procedures or documents to comply with reported regulation.
- Information on regulations and procedures is not adequately published or disseminated.

Issue related to exports to

Japan.

'We must recruit foreign workers to be able to comply with the Japanese customers' requirements. However, the procedures for issuing a work visa in Viet Nam are quite complicated, as we need to comply with many documents. Given that going to the authorities for clarification is time-consuming, we hire a company that specializes in visa applications for foreigners to speed-up recruitment.'

Provider of Software as a Service (SaaS) and web-based application development

Case N°3: inadequate administrative procedures and the lack of skilled human resources increase the difficulty of obtaining the passenger transport certificate and the tourist guide card

To be able to have an international tourist guide card, the General Department of Tourism stipulates that tourist guides must have a foreign language certificate (like IELTS or TOEIC for English, N2 for Japanese or HSK4 for Chinese). This results in **a shortage of skilled human resources among tourism operators, given high costs and requirements**.

Service concerned

Tourist guide services.

Obstacles related to the issue

- Lack of skilled/trained labour force in the sector.

Issue related to exports to

Japan.

Companies that can provide passenger transport services, like hotels, even if registered under the Department of Planning and Investment, must obtain another license from the Department of Transport. But this requires several documents (such as car contracts, customer lists and driver training certificate), and the process usually takes a month.

To be granted an international tourist guide card, the General Department of Tourism stipulates that tourist guides need to have a foreign certificate that suits international standards, such as IELTS (5.5 or higher) or TOEIC (650 or higher) for English, N2 for Japanese, or HSK4 for Chinese. It is not too difficult for us to achieve the English certification, but for other languages such as Japanese or Chinese, it is quite difficult. Currently, the company is quite short of human resources.

Provider of tourist guide services.

The Vietnamese government has a tax reduction or exemption policy for some services exported by ICT companies. However, we will only be granted the privilege if we meet the standards of high-tech enterprises. When we applied for the certification of high-tech enterprise, there were many procedures and documents that we had to comply with, making it difficult for us to get it.

Provider of on-premises software development

WHAT IS THE OPINION OF THE INSTITUTIONS CONCERNED?

'Information related to import and export procedures and visas for foreigners is provided at the website xuatnhapcanh.gov.vn. Viet Nam is also collaborating with partners to identify the possibility of tourist visa exemption on a reciprocal basis.'

- Immigration department.

'As part of the economic recovery plan after COVID-19 pandemic, the Prime Minister has instructed the concerned authorities to speed up visa issuance for foreign experts to enter Viet Nam, taking the necessary bio-security measures. Vietnamese authorities have been considering reforms to visa requirements on foreign experts.'

- Immigration Department

'The government is proposing changes to regulations on driving licences (including passenger transport certificates), as part of the (on-going) draft law on Road Transport Order and Safety. Necessary conditions to facilitate the grant of driver licences are being considered.'

- Ministry of Transport and Ministry of Public Security

RECOMMENDATIONS

Relax visa requirements to allow foreign professionals and tourists to enter Viet Nam.

- a. Expand the use of e-visa procedures through decree 79/2020/ND-CP.
- b. Work with partners to explore tourist-visa exemptions on a reciprocal basis.
- c. Simplify regulations on registering professionals (for example, IT experts).
- d. Simplify visa requirements and processing time for foreign tourists.
- e. Develop plans to permit the entry of tourists after the COVID-19 pandemic.

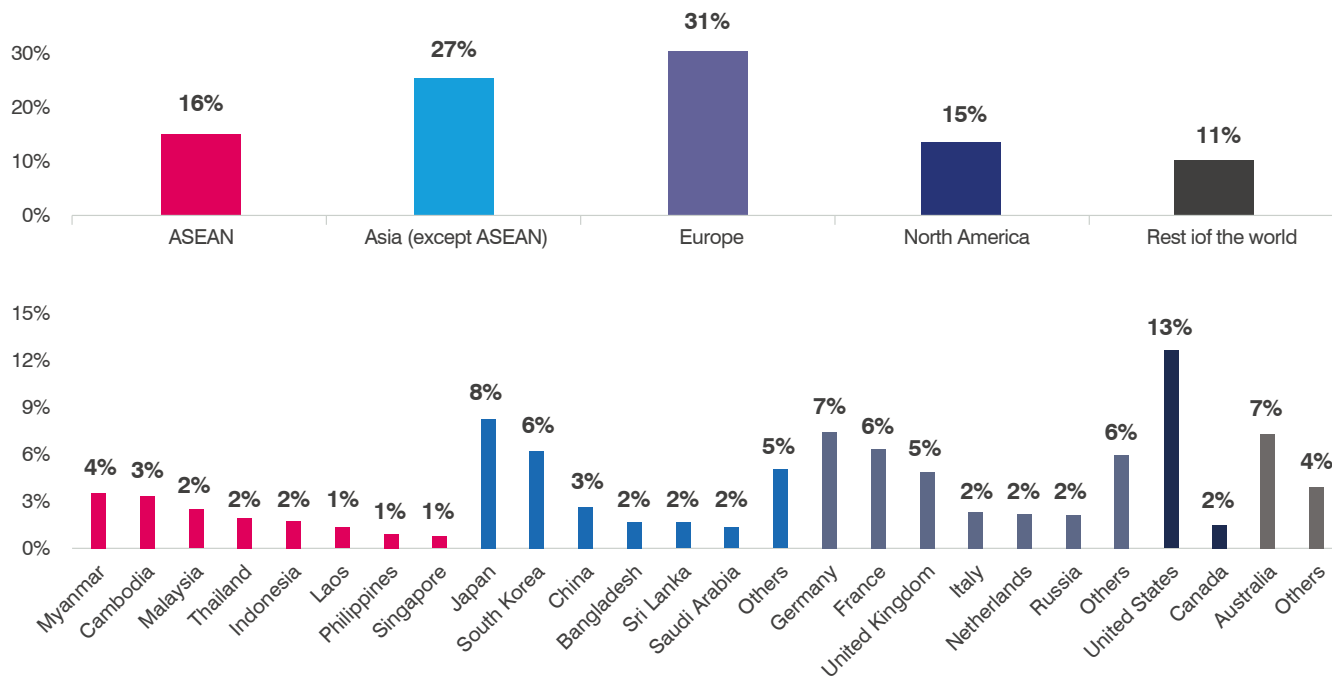
REGIONS: Asia, Europe have most onerous NTMs

Which regions account for the greatest number of NTM obstacles for Vietnamese goods exporters and which obstacles are the most burdensome? ITC's NTM survey shows that regulations from traditional markets such as Europe and Asia are the biggest problem (see Figure 1).

Specifically, Europe's regulations account for 31%, of which Germany stands at 7% and France at 6%. The corresponding percentages for ASEAN are 16% and Asia (except ASEAN) at 27% -- of which Japan is 8% and the Republic of Korea is 6%.

Figure 1 Asia and Europe impose most of the challenging regulations

Share of burdensome regulations applied by partners to goods exporters, by region and country



Source: ITC NTM Business Survey in Viet Nam, 2019.

While accounting for a smaller share, China (3%) has been enforcing SPS and TBT standards more strictly via formalizing trade since 2018, which has affected Vietnamese exporters of agricultural products.

Regulations from the US represent the single highest share of burdensome NTMs (13%). At the opposite end, regulations from South American and African markets account for almost negligible shares of NTMs.

However, a higher share of NTMs does not coincide with a higher volume of trade, as illustrated in the Country Overview (Appendix I). While 44% of Vietnamese exports go to the Asia (except ASEAN) region, only 27% of companies faced obstacles there. In contrast, while only 6% of Vietnamese exports go to the ASEAN region, 16% of companies experienced obstacles there.

WOMEN: Only 25% are owned or managed by women

Participation of women in the formal economy could be better

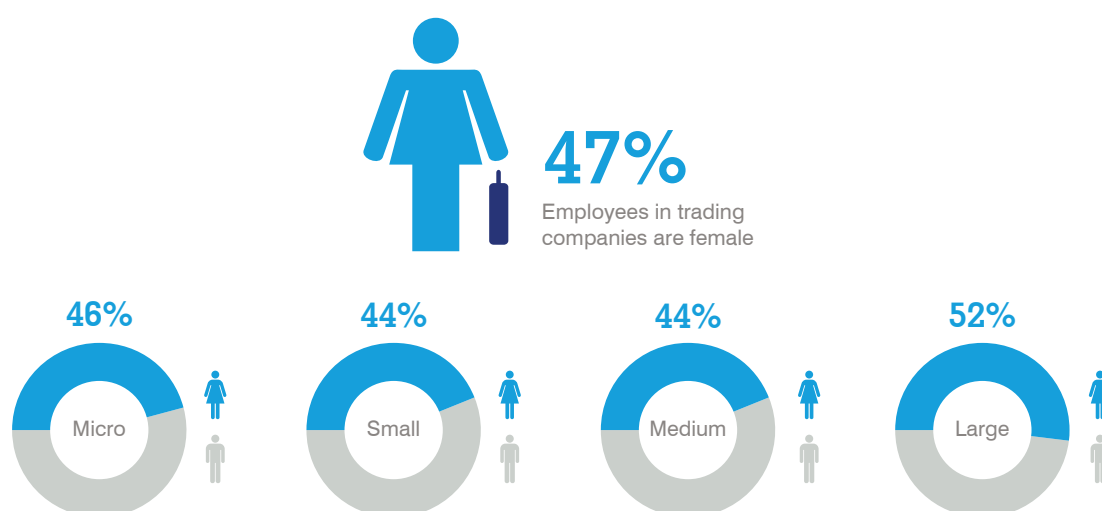
Women are under-represented in Vietnamese trading companies, and there are few women entrepreneurs in the country.

On average, women make up 47% of the workforce in exporting or importing enterprises. Female employment is low in small firms (44%) compared to large businesses

(52%) (see Figure 2). However, only 1% of the interviewed firms employed no women, and women employees made up less than 10% of the workforce in 26% of the companies.

The share of exporting or importing companies with a woman as owner and/or manager (defined as women-led) is also low (26%). These results are in line with the general situation in Viet Nam. The average share of female employees in all Vietnamese companies is 34%.¹ Likewise, women own only 19% of the firms and manage 22%.²

Figure 2 Highest level of women workers in large trading companies



Source: ITC NTM Business Survey in Viet Nam, 2019.

Most women work in just a few sectors

Female employment is concentrated in just a handful of sectors, such as fresh & processed food, clothing and miscellaneous manufacturing. One reason for this is that women lack knowledge of and exposure to other industries and operating procedures. Another reason is the limited number of dedicated entrepreneur training centres and advisory services for women. Many female employees engage in activities similar to their household duties or

which they learned from their families (such as textile and miscellaneous manufacturing).

Similarly, women-led trading companies are concentrated in just a few sectors. More than half of the companies owned or managed by women are in the fresh & processed food and clothing sectors (55%), followed by miscellaneous manufacturing (13%).

¹ World Bank (2019). Enterprise Survey. <http://www.enterprisesurveys.org/Data/ExploreTopics/gender>

² *Ibid.*

Regulations affect more men-led enterprises

Female entrepreneurs experience the same problems with regulations as their male counterparts, although these measures affect a more significant share of men-led firms.

Overall, 53% of women-led exporting companies said they faced difficulties with trade regulations, compared with 64% of men-owned firms (Figure 3). These difficulties are due to overly strict or complex regulations, or related procedures, that make compliance challenging.

Figure 3 Burdensome regulations affect more men-led exporters than women-led exporters

Share of companies affected by NTMs is higher among women-led businesses



Source: ITC NTM Business Survey in Viet Nam, 2019.

CHAPTER 2

What needs to change

The NTM survey reveals various obstacles, especially concerning delays and high fees, which must be addressed to make it easier for Vietnamese traders to comply with regulations.

The following policy recommendations stem from consultations with stakeholders in the public and private sectors, business association representatives and experts, as shown in the “Action Matrix for Measures Applied by Viet Nam”. They align with ITC’s action plan to support small businesses affected by the COVID 19 crisis³ in developing countries. The survey results and recommendations aim to help the Government and private sector create an enabling environment for private-sector development and improve export competitiveness in Viet Nam.

The Vietnamese Government set, in late 2020, the following specific targets under Resolution 02:

- Increase score and maintain ranking in terms of Electricity Procurement.
- Increase ranking in terms of Trading Across Borders by 7-10 positions and in terms of Registering Property by 10-15 positions by shortening the total time to register by no more than 30 days.

Trade ecosystem priorities

Business environment reforms

The momentum for reforms should not be disrupted when mitigating the adverse impacts of COVID-19 outbreaks. Viet Nam should continue implementing Resolution 02, which is aimed at upgrading its rankings in various areas – such as trading across borders, electricity procurement and property registration. The country should refer closely to international benchmarks, including the Global Competitiveness Index by the World Economic Forum and the Global Innovation Index by the World Intellectual Property Organization.

Good regulatory practices

Viet Nam should enforce meaningful preparation of regulatory impact assessments, as stipulated under the 2015 law on Legal Normative Documents in the issuance, amendment and removal of NTM-related regulations. Public consultations should be conducted before and after such issuance, modification and removal to enhance

the preparedness of different stakeholders (primarily companies) and validate the regulatory impact assessment findings. Viet Nam also needs to allocate sufficient financial and human resources while improving the quality and availability of data in various goods and services sectors. In this respect, implementing the new-generation FTAs (like CPTPP and EVFTA) may be instrumental in promoting regulatory coherence.

Trade facilitation, governance

Viet Nam should accelerate the progress towards full operations of the National Single Window and work with different ASEAN member states to enhance its continuous operation. It should enforce surveillance mechanisms to help strengthen official public integrity, as informal payments are still present. And it should guarantee that customs clearance is conducted fast, facilitating the roadmap to its formalization.

³ <http://www.intracen.org/covid19/15-Points-Action-Plan/>

E-Government for speed, transparency

Viet Nam should promote online public services related to trading in goods, especially in tax collection and fees, issuance and transfer of results. The national trade repository should be developed on a timely basis. And the authorities should establish regulations to allow and promote blockchain technology in value chains.

'The Government should set up an automatic classification system to trace exported products and avoid arbitrary behaviour by customs officials.'

International regulatory cooperation

Viet Nam should not rely only on domestic consultations and expertise in streamlining NTMs. To reduce unnecessary regulatory burdens, the country should actively engage in experience-sharing activities and policy dialogues with partner countries, including international forums, symposiums, or workshops. Such efforts may deepen cooperation between Viet Nam and its partners, helping to avoid similar burdensome regulations. For instance, promoting mutual recognition of test results or quality control systems with partner countries can help simplify conformity assessments for Vietnamese exporters. Viet Nam should also work with partners on implementing technical standards, especially for the products in the global and regional value chains.

In October 2020, the US Department of Agriculture officially recognized the equivalence of food, safety, and control systems of Vietnamese catfish. Vietnamese companies exporting Pangasius fish expect to have additional opportunities in the US and other strict markets.

Sectors to prioritize

GOODS

To increase compliance with conformity assessments

Testing and certification requirements account for a large share of burdensome regulations perceived by Vietnamese exporting companies. Thus, the Government should invest in better and more modern infrastructure – especially for those with proximity to major ports – to support exporters' compliance and ease the entry of private operators.

Viet Nam should also raise awareness among exporters about the need to comply with conformity assessments to enhance export competitiveness or improve export prices by reducing costs. This is especially important as the country engages more deeply in global and regional value chains.

'The Government should integrate all the administrative services into an e-portal that allows submitting, approving, and issuing permits or licenses. This should go together with reforms to the customs procedure in terms of building capacities for their staff.'

Some of the specific tasks related to reform management and inspections to be completed in 2020 are:

- To reform the application of risk management, based on the assessment and analysis of the enterprise's compliance and the level and extent of risks of the concerned goods.
- To reform the progressive shift from inspecting goods at the clearance stage to supervising the domestic market.
- To reform the publication of products subject to specialized inspection: include detailed HS codes, the appropriate method of specialized management of import and export, and the enterprise's costs payable. The form of publication must be consistent and accessible.
- To reform the provision of online public services at level four.
- To review and shorten the list of items subject to specialized inspection. This would involve publicly and fully publishing the updated list of items (with detailed HS codes) on the website of the specialized management Ministry – along with a comparison of

the items subject to specialized management and inspection before and after the update.

- To reform the organizational apparatus of concerned ministries to ensure that only one focal agency conducts specialized inspection procedures for each commodity.

To reduce time and costs for customs clearance

Viet Nam should devise a pragmatic program to shorten the time for customs clearance. This may require more comprehensive efforts to reduce specialized inspections. Pilot implementation should be permitted in the short term.

To implement FTAs more effectively

'Our company would like to be able to use the online CO submission and approval process, so that we do not have to wait for transferring hard copies of a document to VCCI Hai Phong.'

Viet Nam should simplify the documents related to CO certifications, especially under FTAs. In the context of US-China transactions, trade wars and the associated need to prevent transshipment from China should not be the reason for not doing such simplification. Online platforms, notably the National Single Window, should be leveraged as the single channel for effective submission and processing of documents for traded goods. At the same time, Viet Nam should review the capacity to implement SPS and TBT chapters under new-generation FTAs (i.e., CPTPP, EVFTA) and devise a strategy to fill a potential gap.

It is also vital for Viet Nam to establish internationally accredited certification bodies to help companies save money and time; accelerate the implementation of FTAs to bring Vietnamese companies more advantages; and achieve mutual recognition of geographical indicators with its partners to make Vietnamese products easily recognizable. As for quality standards issued by Government bodies of Viet Nam, they should be the same as the international ones.

'Building a mechanism to help export companies update the information of as many export markets as possible, especially on mandatory certification and technical requirements – and this information needs to be public, up-to-date and easy to access.'

To increase the dissemination of trade policy information

Viet Nam should enhance the accessibility and transparency of trade policy information, especially when a NTM implication is expected. It should swiftly develop and operate the National Trade Repository (NTR) and connect it to the ASEAN Trade Repository. It should also periodically collect and categorize the NTMs in line with the most updated international classification. The information provided should cover the black-ink regulations, along with identifying and linking contents on technical requirements and conformity assessments. A network of experts, consultants and satellite research institutions to support the NTR would be essential to complement this measure. Viet Nam also needs to build capacity for its companies, including a network of trainers/consultants to access trade-related information. For instance, apart from using the Vietnamese trade information portal, companies may refer to ITC's Market Access Map (macmap.org) or WTO's e-Ping Alert Mechanism (epingalert.org).

'Trade support institutions should regularly update the information on technical requirements for the relevant product. In addition, they should provide timely intervention measures.'

At the same time, Viet Nam should adequately resource the operations of SPS and TBT offices. They should have enough financial and human resources to provide translated versions of the regulations and draft guidelines of partner countries' regulations whenever they affect Vietnamese exports. Also, the regulators (Viet Nam Chamber of Commerce and Industry - VCCI) and relevant business associations should cooperate with these offices, especially with comments on draft regulations in partner countries when they are notified.

TRANSPORT AND LOGISTICS

To reduce excessive tolls and fees for freight transport services

The Government should carefully review and reduce unreasonable, excessive, or duplicated tolls and charges – or partially support these costs – for transport companies. It should also consider incorporating these road tolls and fees into one reasonable cost to facilitate management by companies. Electronic payment and invoices should be allowed to reduce paperwork when handling the expenses related to freight transport services.

'Hai Phong customs should reduce fees or remove infrastructure fees on each container. Even if the tax is collected, there must be specific a document for the company to show to customers.'

To upgrade infrastructure to facilitate transport activities

Given road transport's dominant share, it should be supported by greater investment in road infrastructure and sufficient maintenance costs. Along with the strict enforcement of load regulations, related infrastructure such as weighbridges should also be improved. To minimize disruptions in transport activities, the maintenance and upgrade of roads should be required only at night or early in the morning.

'Quang Ninh provincial Government should pay more attention to the infrastructure system in Ha Long Bay: refurbishing the road to the pier, building more sun-shading roofs where visitors stand in line for boats, and reviewing the cost of parking.'

INFORMATION AND COMMUNICATION TECHNOLOGIES

To relax visa requirements for foreign IT experts

Due to the shortage of qualified IT staff in the domestic market, Viet Nam's IT companies must recruit foreign IT experts and professionals. The Government, especially the Ministry of Labour, War Invalids and Social Affairs, should consider easing work visa requirements for foreign IT experts and professionals (e.g., shorter time frame for visa applications). The procedures to assess foreign workers' skills and work experience should consider the realities that the ICT sector now faces (e.g., the need for freelance contracts).

'The Government should have clear rules and guidelines for tax calculation, so that officials do not take advantage of the lack of information about legal regulations.'

To reduce taxes on ICT services

With cooperation from the Ministry of Information and Communications, the Ministry of Finance should provide clear guidance on calculating taxes for digital services and indicate the requirements to apply to reductions and exemptions. Training and courses on tax literacy should then be organized for ICT service providers. Viet Nam should also aim to harmonize its taxation approach and policies with major partner countries to facilitate compliance and avoid duplicated tax costs for ITC companies.

'The Government should improve the IT infrastructure in Viet Nam, especially for broadcasting 5G internet everywhere. This will save money for hotels and reduce customer complaints.'

To develop ICT standards and foster public-private information sharing on ICT standards

Viet Nam should review, revise and develop its national standards related to ICT activities that adhere to international best practices. In particular, the quality standards on internet connections should be improved to ensure higher quality and reliability. On that basis, Viet Nam should provide technical licenses for local companies by establishing a

dedicated Government agency or permitting reliable private entities. It should also develop a list of local agencies entitled to issue technical licenses for local companies.

Establishing a single online window to receive queries and feedback from ICT services providers would allow a coordinated response from different agencies involved in the sector.

TRAVEL AND TOURISM

To simplify visa requirements and processing time for foreign tourists

Viet Nam should revise the visa requirements for tourists from high-income markets in America, Europe and Asia. Such an exemption should be reciprocal in cooperation with the relevant partner countries or unilateral if needed. The visa-free entry period should also be reviewed (currently, it is only for 15 days) so that tourism services providers can design more diverse tours that require longer stays. Moreover, the time required for visa issuance should be shortened. Accordingly, tour operators could benefit from specific tourism segments (e.g., last-minute trips or multiple entries to visit other countries in the region).

To improve regulations related to the registration of foreign tourists and service quality control

Viet Nam should simplify foreign tourists' registration regulations without requiring hotels to keep their original identity documents. It should also improve the rules on safety and quality for operators in the sector to be more compliant with international standards and set adequate monitoring systems.

'Our company provides support for visa application services for visitors from the US, Australia and Canada. This process takes time (up to seven working days), making our company less competitive than our counterparts in neighbouring countries like Thailand and Laos.'

Matrix of actions

Based on the results of the recent NTM survey, ITC and VIETRADE hosted a workshop to validate the following recommendations and build a roadmap of actions to reduce trade costs associated with burdensome regulations reported by companies. The recommendations are drawn from bilateral consultations with stakeholders and proposals from the private sector, and through a collaborative approach, stakeholders validated these recommendations. And the proposed are aimed at overcoming observed regulatory and procedural trade barriers without compromising the legitimate objective of the measures.

ACTION MATRIX FOR MEASURES APPLIED BY VIET NAM		
Type of measure	Recommendations	Actions proposed
GENERAL ACTIONS		
	<ol style="list-style-type: none"> 1. Continue to implement Resolution 02 to improve rankings in business indicators, especially on trading across borders, getting electricity and registering property. 2. Preserve momentum for reforms even during mitigation of COVID-19 impacts. 3. Enhance good regulatory practices to streamline NTMs and reduce the unnecessary regulatory burden on businesses. 4. Promote e-Government to help shorten delays and reduce arbitrary behaviour of officials. 	<ol style="list-style-type: none"> 1.a. Update measures and targets for improving the business environment, using international benchmarks (e.g., Global Competitiveness Index). 2.a. Integrate business environment reforms in the post-COVID19 recovery plan. 4.a. Make trade facilitation and better public sector governance intertwined. 4.b. Promote international regulatory cooperation.
SECTOR-SPECIFIC ACTIONS		
Trade in goods	<ol style="list-style-type: none"> 5. Simplify testing and certification requirements. 6. Raise awareness among exporters about compliance with conformity assessments. 7. Reform application of risk management and a specialized inspection. 8. Increase public services that are connected to the National Single Window. 9. Reform the organizational apparatus of concerned ministries to ensure that only one focal agency conducts specialized inspection procedures for each commodity. 	<ol style="list-style-type: none"> 5.a. Invest in testing infrastructure. 5.b. Simplify documents related to CO certifications, especially under FTAs. 7.a. Shorten the list of products subject to specialized inspection. 8.a. Quickly develop a fully functioning National Trade Repository and connect it to the ASEAN Trade Repository. 8.b. Update the NTM database. 9.a. Build capacity for companies and consultants to access trade-related information. 9.b. Adequately resource the SPS/TBT Offices.
Trade in services: ICT	<ol style="list-style-type: none"> 10. Facilitate entry of foreign IT experts from countries that have controlled the COVID-19 pandemic, subject to quarantine. 11. Apply tax deferral, deduction and exemption to IT companies during the mitigation of the COVID-19 pandemic. 12. Develop ICT standards and foster public-private information sharing on ICT standards. 13. Improve the quality of the internet connection. 	<ol style="list-style-type: none"> 12.a. Relax visa requirements for foreign IT experts.
Transport and logistics	<ol style="list-style-type: none"> 14. Review and reduce unreasonable, excessive or duplicated tolls, fees, and charges, or partially support these costs for transport companies. 15. Incorporate these road tolls and fees into one reasonable cost to facilitate management by companies. 16. Popularize the use of electronic payment and invoices. 	<ol style="list-style-type: none"> 17.a. Invest in upgrading transport infrastructures (e.g., road, weighbridges).
Travel and Tourism	<ol style="list-style-type: none"> 17. Develop plans to permit the entry of tourists after the COVID-19 pandemic. 	<ol style="list-style-type: none"> 19.a. Simplify visa requirements and shorten processing time for foreign tourists. 19.b. Simplify regulations on the registration of foreign tourists. 19.c. Improve rules on safety and quality for tourism operators.



EXPORT OF GOODS

IMPORT OF GOODS

GDP \$282 BILLION (as of 2019)
GLOBAL GDP RANKING: 45th

\$295 billion

Average annual growth rate

17%

between 2014 and 2019

\$260 billion

Average annual growth rate

13%

between 2014 and 2019

Sectors (\$ in billions)

Agriculture: 17%

- Fish and crustaceans \$5
- Fruits and nuts \$4
- Coffee and tea \$3
- Cotton \$3
- Processed food \$2

Manufacturing: 83%

- Electrical equipment \$127
- Apparel and clothing accessories \$34
- Footwear \$25
- Mechanical appliances \$17
- Furniture \$12

Sectors (\$ in billions)

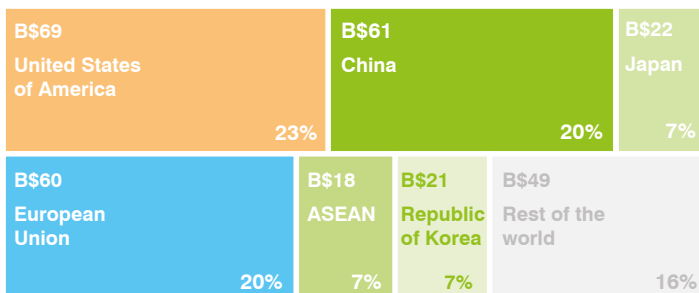
Agriculture: 17%

- Cotton \$5
- Fruits and nuts \$3
- Residues and waste from the food industries \$3
- Cereals \$3
- Meat \$3

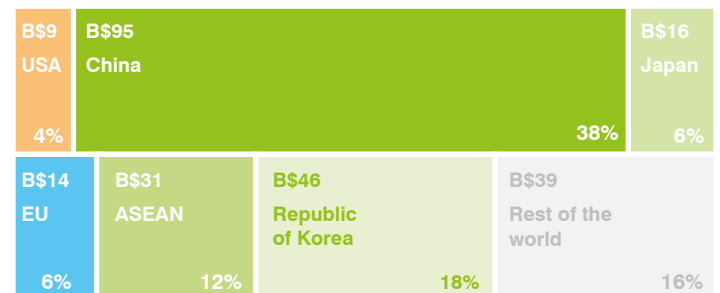
Manufacturing: 83%

- Electrical equipment \$78
- Mechanical appliances \$27
- Rubber and plastics \$15
- Iron and steel \$11
- Medical instruments \$11

Markets



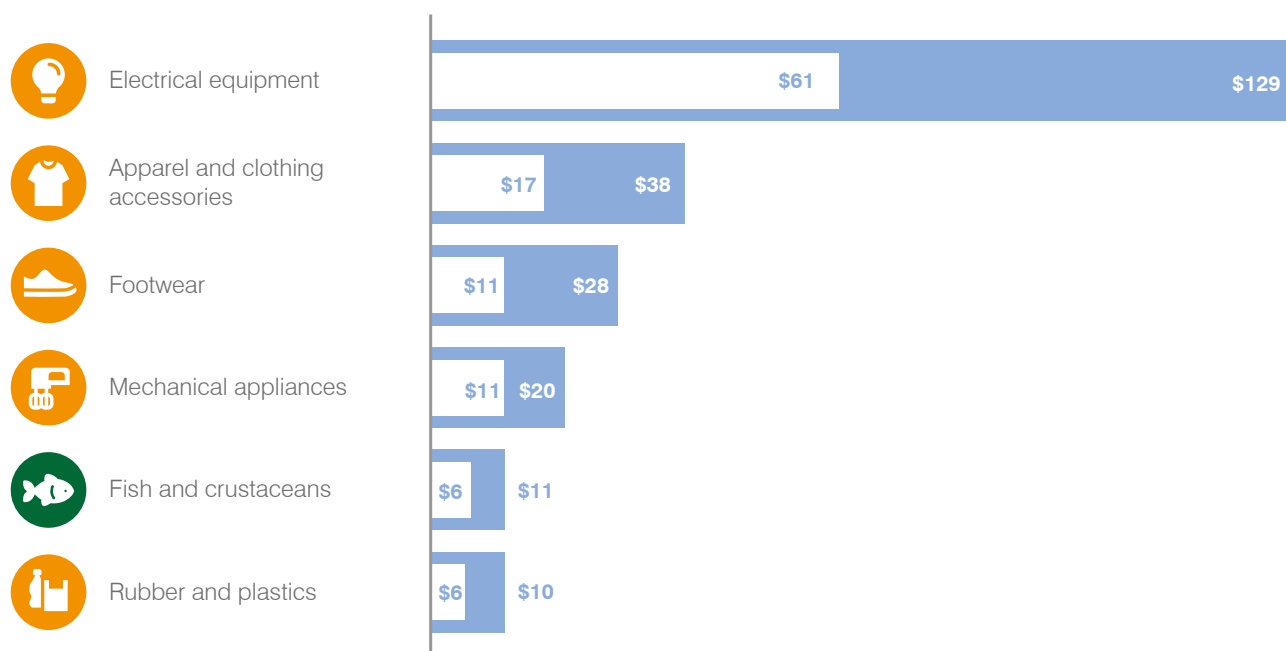
Markets





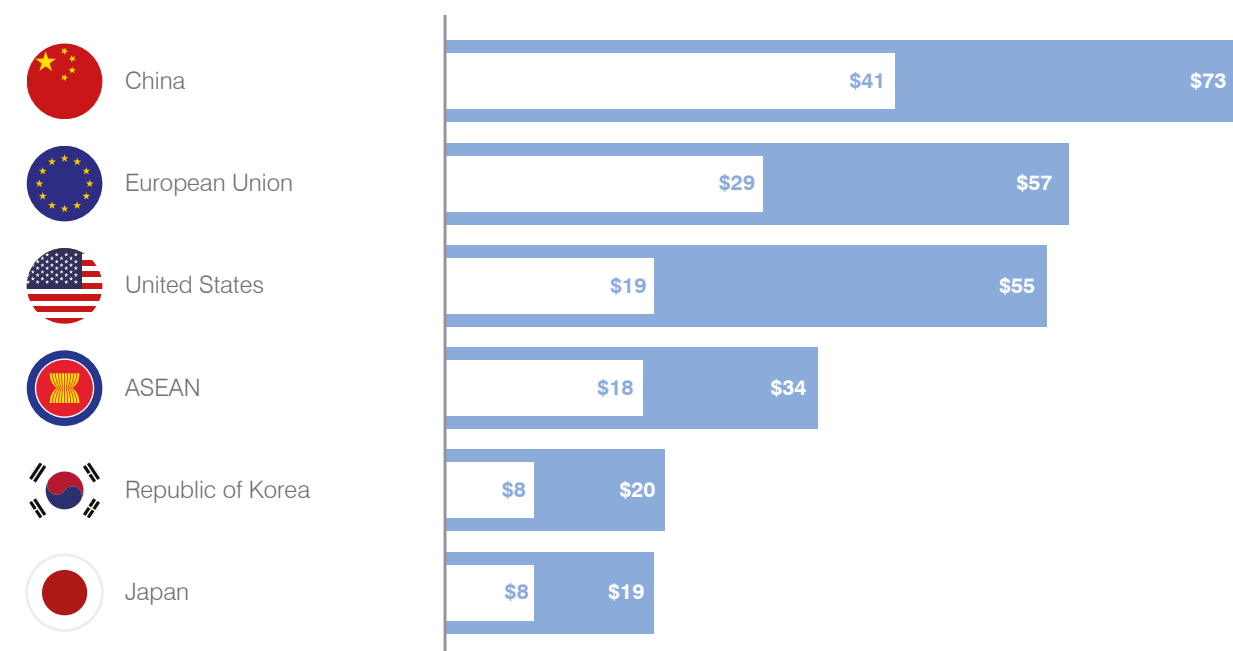
Products with most export potential (billions)

Sectors



Markets with most export potential (billions)

Sectors



■ Export potential □ Untapped export potential

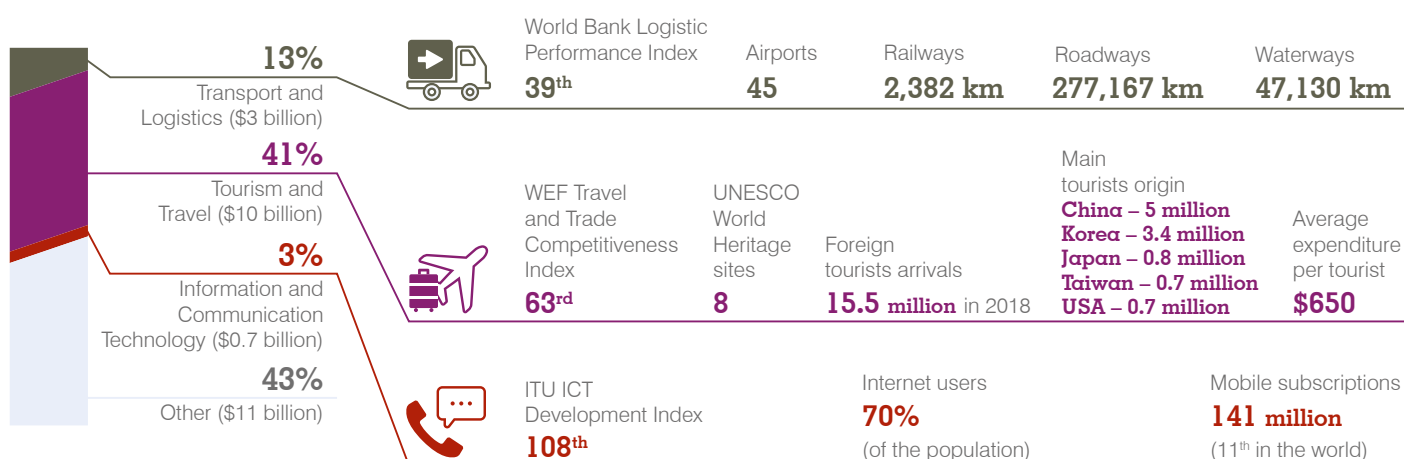


Export of services

Quick facts

\$25 billion Value exported
41% of GDP in 2018
35% workforce

Sectors – Transport, Tourism and ICT



Markets

\$17 billion Asia (except ASEAN)
\$9 billion Europe
\$6 billion Americas
\$3 billion ASEAN

Trade agreements

Viet Nam has agreements with **54 countries**.

ASEAN

Brunei Darussalam, Cambodia, Lao People's Democratic Republic, Malaysia, Myanmar, Philippines, Singapore, Thailand, Viet Nam, Indonesia

AANZFTA

ASEAN, Australia, New Zealand

EAFTA

ASEAN, China, Republic of Korea, Japan

ASEAN

Viet Nam has been part of the **Association of Southeast Asian Nations (ASEAN)** since 1995. The regional bloc of ten countries has trade agreements with external partners such as the **Republic of Korea, Japan, India, China and Hong Kong**, and negotiates with **Canada and Pakistan**. The group is moving towards integration into a **single market**, with cooperation in **economic, political, security, education and sociocultural policy** areas.

Trade in services

The **trade agreements** with **China, The Republic of Korea, Japan, Hong Kong** and the **EU** covers provisions for the sector. However, there is no agreement focusing only on services.

Outside ASEAN

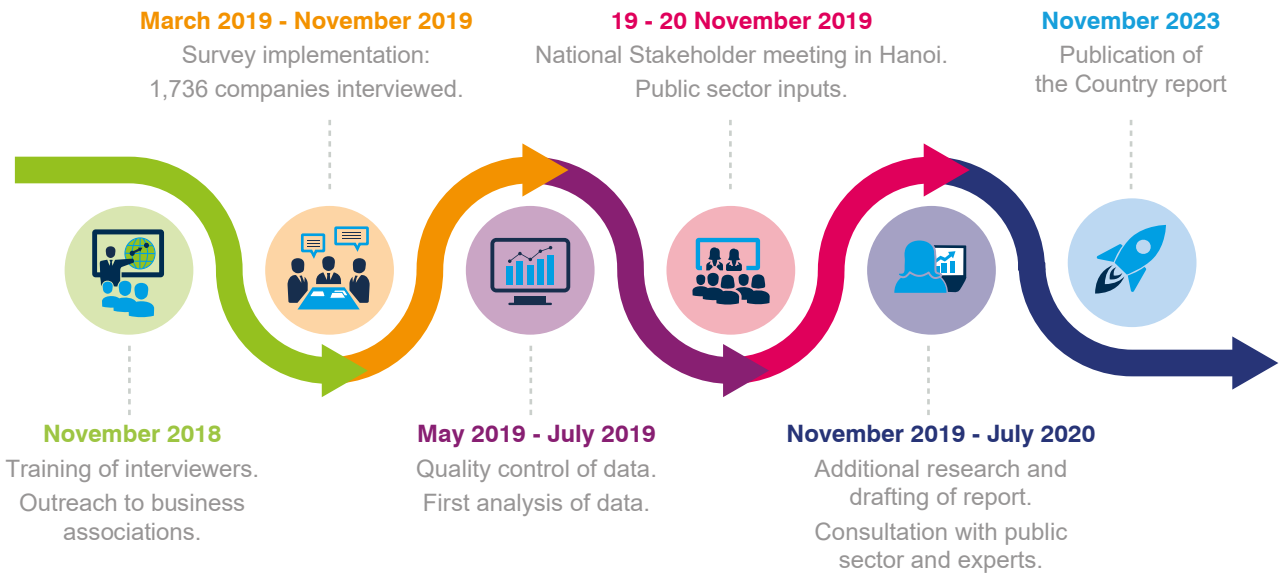
Viet Nam has signed **bilateral agreements** with **China, The Republic of Korea, Sri Lanka and Israel**. Viet Nam is also a member of the **Comprehensive and Progressive Agreement for Trans-Pacific Partnership** involving **Malaysia, Mexico, Peru, Singapore, Japan, New Zealand, Canada and Australia**. Viet Nam receives **unilateral preferences** under the GSP with **Norway and Turkey**, among others.

Recent agreements

In 2019, Viet Nam signed trade and investment **trade and investment agreements** with the **European Union and Cuba**.

APPENDIX II: Project timeline

Survey process



APPENDIX III: Methodology of the survey

Trade barrier surveys: overall methodology

Since 2010,⁴ ITC has completed large-scale company-level surveys on burdensome non-tariff measures and related trade obstacles (NTM surveys hereafter) in over 70 countries on all continents.⁵ The main objective of the NTM surveys is to capture how businesses perceive burdensome NTMs and other obstacles to trade at a detailed level – by product and partner country.

All surveys are based on a global methodology that consists of core and country-specific parts. The core part of the NTM survey methodology described in this appendix is identical in all survey countries, enabling cross-country analyses and comparison. The country-specific part of the survey allows flexibility in addressing the requirements and needs of each participating country.

The growing role of NTMs in trade

Over several decades, trade liberalization has been used as a development tool, based on evidence that benefits accrue to countries actively engaged in world trade. Multilateral, regional and bilateral trade negotiations and non-reciprocal concessions have led to a remarkable reduction in global average tariff protection. International trade has soared to previously unseen levels with favourable market access conditions, raising overall welfare and living standards.

The misuse of NTMs may undermine the impact of falling tariffs. The sound uses of NTMs to ensure consumer health, protect the environment and safeguard national security is legitimate. However, evidence suggests that countries resort to NTMs as alternative mechanisms to protect domestic industries. NTMs have been negotiated within the General Agreement on Tariffs and Trade and at the World

Trade Organization since the Tokyo Round (1973–1979) and are increasingly dealt with in regional and bilateral trade agreements. Many practitioners think that NTMs have surpassed tariffs in their trade-impeding effect.

NTMs particularly affect exporters and importers in developing countries – especially least developed countries (LDCs), which struggle with complex requirements. Firms in these countries often have an inadequate domestic trade-related infrastructure and face administrative obstacles. NTMs that would not normally be considered restrictive can represent significant burdens in LDCs. In addition, the lack of export support services and insufficient access to information on NTMs impede the international competitiveness of firms. As a result, both NTMs applied by partner countries and domestic ones impact market access and keep firms from seizing the trade opportunities created by globalization.

The part of the survey on services

To raise awareness of the concerns of service providers, ITC has recently developed a methodology to capture trade barriers also in certain services sectors, including ICT, transport and logistics, and travel and tourism.

ITC's business survey on barriers to trade in services identifies obstacles regarding different service activities, along with modes of supply and partner countries involved, to better understand the challenges faced by service providers that access international value chains. In addition, the survey makes it possible to explore the synergies between trade in goods and services through the mapping of the main industries supplied by the service exporter and the foreign inputs (goods and services) needed to conduct the operations of the provision of services.

4 The work started in 2006, when the Secretary-General of UNCTAD established the Group of Eminent Persons on Non-Tariff Barriers. The main purpose of the group was to discuss the definition, classification, collection, and quantification of non-tariff barriers – to identify data requirements, and consequently advance understanding of NTMs and their impact on trade. To conduct the technical work of the group, a Multi-Agency Support Team was set up. Since then, ITC has been advancing the work on NTMs in three directions. First, ITC has contributed to the international classification of non-tariff measures (NTM classification) that was finalized in November 2009 and updated in 2012. Second, ITC undertakes NTM surveys in developing countries using the NTM classification. Third, ITC, UNCTAD and the World Bank jointly collect and catalogue official regulations on NTMs applied by importing markets (developed and developing). This provides a complete picture of NTMs as official regulations serve as a baseline for the analysis, and the surveys identify the impact of the measures on enterprises and consequently on international trade.

5 Pilot NTM Surveys were conducted in cooperation with UNCTAD in 2008–2009 in Brazil, Chile, India, the Philippines, Thailand, Tunisia and Uganda. The pilot surveys provided a wealth of materials, allowing for the significant improvement to both the NTMs classification and the NTM survey methodology. Since then, ITC has implemented NTM surveys based on the new methodology in over 70 countries.

An overview of previous research and evaluation

In the literature, different methods have been used to evaluate the effects of NTMs. An early approach employed a concept of incidence with NTM coverage ratios. Such studies rely on extensive databases, mapping NTMs per product and applying country. The largest official government database reported NTMs used to be the Trade Analysis and Information System, published by the United Nations Conference on Trade and Development (UNCTAD). Still, data has been incomplete and updates have been irregular.

In a multi-agency effort, ITC, UNCTAD and the World Bank collect data for a global NTM database focused on technical barriers to trade and sanitary and phytosanitary standards. ITC's online tool Market Access Map features information on NTMs. However, as complete as the database may be, it reveals little about the impact of NTMs on the business sector, and it does not provide information about related Procedural Obstacles.

Scope and coverage of the survey

The objective of the survey on barriers to trade requires a representative sample, allowing for the extrapolation of the survey result to the country level. To achieve this objective, the NTM survey covers at least 90% of the total export value of each participating country (excluding minerals and arms). The economy is divided into 13 sectors, and all of them with more than a 2% share in total exports are included in the survey.

The NTM survey sectors are defined as follows:

1. Fresh food and raw agro-based products.
2. Processed food and agro-based products.
3. Wood, wood products and paper.
4. Yarn, fabrics, and textiles.
5. Chemicals.
6. Leather.
7. Metal and other basic manufacturing.
8. Non-electric machinery.
9. Computers, telecommunications, and consumer electronics.
10. Electronic components.
11. Transport equipment.
12. Clothing.
13. Miscellaneous manufacturing

Companies that trade arms and minerals are excluded. The export of minerals is generally not subject to trade barriers due to high demand and the specificities of trade undertaken by large multinational companies. The export of arms is outside of the scope of ITC activities.

The survey covers companies that both export and import goods and export services. It includes companies specialized in the export-import process and services, such as agents, brokers, and forwarding companies (referred to as 'trading agents'). These companies can be viewed as service companies because they provide trade logistics services. In most cases, the answers provided by trading agents are analysed separately from the answers of the companies that export their products.

On the services side, ITC creates ten major groups, which can be associated with different categories of international services classification systems (like MTN.GNS/w/120, EBOPS 2010, ISIC version 4, CPC version 2.1, NACE v. 2, NAICS, SIC). ITC's classification aims to create groups that best meet the purpose of the survey (for example, to group service providers who often interact with each other even though they belong to different categories) and reinforce the economic significance of the resulting analysis. ITC has designed the survey methodology for three main services groups:

- Information and communication technology (ICT) services.
- Transport and logistics services.
- Travel and tourism services.

Each service group has been defined by a set of main actors and service activities provided by these actors.

The NTM survey covers legally registered companies of all sizes and types of ownership. Depending on country size and geography, one to four geographic regions with high concentrations of economic activities (high number of firms) are included in the sample.

Two-step approach

The representatives of the surveyed companies, generally export/import specialists or senior-level managers are asked to report trade-related problems experienced by their companies in the preceding year that represent a severe impediment to their operations. To identify companies that experience burdensome NTMs, the survey consists

of telephone interviews with all companies in the sample (Step 1) and face-to-face interviews undertaken with the companies that reported difficulties with NTMs during the telephone interviews (Step 2).

Step 1: Telephone interviews

The first step includes short telephone interviews. Interviewers ask respondents to identify the main sector of activity of their companies and the direction of the trade (export or import). The respondents are then asked whether their companies have experienced burdensome NTMs. If a company does not report any issues with NTMs, the interview is terminated. Companies that report difficulties with NTMs are invited to participate in an in-depth face-to-face interview.

Step 2: Face-to-face interviews

The second-step interviews focus on the details of burdensome NTMs and other obstacles at the product and partner country level. They are conducted face-to-face, due to the complexity of the issues related to NTMs. Face-to-face interactions with experienced interviewers help ensure that respondents from companies correctly understand the purpose and the coverage of the survey and accurately classify their responses following predefined categories.

The questionnaire used to structure face-to-face interviews consists of three main parts. The first part covers the characteristics of the companies: number of employees, turnover and share of exports in total sales, and whether the company exports its products or represents a trading agent that provides export services to domestic producers.

The second part is dedicated to exporting and importing activities of the company, with all trade products and partner countries recorded. The interviewer also identifies all products affected by burdensome regulations and countries applying these regulations.

The third part involves recording each problem in detail. A trained interviewer helps respondents identify the relevant government-imposed regulations, affected products, the partner country exporting or importing these products, and the country applying the regulation (partner, transit, or home country).

Each burdensome regulation is classified according to the NTM classification, an international taxonomy of NTMs

that consists of over 200 specific measures grouped into 16 categories (see Appendix II), or according to the classification of regulatory measures for services. The NTM classification is the core of the survey, making it possible to apply a uniform and systematic approach to recording and analysing burdensome NTMs in countries with idiosyncratic trade policies and approaches to NTMs.

The face-to-face questionnaire captures the type of burdensome NTMs and the nature of the problem (so-called POs explaining why the measures represent an impediment), where each obstacle takes place, and the agencies involved, if any. For example, an importing country can require the fumigation of containers (NTM applied by the partner country). Still, fumigation facilities are expensive in the exporting country, resulting in a significant increase in export costs for the company (POs located in the home country). The companies can also report generic problems that are unrelated to any regulation but affect their exports or imports, such as corruption and lack of or inadequate export infrastructure. These issues are referred to as problems related to the business environment.

Partnering with a local survey company

Through a competitive bidding procedure, local partners conduct telephone interviews and face-to-face interviews. The partner is usually a company specializing in surveys. The telephone interviews are recorded either by a Computer Assisted Telephone Interview system, computer spreadsheets, or on paper. The face-to-face interviews are initially captured using paper-based, interviewer-led questionnaires that are then digitalized by the partner company using a spreadsheet-based system developed by ITC. Generally, the NTM surveys are undertaken in local languages.

Mekong Economics and VIETRADE implemented the survey in Viet Nam on behalf of, and under the guidance of, ITC.

Open-ended discussions

During the surveys of companies and preparation of the report, open-ended discussions are held with national experts and stakeholders, such as trade support institutions and sector/export associations. These discussions provide further insights, quality checks and validation of the NTM survey results. The participants review the main findings of the NTM survey and help to explain the reasons for the prevalence of the issues and propose possible solutions.

Confidentiality

The NTM survey is confidential. Confidentiality of the data is paramount to ensure the greatest degree of participation, integrity and confidence in the data quality. The paper-based and electronically captured data is transmitted to ITC at the end of the survey.

Sampling technique

The selection of companies for the phone screen interviews of the NTM survey is based on stratified random sampling. In a stratified random sample, all population units are first clustered into homogeneous groups ('strata'), according to predefined characteristics, chosen to be related to the major variables being studied. In the NTM surveys, companies are stratified by sector, as the type and incidence of NTMs are often product specific. Then simple random samples are selected within each sector.

The NTM surveys aim to be representative at the country level. A sufficiently large number of enterprises should be interviewed within each export sector to ensure that the share of enterprises experiencing burdensome NTMs is estimated correctly and can be extrapolated to the entire sector. A sample size for the telephone interviews with exporting companies is determined independently for each export sector to achieve this objective.⁶

For importing companies, the sample size is defined at the country level. The sample size for importing companies can be smaller than the sample size for exporters, mainly for two reasons. First, the interviewed exporting companies often import intermediaries and provide reports on their

experiences with NTMs as both exporters and importers. Second, problems experienced by importing companies are generally linked to domestic regulations required by their home country. Even with a small sample size for importing companies, the effort is made to obtain a representative sample by import sectors and the size of the companies.

Exporting companies have difficulties with both domestic regulations and regulations applied by partner countries that import their products. Although the sample size is not stratified by company export destinations, a large sample size permits a good selection of reports related to various export markets (regulations applied by partner countries). By design, large trading partners are mentioned more often during the survey, because it is more likely that the randomly selected company would be exporting to one of the major importing countries.

The sample size for face-to-face interviews depends on the results of the telephone interviews.

Average sample size

The number of successfully completed telephone interviews can range from 150 to 1,500, with subsequent 150 to 500 face-to-face interviews with exporting and importing companies. The number of telephone interviews is mainly driven by the size and the structure of the economy, availability and quality of the business register, and the response rate. The sample size for the face-to-face interviews depends on the number of affected companies and their willingness to participate.

⁶ The sample size depends on the number of exporting companies per sector and on the assumptions regarding the share of exporting companies that are affected by NTMs in the actual population of this sector. The calculation of a sample size will be based on the equation below (developed by Cochran, 1963) to yield a representative sample for proportions in large populations (based on the assumption of normal distribution).

$$n = \frac{f^2 * p(1-p) * N}{d^2 * N + f^2 * p(1-p)}$$

Where

n_o : Sample size for large populations

t : t-value for selected margin of error (d). In the case of the NTM Survey 95% confidence interval is accepted, so t-value is 1.96.

p :

The estimated proportion of an attribute that is present in the population. In the case of the NTM survey, it is a proportion of companies that experience burdensome NTMs. As this proportion is not known prior to the survey, the most conservative estimate leading to a large sample size is employed, that is $p=0.5$.

d : Acceptable margin of error for the proportion being estimated. In other words, a margin of error that the researcher is willing to accept. In the case of NTM survey $d=0.1$.

Source: Cochran, W. G. 1963. *Sampling Techniques*, 2nd Ed., New York: John Wiley and Sons, Inc.

Viet Nam business registry

Before the survey, ITC compiled a registry of more than 75,000 active exporters in Viet Nam, containing information on the type of products imported or exported by companies, together with their contact details. This registry was used to calculate the sample size and contact the companies for interviews. The Chamber of Commerce and Industry of Viet Nam provided information on companies.

Survey data analysis

The analysis of the survey data consists of constructing frequency and coverage statistics along several dimensions, including product and sector, NTMs and their main NTM categories (for example, technical measures and quantity control measures), and various characteristics of the surveyed companies (for example, size and degree of foreign ownership).

The frequency and coverage statistics are based on 'cases'. A case is the most disaggregated data unit of the NTM survey. By construction, each company participating in a face-to-face interview report at least one case of burdensome NTMs. If relevant, there is a maximum of three related POs and problems with the trade-related business environment.

Each company case consists of one NTM (a government-mandated regulation, such as a sanitary and phytosanitary certificate), one product affected by this NTM, and a partner country applying the reported NTM. For instance, the results would include three cases if three products were affected by the same NTM applied by the same partner country and reported by one company. If two different companies report the same problem, it would be counted as two cases.

The scenario where several partner countries apply the same type of measure is recorded in several cases. The details of each case (e.g., the name of the government regulations and their strictness) can vary, as regulations mandated by different countries are likely to differ. However, suppose the home country of the interviewed companies applies an NTM to a product exported by a company to several countries. In that case, the scenario will be recorded as a single NTM case. When an interviewed company both exports and imports and reports cases related to both activities, it is included in the analysis twice – once for the analysis of exports and once for the analysis of imports. The distinction is summarized in the table below.

Dimensions of an NTM case

Dimension	Country applying	
	Home country (where survey is conducted)	Partner countries and transit countries
Reporting company	✓	✓
Product or service concerned	✓	✓
HS 6-digit code or national tariff line	✓	✓
Applied NTM or regulatory measure for services	✓	✓
Code at the measure level	✗	✓

Cases of POs and problems with the business environment are counted in the same way as NTM cases. The statistics are provided separately from NTMs even though they are closely related in certain instances. For example, delays can be caused by the preshipment inspection requirements. As many of the POs and problems with the business environment are not product specific, the statistics are constructed along two dimensions: type of obstacles and country where they occur, and agencies involved.

Enhancing local capacities

The NTM surveys enhance national capacities by transmitting skills and knowledge to a local partner company. ITC does not implement the NTM surveys, but it guides and supports the local survey company and experts.

Before starting the NTM survey, the local partner company, including project managers and interviewers, is fully trained on the different aspects of the NTMs, the international NTM classification and ITC's NTM Survey methodology. ITC representatives stay in the country for the launch of the survey and initial interviews and remain in contact with the local partner during the entire survey duration, usually around six months, to ensure a high quality of survey implementation. ITC experts closely follow the work of the partner company and provide regular feedback on the quality of the captured data (including classification of NTMs) and the general development of the survey, which helps the local partner overcome any possible problems.

ITC also helps to construct a business register (list of exporting and importing companies with contact details), which remains at the disposal of the survey company and national stakeholders. The business register is a critical part of any company-level survey. Still, unfortunately, it is often unavailable, even in advanced developing countries.

ITC invests much time, effort and resources to construct a national business register of exporting and importing companies. The initial information is obtained with the help of national authorities and other stakeholders (for example, sectoral associations). In cases where it is not available from government sources or a sectoral association, ITC purchases information from third companies and, in certain cases, digitalizes it from paper sources. The information from various sources is processed and merged into a comprehensive list of exporting and importing companies.

Upon completion of the NTM survey, the local partner company is fully capable of independently implementing a follow-up survey or other company-level surveys as it is equipped with the business register and trained on the survey methodology, as well as trade and NTM-related issues.

Caveats

The utmost effort is made to ensure the representativeness and the high quality of the NTM survey results, yet several caveats must be considered.

First, the NTM surveys generate perception data. The respondents are asked to report burdensome regulations that represent a severe impediment to their exports or imports. The respondents may have different scales for judging what constitutes an impediment. The differences

may further intensify when the results of the surveys are compared across countries, stemming from cultural, political, social, economic and linguistic differences. Some inconsistency may be possible among interviewers. For example, these are related to matching reported measures against the codes of the NTM classification, due to the complex and idiosyncratic nature of NTMs.

Second, in many countries, a systematic business register that covers all sectors is not available or incomplete. As a result, it may be difficult to ensure random sampling within each sector and a sufficient participation rate in smaller sectors. The NTM survey limitations are explicitly provided in the corresponding report whenever this is the case.

Finally, certain NTM issues are not likely to be known by the exporting and importing companies. For example, exporters may not know the demand-side constraints behind the borders. An example is 'buy domestic' campaigns. The scope of the NTM survey is limited to legally operating companies. It does not include unrecorded trade, such as for example, shuttle traders.

Following up on ITC's NTM Survey

The findings of each ITC NTM survey are presented and discussed at a stakeholder workshop. The workshop brings together government officials, experts, companies, donors, NGOs and academics. It fosters dialogue on NTM issues and helps identify possible solutions to the problems experienced by exporting and importing companies. The NTM survey results serve as a diagnostic tool for identifying and solving predominant problems. These problems can be addressed at the national or international level. The NTM survey findings can also serve to design projects to address the identified challenges and support fundraising activities.

APPENDIX IV: Regulatory classifications

IV.1 CLASSIFICATION OF NON-TARIFF MEASURES FOR TRADE IN GOODS

Importing countries are very idiosyncratic in the ways they apply non-tariff measures (NTMs). This called for an international taxonomy of NTMs, which was prepared by the Multi-Agency Support Team, a group of technical experts from eight international organizations, including the Food and Agricultural Organization of the United Nations, the International Monetary Fund, ITC, the Organization for Economic Co-operation and Development, the United Nations Conference on Trade and Development, the United Nations Industrial Development Organization, the World Bank and WTO. It is used to collect, classify, analyse and disseminate information on NTMs received from official sources such as government regulations.

For the large-scale company surveys on NTMs, ITC uses a simplified version of this international classification.

The NTM classification for surveys differentiates measures according to 16 chapters (denoted by alphabetical letters, see below), each comprising sub-chapters (denoted by two letters) and the individual measures (denoted by two letters and a number). The following sketches the content of each of the 16 chapters.

Chapter A – Technical Regulations

Product-related requirements that are legally binding and set by the importing country. They define the product characteristics, technical specifications of a product or the production process, and post-production treatment – and comprise the applicable administrative provisions with which compliance is mandatory. Technical requirements include sanitary and phytosanitary measures, which are generally implemented to protect human, animal and plant life, and health.

Chapter B – Conformity Assessment

Measures determine whether a product or a process complies with Chapter A's technical requirements.

It includes control, inspection and approval procedures – such as testing, inspection, certification and traceability – which confirm and control that a product fulfils the technical requirements and mandatory standards imposed by the importing country (for example, to safeguard the health and safety of consumers).

Chapter C – Pre-shipment Inspection and Other Formalities

The practice of checking, consigning, monitoring and controlling the shipment of goods before, or at entry into, the destination country.

Chapter D – Charges, Taxes and Other Paratariiff Measures

Measures implemented to control the prices of imported articles to support the domestic price of certain products when the import price of these goods is lower; establish the domestic price of certain products because of price fluctuation in domestic markets or price instability in a foreign market; and counteract the damage resulting from the occurrence of 'unfair' foreign trade practices.

Chapter E – Licences, Quotas, Prohibitions and Other Quantity Control Measures

Measures that restrain the number of goods that can be imported, regardless of whether they come from different sources or one specific supplier. They can take the form of restrictive licensing, the fixing of a predetermined quota, or prohibitions.

Chapter F – Financial Measures

Measures intended to regulate the access to and cost of foreign exchange for imports and define payment terms. They may increase import costs in the same manner as tariff measures.

Chapter G – Price-Control Measures

Measures implemented to control the prices of imported products to: support the domestic price of certain products when the import price of these goods is lower; establish the domestic price of certain products due to price fluctuation in domestic markets or price instability in a foreign market; and offset the damage resulting from the appearance of “unfair” external trade practices.

Chapter H – Anti-Competitive Measures

Measures intended to grant exclusive or special preferences or privileges to one or more limited groups of economic operators.

Chapter I – Trade-Related Investment Measures

Measures restrict investment by requesting local content or requesting that investment be related to exports to balance imports.

Chapter J – Distribution Restrictions

Restrictive measures related to the internal distribution of imported products.

Chapter K – Restrictions on Post-Sales Services

Measures restricting the provision of post-sales services in the importing country by producers of exported goods.

Chapter L – Subsidies

Measures related to a government or government’s financial contributions to a production structure, be it a particular industry or company – such as direct or potential transfer of funds (e.g., grants, loans and equity infusions), payments to a funding mechanism, and income or price support.

Chapter M – Government Procurement Restrictions

Measures controlling the purchase of goods by government agencies, generally by preferring national providers.

Chapter N – Intellectual Property

Measures related to intellectual property rights in trade. Intellectual property legislation covers patents, trademarks, industrial designs, layout designs of integrated circuits, copyright, geographical indications and trade secrets.

Chapter O – Rules of Origin

Covers laws, regulations and administrative determinations of general application applied by the governments of importing countries to determine the country of origin of goods.

Chapter P – Export-related Measures

Encompasses all measures that countries apply to their exports. It includes export taxes, and export quotas or export prohibitions, among others.

IV.2 CLASSIFICATION OF REGULATORY MEASURES RELATED TO TRADE IN SERVICES

The classification builds on existing categorization systems, elaborated by WTO, World Bank and OECD, and international regulatory frameworks (such as the General Agreement on Trade in Services). Its objective is to facilitate collecting, analysing and disseminating business survey data on services trade obstacles. It can be applied to all services sectors. It comprises 192 specific entries, allocated across three main chapters, which are further detailed into 24 sub-chapters (denoted by two letters) and 141 individual measures (denoted by two letters and a number). Where needed, twigs are further detailed into leaves. Chapter A (conditions on market entry) and Chapter B (conditions on operations) focus on obstacles arising from written laws, regulations in the book and private standards.

Section A: Conditions on market entry

Measures that can fully hinder access to the market to foreign providers affecting investments flows or trade.

Chapter A - Quantity control measures

Explicit regulatory bans, market structure conditions, or other regulations that hinder the provision of services in the market or grant access only up to a specified threshold (all modes).

Chapter B - Restrictions on foreign ownership and foreign investments

Specific regulations on investments that set limits and prohibitions in terms of foreign ownership (mainly mode 3)

Chapter C - Conditions on legal form

Measures that restrict or require specific types of legal entities, partnerships, or joint ventures through which a service provider can provide a service (mainly modes 3 and 4).

Chapter D - Movement of natural persons

Restrictions on the movement of natural persons for the provision of services temporarily (mode 4).

Chapter E - Conditions on licensing, qualifications and registration relating to market entry

Conditions are set for obtaining a compulsory license/qualification to enter the market.

Section B - Conditions on operations

Measures that might affect the performance of the service supplier once already operating in a foreign country.

Chapter A - Technical requirements

Measures setting the minimum requirements in terms of content and quality of the service provided in a country. They may establish uniform engineering or technical criteria, methods, processes and practices.

Chapter B - Tax measures

Measures that increase the price of the service provided by imposing additional taxes.

Chapter C - Financial measures

Additional costs related to international transfers and payments, or specific conditions relating to the use of banking and insurance services that affect service providers' activities.

Chapter D - Domestic market support measures

Conditions imposed on foreign companies with a commercial presence or foreign service providers that aim to protect local companies by limiting the negative impact or extending the benefits of foreign investments and operations in the domestic market to them.

Chapter E - Government procurement

Measures regulating the purchase of services from government agencies or sectors predominantly controlled by the state.

Chapter F - Anti-competitive measures

Measures granting exclusive or special preferences to one or more groups of economic actors for social, fiscal, economic, or political reasons (but without impeding market access at all).

Chapter G - Intellectual property rights (IPR)

Restrictions on the use, protection and transfer of intellectual property (such as patents, copyrights and trademarks).

Chapter H - Restrictions on services promotion and distribution

Restrictions on how services are distributed and advertised.

Chapter I - Restrictions on clientele

Measures directly affecting the relationship between the service provider and its customers.

Chapter J - Hiring and employment requirements

Conditions related to the hiring of foreign employees and other conditions of employment imposed on local and foreign companies.

APPENDIX V: Data source and additional explanations

V.1 DATA SOURCE AND ADDITIONAL EXPLANATIONS FOR “SURVEY AT A GLANCE”

Section 1: Companies interviewed

The number of companies interviewed (i.e., those that completed the PS) are grouped by the sector of their main trading products (e.g., agriculture) – and whether they only export goods; export and import goods; only import goods; or only export services:

Sector of the main product	Agriculture	Manufacturing	Transport and logistics	Tourism and Travel	Information and
The company exports goods	256	286			
The company exports and imports goods	66	420			
The company imports goods	67	250			
The company exports services			112	171	108
Total	389	956	112	171	108

Note: Quantities of companies surveyed by sector and by export and/or import.

Section 2: Regional distribution of companies surveyed

The total number of companies is the number of companies that completed the PS interview, which export and/or import goods or services.

These companies are grouped by their region (Northern, Central and Southern region) of the country, being companies that export and/or import goods or services.

Company region	Goods	Services	Total
Northern	462	198	660
Central	58	13	71
Southern	814	191	1'005
Total	1,334	402	1,736

Section 3: Company size, presence of women and youth employment

The size of the enterprises follows Viet Nam's classification for MSMEs. Both women ownership/management and female employment come from the PS interviews with companies that export and/or import goods or services.

Company size	Goods	Services	Total
Micro (Less than 10 employees)	193	94	287
Small (11 – 100 employees)	547	149	696
Medium (100-200 employees)	172	58	230
Large (More than 200 employees)	432	81	513
N/A	1		1
Total	1,345	381	1,736

The percentage of youth ownership/management and employment (employees under 35 years old) comes from the PS interviews with companies that are only in the services sectors.

Section 4: Regulatory or procedural trade obstacles

The export affectedness rate comes from the face-to-face process. It is calculated by the ratio between affected companies in the sector over the total amount of companies in the same sector.

The region applying the regulation data for goods traders comes from the face-to-face interview question "Who applies the regulation, is it Viet Nam or is it the partner country". Possible options are:

- Applied by the partner country
- Applied by Viet Nam
- Applied by the transit
- Not a government regulation but a private standard

To have a real sense of the problem, we added the share of exports of goods by region, which is available on trademap.org.

The import affectedness rate comes from the face-to-face process. It is calculated by the ratio between affected companies in the sector over the total amount of companies in the same sector.

Section 5: Regulations reported as burdensome

This data comes from the top measures reported as burdensome by companies. Each one has a quote coming from "companies' experiences", which helps identify a recurrent story in the corresponding measure.

Section 6: Challenge posed by the regulation

The main procedural obstacle data comes from the face-to-face question: "Is the described regulation burdensome because :

- The measure itself is too strict or too difficult to comply with
- Of the related procedural obstacles.
- Both

If the company faced a procedural obstacle, it would report it using the procedural obstacles listed on the NTM classification. The type of procedural obstacles is displayed in the top right of the page.

Section 7: Where the obstacles happen

This data comes from the face-to-face interview question “In which country the problem occurs”. Possible options are:

- Partner country
- Viet Nam
- Transit country

Section 8: Institutions involved

The number of unique institutions mentioned during the procedural obstacles narratives of the face-to-face interview is 50.

V.2 DATA SOURCE AND ADDITIONAL EXPLANATIONS FOR “COUNTRY OVERVIEW”

Section 1: Export- and import-related values

The exports/imports ranking is taken from the introductory lines on trademap.org after selecting the trade indicators for Viet Nam by county.

The Value exported/imported in 2019 (mirror data at the moment of publication) is extracted from the list of products exported by Viet Nam in trademap.org for the sectors considered in the survey, namely:

1. Fresh food and raw agro-based products
2. Processed food and agro-based products
3. Wood, wood products and paper
4. Yarn, fabrics and textiles
5. Chemicals
6. Leather and leather products
7. Metal and other basic manufacturing
8. Non-electric machinery
9. Computer, telecommunications, consumer electronics
10. Electronic components
11. Transport equipment
12. Clothing
13. Miscellaneous manufacturing

We exclude sectors 00 and 14 (209 different HS6 codes) from the final analysis.

The average annual growth rate and the world exports growth rate come from Trade Map data.

Untapped export potential value comes from Export Potential Map.

Population and GDP come from World Bank data.

Section 2: Products exported and imported

- Agricultural data comes from adding sectors 01 & 02 from the previously mentioned list, and the manufacturing sector comes from adding sectors 03 – 13.
- The top five products on exports/imports come from the HS2 ranking on Trade Map
- The export destinations and import origin come by aggregating and sorting the data from Trade Map.

Section 3: Export potential

Both products and markets with the most export potential come from [Export Potential Map](#).

Section 4: Trade in services

- The “Share of exports of services in total exports” comes from [World Bank data](#). This shows the contribution of services to GDP.
- The “Share of services sectors in Viet Nam’s workforce” comes from World Bank data, selecting the “[Employment in the service sector](#)” indicator for Viet Nam. This shows the workforce employed by all sectors in Viet Nam.
- The “Total value exported” comes from [Trade Map](#). We avoid using the value on “memo item: Commercial services” to avoid double counting.
- ITC designed the survey methodology for three main groups of services. Each service group has been defined by a set of main actors and service activities provided by these actors.
- The share of each service sector and its value exported comes from [Trade Map](#), taking into account the exports of services in the three sectors considered and the total exports of services from Viet Nam.
- The number of airports is available from the CIA factbook webpage.
- The ranking on World Bank Logistics Performance Index comes from [World Bank data](#).
- The length of railways comes from [data.worldbank.org](#), under the indicator ‘[Rail lines \(total route-km\)](#)’.
- The length of roadways is available on the website of the Ministry of transports webpage. [drvn.gov.vn](#).
- The length of waterways is available from the [CIA factbook webpage](#).
- The WEF Travel and Trade Competitiveness Index ranking is available on the [Travel & Tourism Competitiveness Report 2019](#) by the World Economic Forum.
- The number of UNESCO World Heritage sites is taken from the [UNESCO list of World Heritage sites](#).
- The data on foreign tourist arrivals and main tourists’ origin is available on the Ministry of Culture, Sports & Tourism webpage, [vietnamtourism.gov.vn](#).
- The ITU ICT Development Index ranking is available on the [International Telecommunication Union \(ITU\) webpage](#), [itu.int](#).
- The share of Internet users to the total population is taken from World Bank data by selecting the indicator “[Individuals using the Internet \(% of the population\)](#)” based on the report and the ITU database on ICT development.
- The number of mobile subscriptions is available on [World Bank data](#).

Section 5: Trade agreements

The main agreements of Viet Nam come from the [Rules of Origin Facilitator](#). It includes the most recent agreements, as well as those concerning services.

Trade agreement	Date of agreement	Number of countries concerned	Countries concerned
ASEAN	1995	10	Brunei Darussalam, Cambodia, Lao People's Democratic Republic, Malaysia, Myanmar, Philippines, Singapore, Thailand, Viet Nam, Indonesia
AANZFTA	2010	12	ASEAN + Australia and New Zealand
EAFTA	2009	14	ASEAN + China, Israel, Sri Lanka and The Republic of Korea

REFERENCES

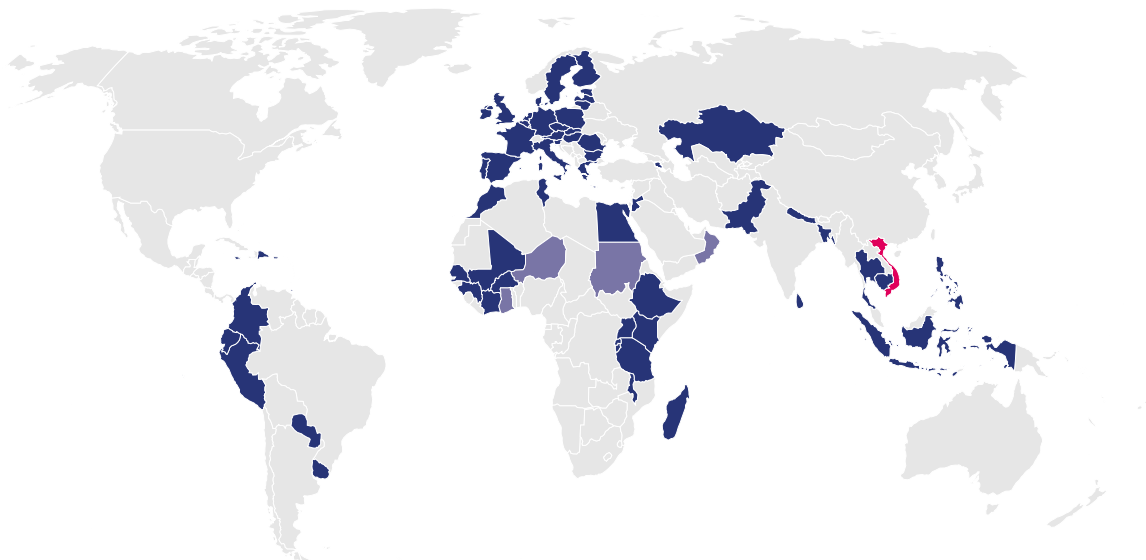
- Calvin, L., & Kristoff, B. (1998). Technical Barriers to Trade: A Case Study of Phytosanitary Barriers and U.S. – Japanese Apple Trade. *Journal of Agricultural and Resource Economics*, 23(02), 351–366.
- Cochran, W. G. (1963). *Sampling Techniques* (2nd ed.). New York: John Wiley and Sons, Inc.
- Deaton, A. (1997). *The Analysis of Household Surveys*. Baltimore: Johns Hopkins University Press.
<https://doi.org/10.1596/0-8018-5254-4>
- Deardorff, A. V., & Stern, R. M. (1998). **Measurement of non-tariff barriers**. Ann Arbor: University of Michigan.
- International Trade Centre (2005). *An Overview of Conformity Assessment in International Trade*. Geneva.
- International Trade Centre (unpublished). NTM classification adapted for ITC surveys, February 2015.
- International Trade Centre (2018). Trade Map. Available at: www.trademap.org
- International Trade Centre (forthcoming). Company perspectives on non-tariff measures in Asia-Pacific.
- Multi-Agency Support Team (2009). Report to the Group of Eminent Persons on Non-Tariff Barriers. Final Report.
- World Economic Forum (2019), Global Competitiveness Report 2019.

ITC SERIES ON NON-TARIFF MEASURES

Available reports

- Navigating Non-Tariff Measures: Insights from a Business Survey in the European Union (2016)
- Making regional integration work – Company perspectives on non-tariff measures in the Arab States (2015)
- How businesses experience non-tariff measures: Survey-based evidence from developing countries (2015)

Surveys concluded



AVAILABLE COUNTRY REPORTS

Bangladesh (2017)	Guinea (2015)	Mauritius (2014)	Sri Lanka (2011)
Benin (2017)	Indonesia (2016)	Morocco (2012)	State of Palestine (2015)
Burkina Faso (2011)	Jamaica (2013)	Nepal (2017)	Thailand (2016)
Cambodia (2014)	Jordan (2018)	Niger (2022)	Trinidad and Tobago (2013)
Comoros (2018)	Kazakhstan (2014)	Pakistan (2020)	Tunisia (2014)
Côte d'Ivoire (2014)	Kenya (2014)	Paraguay (2013)	Uganda (2018)
Ecuador (2018)	Kyrgyzstan (2018)	Peru (2012)	United Republic of Tanzania (2014)
Egypt (2016)	Madagascar (2013)	Philippines (2017)	Uruguay (2013)
Ethiopia (2018)	Malawi (2013)	Rwanda (2014)	Viet Nam (2022)
Ghana (2022)	Mali (2018)	Senegal (2014)	



The reports are accessible free of charge online

www.intracen.org/ntm/publications



NTM survey results are available online

www.ntmsurvey.org

Printed by ITC Digital Printing Service on FSC paper,
which is environmentally-friendly paper (without chlorine)
using vegetable-based inks.

The printed matter is recyclable.

Printed by ITC Digital Printing Service.

A free pdf is available on ITC's website at:
www.intracen.org/publications



Street address
International Trade Centre
54-56 Rue de Montbrillant
1202 Geneva, Switzerland

P: +41 22 730 0111
F: +41 22 733 4439
E: itcreg@intracen.org
www.intracen.org

Postal address
International Trade Centre
Palais des Nations
1211 Geneva 10, Switzerland

The International Trade Centre (ITC) is the joint agency of the World Trade Organization and the United Nations.