VIETNAM: READINESS FOR WTO ACCESSION

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This report was prepared by Pham Minh Duc, Senior Economist, World Bank in Vietnam and Nguyen Thang, Senior Economist, Vietnam Academy of Social Science. The Report captures the main findings of the WTO Accession Forums in Hanoi, June 3-4, 2003 and in Ho Chi Minh City, June 6-7, 2003 and published in the Forum Proceedings in July 2003. This write-up was used by Vietnam Academy for Social Sciences as one of the official reports on the forums’ results sent to the Government of Vietnam.
The international forum on Vietnam: Readiness for WTO Accession was organized by the National Center for Social Sciences and Humanities (NCSSH) in collaboration with the World Bank on June 2-3 and in Ho Chi Minh City on June 6-7 was successfully completed. The Forum was attended by over 350 and over 200 participants in Hanoi and Ho Chi Minh City respectively. Participants included senior policymakers from central and local governments, entrepreneurs, academics and representatives of the donor community. Deputy Prime Minister Nguyen Tan Dzung joined in the opening session in Hanoi and made an important opening remark. Prime Minister Phan Van Khai met and conferred with international guest-speakers and Forum organizers right after the Forum successfully concluded in Hanoi.

The discussion in the Forum demonstrated the strong interest and determination of various stakeholders in WTO membership that Vietnam strives to obtain by the end of 2005. The success of the Forum confirms strong commitment of the Vietnamese Government in transforming the country towards a market-based economy and further integrating it into the world economy.

Twenty national reports and six international reports were presented by leaders and management of key central and line ministries, local governments, and businesses; and by well-known international guest-speakers. Experiences in WTO accession and its impacts on social and economic development in China and Cambodia were also discussed.

This report aims at summarising key messages that came out of the Forum which NCSSH wished to bring to the Prime Minister’s attention with attached to three annexes of full presentation by Mr. Long Yongtu, Former Chinese Vice Minister of Trade and International Corporation Ministry, the Chief Negotiator of China to WTO; full presentation by Mr. Sok Siphana, Vice Minister of Commerce and the Chief Negotiator of Cambodia to WTO; and a summary of outcome from a self-assessment of WTO readiness and awareness by Vietnamese enterprises of downstream industries.

Benefits of joining WTO. There was a consensus among participants that by joining the WTO, Vietnam will be able to (i) gain much greater access to foreign markets with much larger export opportunities; (ii) attract much larger flows of quality foreign investments; (iii) get access to instruments for dispute settlements, or the so called “protection against protection”, which are only available for WTO members; and (iv)
have stronger motivation for accelerating domestic reforms towards perfecting market-based economy for the benefit of the country as the whole. Therefore, accession to the WTO is seen by participants as a means to achieve the ambitious targets set out in the various socio-economic development programs, particularly on economic growth and poverty reduction, job creation, thanks to apparent expansion of labour-intensive export-oriented industries resulted from WTO accession.

Some minor scepticism and concerns about the fairness of the WTO were raised by some participants. The majority of participants however have a common understanding that while WTO as a forum still needs to improve itself to create a really fair environment for all members - trade partners, it remains the most single largest and effective institution, representing trading rights and obligations of 146 countries and accounting for 97 percent of the total export and import of the entire world.

**WTO accession by 2005 means completion of market-economy system and accelerate internal conditions which appropriate with WTO regulations within tight timeframe.** International experiences indicate that WTO accession process requires significant changes in the business environment which should largely based on market principles. WTO national treatment rule implies the creation of a level playing field for all kinds of enterprises in broader market access, fair competition, and free market entry and exit. An unified legal system applied for all firms regardless of its ownership will need to be in place. This is a pre-requisite for Vietnam to become a WTO member. Satisfying this requirement will make business practice in Vietnam more consistent with international practice. As participants highlighted in the forum, WTO accession is a great opportunity for the country to accelerate domestic reforms to achieve social and economic development goals and targets set out in resolutions of 9th Party Congress. It in particular helps accelerate SOE and banking reforms, and private sector development, keep continue on its effort to create a social oriented market – economy system within the tight time frame, i.e. by the end of 2005.

**Progress has been made in goods trading.** It seems that issues related to trade in goods such as the lowering of tariff and non-tariff barriers, though challenging, are not the biggest ones. Vietnam has already taken major steps in liberalising trade in goods for quite many years as it is geared towards further tariff reduction, the phase-out of quantitative restrictions (QRs) on a multilateral basis, and limitation of trading right restrictions within the framework of the AFTA and US BTA. Many firms have therefore already been exposed to international competition and thus are more or less ready to rise to challenges and capture opportunities associated with WTO accession.
But Vietnam still lags far behind on “behind-the-border-issues”. The major challenges seem to be related to a range of behind-the-border issues – such as legal system, transparency in the business environment, banking and finance, other services, intellectual property rights, investment etc. These issues should be addressed properly and in a timely manner, if Vietnam is to join the WTO by the end of 2005, as the Government of Vietnam wishes, and more importantly, if Vietnam is to maximise the gains and minimise costs associated with WTO accession.

Raising the efficiency and affordability of access to a range of infrastructure services including telecom, power, transportation etc. should be key to improving productivity and international competitiveness of downstream industries. These factors are clearly outside the control of downstream firms, and this therefore implies appropriate interventions by the Government. Reducing monopoly power by encouraging more competition for and improving the regulatory framework in the services sectors, and providing equal treatment to all firms regardless of their ownership structure is not only consistent with the WTO, but also extremely good for the Vietnamese economy as the whole.

Participants confirmed the understanding that accession to the WTO will build effective legal framework for better macro-economic management. Transparent legal framework to entail equal access for companies in their commercial actions. In addition, independent judicial review will need to undertake so that uniform application of laws under the WTO principle will be able to eliminate conflicts between national laws and sub-law documents. International experiences show a massive agenda on legal review and systematization involved in removal of redundant laws and regulations as well as creation of newly relevant legislations that conform with the WTO practice. Moreover, policy making process will need to be more transparent and inclusive for any WTO member.

Making the legal framework transparent is also a pre-requisite for Vietnam to attract quality foreign investors who have become much less tolerant to red tape, corruption and non-transparency in recent years, particularly after China joined the WTO and took major steps in improving the legal and regulatory systems. China also went further by making draft laws available for public discussion. These changes coupled with greater market access overseas explain the recent upsurge of foreign direct investment (FDI) in China, in contrast to the sluggish flow of FDI commitments in Vietnam in recent years. This provides a lot of information for thoughts on measures to increase the flow of
foreign investment which is badly needed for higher economic and export growth and faster poverty reduction in Vietnam.

There was a consensus that significant challenges to Vietnam’s accession to the WTO remain. Further reform of state-owned enterprises would become imperative as these companies would face much fiercer competition. Tax reform would have to be accelerated to compensate for the possible reduction in tariff revenue. The administration of the customs department would have to be upgraded to make it consistent with WTO rules. Agencies that regulate services sectors, including banking, insurance, telecom and transport sectors as well as the protection of intellectual property rights would need to be revamped to comply with WTO principles.

Improving other market-based institutions such as business services providers, business associations, and further investing in human and information resources will help Vietnamese businesses raise return to their efforts. In particular, the local authority has a great role to play in communicating information on the WTO and associated policy changes to various stakeholders and in making the business environment more conducive to firm’s initiatives and dynamism. But to be able to do so, the capacity of the local authority needs to be upgraded and its responsiveness to the needs of businesses and people needs to be improved.

Social impacts of WTO accession and policy measures. Deepening international integration means both higher return and higher risk to businesses. The latter may be severe for low-income people and the poor. Therefore, there should be in place appropriate institutions that help Vietnam deal with social impacts and reduce vulnerability in the commodity and labour markets. Social safety net, corporate responsibility and access to hedging instruments against commodity risk clearly play a great role to protect the poor and the vulnerable from negative effects of the integration process.

Negotiations are important, but reform acceleration roadmap is the most crucial. Although negotiations in Geneva and elsewhere play an important role in speeding up the accession process, it is clear that accelerating domestic reforms in Vietnam to address major behind-the-border issues will play the most crucial role. The major challenge now is how to get the right sequence and speed of the domestic reforms to achieve the ambitious plan of joining the WTO by the end of 2005, as was confirmed by the Prime Minister Phan Van Khai at the reception of international participants and organisers of the Forum on 4 June 2003.
As such, the process of Vietnam’s WTO accession appears to have reached the point when strong political support is badly needed, so as an effective and efficient coordination mechanism which should be directly led by the country’s leaders together with great consensus of the society. This will ensure that the national interest will not be overridden by vested interests of some sectors or groups. The Chinese experience has strongly confirmed that accession to the WTO is not purely economic solution. Instead, it requires that political decision should be made at the highest level.

Therefore, although responses by businesses are important, right attitudinal responses of the governmental agencies are the most crucial. In guaranteeing that Vietnam will reap the maximum benefits from accession to the WTO and minimize the costs, and in avoiding weak and conflicting responses from the stakeholders, a detailed roadmap for domestic reform will need to be soon developed.

Information sharing is crucial for raising readiness for WTO accession. There is still a lot of work to do to raise awareness of the WTO, particularly at the local level. Stakeholders should be well informed of the process of WTO accession, and more importantly, of associated changes in policy and business environment which will enable them to be better prepared to reap the maximum benefits while minimising costs.

Sharing information with the international community is also essential. Lessons on WTO negotiations from China and Cambodia indicate that appropriate lobbying and international public relation activities can remarkably facilitate the negotiation process.

What the donor community can do to support Vietnam’s WTO accession. The donor community has been providing technical assistance in various forms to Vietnam in the accession process. As a multilateral organisation, the World Bank cannot assist with the negotiation process, as it is concerned with various members of the Bank who are also trade partners of Vietnam.

But the World Bank can help Vietnam with financing physical and social infrastructure investments, and technical assistance in the form of facilitating analytical work, sharing international experience, provide trainings and support in formulating an appropriate roadmap. The Bank can also coordinate the efforts of the donor community to support the implementation of the domestic reform agenda as a crucial part of the WTO accession road map.
1. It is imperative for the Government to develop a WTO accession plan which includes the following four steps. (See below diagram for more details):

- Setting up a Government WTO accession coordination mechanism (committee) to ensure concerted efforts on WTO negotiations and domestic reforms.
- Instructing ministries and related agencies to develop roadmaps for WTO accession for their respective sectors and submit to the Government within a certain time frame.
- Reviewing and consolidating these sectoral plans into a unified national roadmap for WTO accession.
- Implement the approved plans.

If Vietnam wishes to become an official member of WTO by the end of 2005, the above four-step plan should be realised within a relatively short space of 28 months. It is therefore imperative to speed up the process of preparation and implementation of this plan.
2. This Committee shall directly report to and receive instructions from the Prime Minister. It can also study and propose the required policy changes. It shall be assigned with three special tasks: (i) developing a roadmap for WTO accession to meet Vietnam’s target of becoming a member of WTO by the end of 2005; (ii) coordinating with the donor community, multilateral and bilateral international organisations to obtain technical assistance and to learn international experiences for the working out a detailed plan of WTO accession; (iii) directing the implementation of the approved WTO accession roadmap.

3. With requirements for all of the above mentioned tasks at the highest political level, it is necessary to establish a central organ (named “Supreme Command”) which will be led by the Prime Minister and consist of two members, namely the first Deputy Prime Minister in charge of the domestic reforms and the Deputy Prime Minister for external affairs. This ‘Supreme Command’ will meet regularly to monitor the process and give timely instructions for the formulation and the implementation of WTO accession roadmap. A special task force (named “General Staff”) will be established to assist the ‘Supreme Command’ in managing, supervising, and implementing all the tasks concerning the WTO accession. The “General Staff” could be a Department of the Prime Minister’s Office with capable and dedicated staff. Besides, it is essential to establish an independent research group (named “Research Team”) to support the ‘Supreme Command’ in synthesising outcomes of studies from technical assistance, organising trainings, workshops and conducting consultations with internal and external counterparts so as to help the “Supreme Command” well coordinate the WTO accession process. It is also essential to have a good coordination between the “General Staff” and the “Research Team” for an effective operational mechanism. Selected members of the NCSSH and the Prime Minister’s Research Group will form the core of the “Research Team”. This high-level management mechanism will be best to be established and put in full operation no later than after two months since this report is endorsed.
4. To develop sound roadmaps for all related sectors, the Prime Minister shall issue a special directive requiring line-ministries and related agencies submit official roadmaps. The sectoral roadmaps will be expected to show the current status of the sectors against the various WTO benchmarks, set clear policy steps and milestones to be taken to achieve these benchmarks by the end of 2005, and create a schedule for annual/quarter implementation. The directive will set clear requirements for sector integration roadmaps to be consolidated into the overall roadmap, as well as deadline for sector roadmap submission. This process should not be too long but within *four months* at maximum.

5. The synthesis of sector plans into a national roadmap requires broad consultation, with technical assistance from donors, to reach the consensus and ensure consistency with the national interest. This may also require appropriate adjustments of legislation to make the latter conform with WTO principles. The national roadmap should also define policy actions that need to be taken quarterly and annually. This process would last for *four months* at maximum. So, the establishment of management mechanism and the roadmapping at every stages would take about *eight months* that leave the remaining time for implementation to *only 20 months*. 
6. Technical Assistance is crucial for WTO accession at every stage including sector roadmap development, formulation of a national roadmap and its implementation. We should take the advantage of technical assistance provided by the World Bank and other donors while paying special attention to the areas that are critical for completing the accession process within the set timeframe. Below is a list of proposed technical assistance:

- Developing roadmaps for key sectors, such as industry, agriculture, fishery, banking, telecom etc.
- Reviewing sectoral roadmap and consolidating them into the overall WTO accession roadmap.
- Making overall review of legislative documents to propose necessary changes and supplementation, and to set out schedule for implementation of these proposed adjustments to comply with WTO principles.
- Evaluating social impacts of the WTO accession and policy implication.
- Conducting a study on trade in services and evaluating the spillover effects of the service sectors on manufacturing industries and the economy as the whole.
- Conducting a study on trade facilitation with a view to proposing measures on improvements.
- Evaluating fiscal impacts of the WTO accession and proposing measures to ensure fiscal stability in the short run.

7. Along with technical assistance, it is necessary to develop a fast-track training program on WTO accession in terms of awareness and readiness raising at all sectors and for authorities at all levels. It aims at broadening and deepening people’s knowledge thus to be well prepared for necessary changes of social and economic policies for WTO accession and to accelerate this program implementation. Also, appropriate and continuous advocacy, and information sharing via mass media during the WTO accession process is essential to improve community’s awareness and to gear-up the process. From proposed training contents and measures as suggested in Decision 137/2003-TTg of July 11 of the Prime Minister, the following issues should be submitted to the World Bank and request the Bank calling for further bilateral and multilateral donors support. This program focuses on in-service and short-term training courses to accelerate the WTO accession process.

- Training for key sector experts.
- Training for provincial and local cadres
• Short-term training for economic lectures of universities, in-service training for sector managers and entrepreneurs.

• Translating and publishing relevant WTO-related documents and materials to increase awareness in community on WTO accession.

• Supporting an information dissemination program on WTO on through various forms of the media.

• Setting up a “Supreme Command”’s website on WTO to give timely update of information to all related agencies on progress and information link with WTO accession implementation.