



CENTRAL INSTITUTE FOR ECONOMIC MANAGEMENT

IMPACTS OF INTERNATIONAL ECONOMIC INTEGRATION ON VIETNAM'S ECONOMY AFTER THREE YEARS OF WTO MEMBERSHIP

Hanoi, December 2010



ACKNOWLEDGEMENT

Report “*Impacts of International Economic Integration on Vietnamese Economy Three Years after Joining WTO*” has been prepared by the Central Institute for Economic Management (CIEM) to fulfil a task assigned by the Government to the Ministry of Planning and Investment (MPI).

During the preparation of the Report, the drafting team has benefited from constructive comments made by the Minister and Vice-Ministers of Planning and Investment, leaders of Departments, Institute, Centre and Agencies of MPI, members of the Research Advisory Board of CIEM, and participants of a workshop “*Assessing Impacts on the Economy Three Years after Joining WTO*” hosted by Office of the Government on 24th May 2010.

CIEM expresses a great appreciation to the Beyond WTO Program B-WTO for financial support to preparation of the Report.

We also acknowledge valuable comments and suggestions for improvement of the Draft Report sent to us by Mr. Truong Dinh Tuyen, former Minister of Trade and Dr. Le Dang Doanh.

The Report has been prepared by the Drafting Team of CIEM and consultants under guidance and support of Dr. Vo Tri Thanh, Vice-President of CIEM. The team has been led by Dr. Pham Lan Huong and with participation of Ms. Dinh Hien Minh, Mr. Nguyen Anh Duong, Dr. Tran Thi Hanh, Mr. Trinh Quang Long, and Miss Nguyen Hai Thanh. Support to the team provided by Ms. Dinh Thu Hang, Ms. Tran Binh Minh, Mr. Nguyen Cong Manh, Mr. Hoang Van Thanh, and Dr. Nguyen Tu Anh.

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Last but not least, we highly appreciate Multilateral Trade Assistance Project MUTRAP III for financial support provided to English translation and publication.

All view points, opinions as well as errors in this report are of the Drafting Team, not of the sponsors or CIEM.

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Abbreviations

AFF	Agriculture, forestry and fisheries
AFTA	ASEAN Free Trade Area
ASEAN	Association of South East Asian Nations
ATM	Automatic teller machine
B-WTO Program	Beyond WTO Program
CB	Commercial bank
CIEM	Central Institute for Economic Management
CLMV	Cambodia, Laos, Myanmar, and Vietnam
CoCs	Code of Conducts
CPI	Consumer Price Index
CSR	Corporate Social Responsibility
EAB	East Asia Commercial Joint Stock Bank
ERP	Effective Rate of Protection
EU	European Union
FDI	Foreign direct investment
FIA	Foreign Investment Agency
GDP	Gross Domestic Product
GSO	General Statistics Office
GSP	Generalised system of preferences
HS	Harmonized System
IFC	International Financial Corporation
ILO	International Labour Organization
ILSSA	Institute of Labour Science and Social Affairs
IMF	International Monetary Fund
MFN	Most-Favored Nation
MOLISA	Ministry of Labour, Invalids and Social Affairs
MPI	Ministry of Planning and Investment
MUTRAP	Multilateral Trade Assistance Project
NCIEC	National Committee of International Economic Cooperation
NPL	Non-performing loan
NTP	National Treatment Principle
OECD	Organization for Economic Cooperation and Development
R&D	Research and development
RCA	Revealed competitive advantage
SBV	State Bank of Vietnam
SME	Small and medium-scale enterprise
SOE	State-owned enterprise
TNC	Trans-national corporation
UNCTAD	United Nations Conference on Trade and Development
UNIDO	United Nation of Industry Development Organization
US	United States
USD	US Dollar
VA	Value added
VFM	VietFund Management
VND	Dong (domestic currency)
WTO	World Trade Organization

PART ONE

CURRENT SITUATION ON INTERNATIONAL ECONOMIC INTEGRATION AND IMPLEMENTATION OF INTERNATIONAL COMMITMENTS

1. THE PROGRESS OF INTERNATIONAL ECONOMIC INTEGRATION IN VIETNAM

Although Vietnam has been a member of the World Trade Organization (WTO) for three years, the progress of international economic integration has lasted for nearly 20 years. Since early 1990s, the country has opened to the world economy, boosted trade flows with other countries and received foreign direct investments (FDI). Being a member of the Association of South East Asian Nations (ASEAN) in 1995 was a first important milestone in international economic integration. From 1996, Vietnam has implemented Common Effective Preferential Tariff Agreement within the ASEAN Free Trade Area (AFTA) with a tariff reduction roadmap of which the final year of the Agreement is 2006 when tariffs on all types of goods except for goods in the Sensitive List of agricultural products and General Exclusion List, have to be between 0-5 percent. For full trade liberalisation in ASEAN, Vietnam will eliminate tariffs on almost types of products in 2015.¹ At the same time, ASEAN has prioritised 12 fields for early liberalisation between now and 2012. ASEAN has also decided to establish an ASEAN Economic Community in 2015, where movement of commodities, services, investments, capital and labour (skilled) becomes free.

Another important milestone in international economic integration process is ratification (in 2000) and implementation of Vietnam – United States (US) Bilateral Trade Agreement (since 2001) with its WTO-compatible contents and scope. It was followed by Framework Agreement on Comprehensive Economic Cooperation between ASEAN and China which was signed in November 2002. The main content of the Agreement is to establish an ASEAN – China Free Trade Area within 10 years. Liberalisation will occur in the following fields: trade in goods and services, investments and cooperation in banking, and finance, industry, etc. According to the Framework Agreement, ASEAN-6 and China will provide favoured treatments for Cambodia, Laos, Myanmar, and Vietnam (CLMV) due to gaps in economic development. ASEAN-6 and China are obliged to fulfil their tariff reduction commitments to 0 percent by 2010, and CLMV will do by 2015, which will coincide with the

¹ ASEAN-6 (including Brunei, Indonesia, Malaysia, Philippines, Singapore and Thailand) will eliminate tariffs by 2010. New members Cambodia, Laos, Myanmar and Vietnam will eliminate most tariffs by 2015 with some tariff lines implementing a flexible schedule up to 2018.

time of completing AFTA. Tariff liberalisation for goods is divided into three main categories: (i) Early Harvest Program; (ii) Normal Track; and (iii) List of sensitive products.

Vietnam also participated in ASEAN – Korea Free Trade Agreement revised and signed for the third time in Aug 2006 with the roadmap to reduce tariff from 2007. According to the Agreement on Trade in Goods, Vietnam has to reduce its tariffs in accordance with the provisions, schedules and programme for the Normal Track for at least 90 percent lines by 1st January 2015 and at least 95 percent lines by 1st January 2016.

In early 2007, Vietnam became an official member of WTO. Similar to commitments made by other new members, Vietnam's commitments are to eliminate discrimination between domestic and imported products or between domestic and foreign investment and improve transparency. The most important fields that Vietnam has committed include improved market access by reducing tariff barriers;² transparent pricing policy, non-discrimination and WTO-compatible regulations; reduction or adjustment of export tax rates for some products; abolishment of export subsidies for agricultural products upon the accession; maintaining domestic support for agriculture below 10 percent of production value; complete elimination of all prohibited industrial subsidies upon the accession; reservation of investment incentives granted before WTO accession (except for export incentives for textiles and garment) within five years; compliance with WTO Agreement on Trade-Related Investment Measures since the accession; applying fees and charges in accordance with WTO regulations; compliance with WTO Agreement on Customs Valuation since the accession; compliance with WTO Agreement on Pre-shipment Inspection, and other WTO related agreements; maintenance of a consistent, transparent, simple and internationally compatible customs procedures; State-owned enterprises (SOEs) have to operate based on commercial criteria; Government does not intervene directly or indirectly in SOEs' activities; acceptance of non-market economy status for a maximum period of 12 years; participation in several sectoral liberalisation agreements; commitments to open market for financial, insurance, accounting, auditing and taxation services.

In December 2008, ASEAN – Japan Free Trade Area was established and some commitments came into force immediately. ASEAN – Australia – New Zealand Free Trade Area was officially signed in early 2009. ASEAN – India Free Trade Agreement became effective on 1st January 2010, which opened opportunities for both parties in trade in goods and services for a promising market with over 1.7 billion people. Vietnam also has responsibilities in enhancing global trade negotiations and building East Asian Economic Community, even though this is a long and complicated progress.

² Most tariff lines will be down to 0-5 percent, only tariffs for few lines can be maintained at 10-20 percent. Phase-out period normally cannot exceed three years. Average tariff will be reduced from the current rate of 17.2 percent to 13.4 percent, which will be done gradually within five and seven years. For agriculture, committed average tariff is 25.2 percent at the time of accession and the final rate is 21.0 percent. For manufacturing, committed average tariff is 16.1 percent at the time of accession and the final rate is 12.6 percent.

It can be seen that WTO accession is neither a start nor a termination in our international economic integration. Commitments in Bilateral and Regional Free Trade Agreements are more opened than those in WTO. The differences in commitments in different trade agreements can create different impacts on trade and investments. Bilateral Free Trade Agreements (such as Vietnam – Japan agreement signed in late 2008) and East Asian Regional Free Trade Agreements usually cover issues in investments and comprehensive economic cooperation. Therefore, impacts of those agreements on Vietnam economy are deeper than those in the framework of pure free trade areas. It has been clear that the progress of international economic integration, trade and investment liberalisation, and market economy transformation is deeper and non-reversible. Vietnam economy is integrating more deeply into the world economy.

2. THE CURRENT SITUATION ON IMPLEMENTATION OF INTEGRATION COMMITMENTS IN VIETNAM

Prior to and during three year of WTO accession, Vietnam has revised and amended existing legislations as well as issued new legal documents to “localise” WTO commitments, to create a favourable conditions for businesses and State agencies to implement the commitments on schedule. This proves that Vietnam has been trying hard in implementing WTO commitments.

2.1. The Current Situation on Implementation of WTO Commitments in Vietnam

2.1.1. Commitments for Goods

Since being an official member of WTO, Vietnam has regularly issued and updated legal documents to reduce tariffs in accordance with the committed schedule.³

Agricultural products⁴

In general, tariff rates applied to agricultural products were equal or lower than those committed until 2009. Meat and meat products were commodities subject to fastest tariff reduction, and our roadmap for tariff reduction since the mid-2007 has been significantly

³ Commitments to reduce tariffs and export taxes on goods are stipulated in Decision No. 39/2006/QĐ-BTC dated 28th Jul 2006 on *Promulgating the export tax table and the preferential import tariff, table* Decision No. 106/2007/QĐ-BTC dated 20th December 2007 on *Promulgating the export tax table and the preferential tariff table* and Decision No. 123/2008/QĐ-BTC dated 26th December 2008 on *Adjusting export tax rates, preferential tariff rates for some types of products in the export tax table and the preferential tariff table*, Circular No. 216/2009/TT-BTC dated 12th November 2009 on *Stipulating tax rates of the export tax table and the preferential tariff table on applicable lines*, Decision No. 1474/QĐ-BTC dated 15th Jun 2009 on *Correcting Decision No. 106/2007/QĐ-BTC dated 20th December 2007*.

⁴ According to WTO classification, forestry, aquatic products and seafood belong to non-agricultural products.

faster than that in WTO commitments.⁵ Tariff on poultry was reduced from 20 percent to 12 percent, beef - from 20 percent to 12 percent, pork - from 30 percent to 20 percent, corn - from 5 percent to 3 percent, eggs - from 30 percent to 20 percent, which were as low as the rates committed by 2012. For a number of commodities, after some tariff reduction, the Government has decided to raise their tariffs, specifically, 40 percent for chicken, 20 percent for beef, 30 percent for pork, 5 percent for corn and 40 percent for eggs.

Non-agricultural products

In general, the current applied tariff rates for these types of products were lower than those committed until the end of 2009. The highest tariff reduction was applied for seafood, textiles, garment, wood and paper, iron and steel, electronic and other manufactured products. For seafood, around two third applied tariff lines are lower than committed, the remaining equal to those in commitments.⁶

Tariff quotas

Tariff quotas are applicable for bird and poultry eggs, refined and raw sugar, tobacco materials and salt.⁷ Vietnam has implemented this commitment on schedule.

2.1.2 Commitments on Services⁸

Vietnam has fully implemented WTO commitments in this field. For types of services of which commitments are higher than pre-WTO regulatory framework, the Government has issued new legal documents to implement commitments. They are distribution services⁹,

⁵ Please see more details on the results of the implementation of tariff reduction commitments on agricultural products in Tables AP1.1 and AP1.2, Appendix 1.

⁶ Please see more details on the results of the implementation of tariff reduction commitments on non-agricultural products in Tables AP1.3 and AP1.4, Appendix 1.

⁷ Legal documents on tariff quotas include Decision No. 35/2006/QĐ-BTM dated 8th December 2006 on *Volume of 2007 tariff quotas for imports*; Decision No. 77/2006/QĐ-BTC dated 29th December 2006 on *Promulgating the list of commodities and their tariff rates subject to tariff quotas*; Decision No. 46/2007/QĐ-BTC dated 6th Jun 2007 on *Amending and Augmenting Decision No. 77/2006/QĐ-BTC dated 29th December 2006*; Decision No. 014/2007/QĐ-BCT dated 28th December 2007 on *Volumes of tariff quota applicable to imported goods in 2007*; Decision No. 23/2008/QĐ-BCT dated 31st Jul 2008 on *Augmentation to tariff quota for imported salt in Article 1 of Decision No. 014/2007/QĐ-BCT*; Circular No. 16/2008/TT-BCT dated 9th December 2008 *Guiding importation of commodities under the list of tariff quota control in 2009*; Circular No. 18/2009/TT-BCT dated 3rd July 2009 on *Amending and Augmenting Circular No. 16/2008/TT-BCT*.

⁸ Please see more details in Annex 2.

⁹ Legal documents issued to implement WTO commitments in this field are: Decree No. 23/2007/ND-CP dated 12th February 2007 on *Guiding implementation of Commercial Law regarding purchase and sale of goods and activities directly related to the purchase and sale of goods by foreign invested enterprises in Vietnam*; Circular No. 09/2007/TT-BTM dated 17th July 2007 *Guiding implementation of Decree No. 23/2007/ND-CP*, amended and augmented by Circular No. 05/2008/TT-BCT dated 14th April 2008; Decision No. 10/2007/QĐ-BTM dated 21st May 2007 *Promulgating roadmaps of WTO commitments on merchandise trade and directly related activities*.

banking services¹⁰, telecommunication services¹¹, securities services¹², insurance services¹³. For the remaining services, the implementation of WTO commitments is complied with Law on Signatory of, Accession to and Implementation of International Treaties No. 41/2005/QH11 dated 24th June 2005.

Reviews of the progress of commitment implementation in this field show that relatively quickly liberalised sectors (with no transition period or short one) are banking services, distribution services, construction, healthcare, tourism, insurance, business services (audit, legal, information technology, research and development (R&D)).

In telecommunication services, right after the accession, foreign investors were allowed to establish joint-venture with registered telecommunication service providers in Vietnam. For services with network infrastructure, the foreign ownership in joint-venture cannot exceed 49 percent of chartered capital of the joint-venture company; and ownership of 51 percent is considered as the party has controlling power over its governance. For services without network infrastructure, the foreign ownership in joint-venture cannot exceed 51 percent of chartered capital of the joint-venture company.

In distribution services, since 1st January 2009, 100 percent foreign-owned enterprises were allowed to be established in Vietnam. In banking services from 1st April 2007, 100 percent foreign-owned banks were also allowed to be established.

2.1.3. Support Measures and Subsidies

Export subsidies

Vietnam has abolished all kinds of export subsidies upon its WTO accession. However, in accordance with the Agreement on Agriculture, Vietnam is still able to reserve two forms of export subsidies permitted by WTO to developing countries to: (i) reduce the costs of marketing agricultural exports and the costs of international transport and freight; and

¹⁰ Legal documents issued to implement WTO commitments in this field are: Decree No. 22/2006/ND-CP dated 28th February 2006 on *Organisation and operation of foreign bank branches, joint-venture banks, banks with 100 percent foreign capital, and representative offices of foreign credit institutions in Viet Nam*; Circular No. 03/2007/TT-NHNN dated 5th June 2007 *Guiding implementation of some articles of Decree No. 22/2006/ND-CP*; Decree No. 69/2007/ND-CP dated 20th April 2007 on *Foreign investors' purchase of shares of Vietnamese commercial banks*; Circular No. 07/2007/TT-NHNN dated 29th November 2007 *Guiding implementation of Decree No. 69/2007/ND-CP*.

¹¹ Legal documents issued to implement WTO commitments in this field are: *Law on Telecommunication* dated 23rd November 2009, Decree No. 121/2008/ND-CP dated 3rd December 2008 on *Investment activities in the postal and telecommunication sector*.

¹² Legal documents issued to implement WTO commitments in this field are: Decision No. 55/2009/QĐ-TTg dated 15th April 2009 on *Participation rate of Foreign investors' in Vietnamese securities market*.

¹³ Legal documents issued to implement WTO commitments in this field are: Decree No. 45/2007/ND-CP dated 27th March 2007 on *Detailed guidelines for implementation of a number of articles of Law Regulating Businesses in Insurance Activity*.

(ii) offset internal transport and freight charges on export shipments provided or mandated by the government. However, these two forms have not been applied yet in Vietnam.

Investment support

The value of State investment capital for aquatic, agricultural and forest sectors have increased in absolute term but fell in share in the total State investment from 8 percent in 2000 to 6.3 percent in 2008.

All government direct support to export-related agricultural production has been removed to comply with WTO commitments. However, some subsidy measures can be maintained, even strengthened to support farmers, and be compliant with the WTO Rules (Green and Blue Boxes, Development Program); for instance, policies supporting general services (research, pest and disease control, training, extension, promotion and marketing, and infrastructure), structural adjustment assistance to farmers.

Infrastructure development investment is the largest investment support, accounting for an overwhelming share of the total investment capital for agricultural, forestry and fisheries (AFF) sector and has been increasing steadily. Investment in irrigation alone rose from 1,386.32 billion VND in 2007 to 2,257.167 billion VND in 2009. The investment for AFF projects also soared from 180.93 billion VND to 474.45 VND, and for R&D and technology also surged from 137.96 billion VND to 208.5 billion VND. Moreover, investment through targeted programs and projects to implement specific targeted tasks was on the rise during the period 2007-2009 as well.

Support for seed varieties and livestock breeds

Some policies supporting these activities over the past years have not fully utilised, particularly some specific supports which are consistent with WTO commitments; for instance, increased fund for R&D, supply and improvement of agricultural and forest seed varieties, and livestock breeds¹⁴.

Credit policy

Policies have been improved significantly with a view to simplifying the procedures for commercial loans to enable producers to access loans in a more convenient way. There have been great efforts to improve the procedures of loan provision, credit expansion, increased loan level, etc. for organisations, enterprises, households and individuals engaged in agricultural activities, who want to access commercial loan. However, the credit policy for investment in agriculture remains general, not attractive enough and not provide detailed incentives to investors who pour capital into agricultural investment. This results in rather limited number of households, enterprises and insignificant amount of investment capital in agricultural sector.

¹⁴ As stipulated in Decision No. 17/2006/QĐ-TTg on 20th January 2006 on Continuing with the implementation of the program on agricultural and forest seed varieties and livestock breeds up to 2010.

With regard to credit guarantee: the policy aims at providing assistance to enterprises in general, households and farmers in particular to gain better access to credit.¹⁵ However, this policy is rather difficult to implement for agricultural enterprises, households and farms, due to their small scale that cannot meet requirements of the guarantee to access to credit.

With regard to concessional credit: there have been clear regulations on borrowing procedures and conditions, debt repayment, etc. Nevertheless, more practical policies for agricultural producers to access the capital are still absent. Specially, in 2009, the State promulgated series of important legal documents to assist economic organisations, households and individuals, including those operating in AFF sector and salt production to overcome difficulties arising from the economic crisis.

One of the policies adopted most recently was subsidised credit for the purchase of materials, machinery and equipments for agricultural production¹⁶. This is general support to the sector, therefore, it is consistent with WTO regulations. The policy is one of measures of the Government economic stimulus package. Despite short implementation period of this policy (from April to December 2009), several shortcomings has revealed, such as (i) very low loan ceiling; (ii) requirement on purchase of domestically manufactured equipments and machinery, while most of them cannot meet demands of users with regard to price and quality; and (iii) complicated and cumbersome procedures for receiving loans. All these requirements indeed have restricted access to credit. Thus, very few people, especially farmers, can get loans.

The subsidised credit policy has been applying in the form through which investors can borrow at concessional interest rate to encourage enterprises, economic organisations and households to pour capital into productive investment. This policy is applied to all, regardless their sectors and belongs to policies to support the production development, so-called “Development Program”.

By and large, preferential credit policies currently have been biased toward big enterprises, not favourable for small ones, or households and individuals running business in AFF sector.

In the process of implementing the support policies, there emerged some problems as follows:

- The support policies of Vietnam in the past have often been implemented as once-off measures to cope with unexpected events or emerging situations, not within a predefined overall program. Types of agricultural products receiving support and their volume were contingent upon an emerging situation, there were no specific criteria stipulated in support

¹⁵ As stipulated in Decision No. 14/2009/QĐ-TTg dated 21st January 2009 *Issuing regulation on guaranteeing businesses in getting commercial loans.*

¹⁶ According to Decision No. 497/2009/QĐ-TTg on *Subsidizing loan for the purchase of materials, machinery and equipments for agricultural production and construction materials in rural areas.*

policies. Support policies to provide reasonable protection for infant industries with low competitiveness or the sectors under a structural change are necessary but have not been applied yet.

- While WTO regulations require that beneficiaries of support policies are producers, Vietnam often supported enterprises engaged in international trade, which were in most cases SOEs. The number of supported producers (farmers) is few, especially of poor farmers and disadvantaged areas.

- Some of support policies consistent with WTO regulations such as support for shifting producers out of commercial agricultural production, converting agricultural resources (land) for other purposes, income support for farmers when prices drop, two types of export subsidies for developing countries have not been applied.

In summary, Vietnam has implemented WTO commitments seriously, in which we have been moved even faster than the roadmap of tariff reduction, domestic market opening to a lot of products and sectors, while many support measures allowed by WTO like technical barriers have not been deployed. Our response to adverse impacts relating to trade and investment has not been proactive, timely and flexible. The coordination among ministries and agencies to implement in best way commitments of international economic integration has emerged as another issue to be concerned; in which the mechanism, regime and implementation guiding and coordinating agency should be assessed timely and seriously.

On one hand, the fast implementation of the schedule for the opening has contributed to lowering the price, reducing the production cost, allowing consumers to have more options of goods and services; on the other hand, there could be harmful impacts on enterprises or sectors of low competitiveness, therefore, it is necessary to have more time for the preparation to restructure or shift the production direction.

2.2. The Implementation of ASEAN-China Comprehensive Economic Co-operation Agreement of Vietnam

The framework agreement on comprehensive economic co-operation between ASEAN and China aims at setting up a free trade area ASEAN – China within 10 years. The fields of liberalisation include trade in commodities, trade in services, investment, other co-operation on finance, banking and industry. Liberalisation of commodity trade is implemented with three categories of tariff reduction: early harvest, normal and sensitive.

2.2.1. Early Harvest Program

This program includes agricultural products listed from Chapter 1 to Chapter 8 of the Harmonised System (HS) classification of products with the fastest schedule of tariff reduction, beginning from 1st July 2003 and ending on 1st January 2008 (see Table 1 and

Table 2). Accordingly, the group of products with high tax rate (group 1 with over 30 percent) in 2003 included both products which Vietnam is highly competitive and products that Vietnam finds it difficult to compete. The groups of products with moderate and low tax rate (Group 2 and 3) mainly consist of products which have medium or low competitiveness.

Vietnam has implemented 100 percent of the tariff lines on schedule in the Early Harvest Program.

Table 1: The Vietnam's Tariff Reduction Schedule for the Early Harvest Program in the ASEAN-China Free Trade Area (percent)

<i>Group of products</i>	<i>On 1st Jul 2003</i>	<i>No later than 1st Jan 2004</i>	<i>No later than 1st Jan 2005</i>	<i>No later than 1st Jan 2006</i>	<i>No later than 1st Jan 2007</i>	<i>No later than 1st Jan 2008</i>
<i>Group 1</i>	<i>Tax rate ≥ 30</i>	<i>20</i>	<i>15</i>	<i>10</i>	<i>5</i>	<i>0</i>
<i>Group 2</i>	<i>$15 \leq \text{Tax rate} < 30$</i>	<i>10</i>	<i>10</i>	<i>5</i>	<i>5</i>	<i>0</i>
<i>Group 3</i>	<i>Tax rate < 15</i>	<i>5</i>	<i>5</i>	<i>0-5</i>	<i>0-5</i>	<i>0</i>

Table 2: Products in the Early Harvest Program by Tariff Reduction Group and Exclusion List

<i>Category according to HS</i>	<i>Group of Early Harvest</i>	<i>Exclusion List</i>	<i>Vietnam's competitiveness</i>
<i>1. Live animals</i>	<i>Group 3</i>	<i>Live poultry (4 lines)</i>	<i>Not high</i>
<i>2. Meat and viscera of animal</i>	<i>Group 2</i>	<i>Meat and viscera of animal</i>	<i>Normal, negligible quantity of export and import</i>
<i>3. Fish and other aquatic animals</i>	<i>Group 1</i>		<i>High</i>
<i>4. Milk and products made from milk</i>	<i>Group 1</i>		<i>Low</i>
<i>4. Milk and products made from milk</i>	<i>Group 2</i>		<i>Low</i>
<i>5. Other products from animals</i>	<i>Group 3</i>	<i>Bird's eggs</i>	<i>Low</i>
<i>6. Live trees, bulbs, roots, severed flowers, decorating leaves</i>	<i>Group 1</i>		<i>Normal</i>
<i>6. Live trees: excluding trees mentioned above</i>	<i>Group 3</i>		<i>Normal</i>
<i>7. Vegetables and eatable bulbs, roots; seeds and seedlings</i>	<i>Group 3</i>		<i>Normal</i>
<i>7. Vegetables and eatable bulbs, roots; excluding seeds and seedlings</i>	<i>Group 1</i>		<i>High with some products</i>
<i>8. Eatable fruits and nuts</i>	<i>Group 1</i>	<i>Citrus fruits, fresh or dried</i>	<i>High with some products</i>

2.2.2. Normal Track

The schedule of tariff reduction for the normal track is summarised in. For products in this category (industrial products), most of tariff reduction was implemented faster than schedule (details in Annex 3).

Table 3: Vietnam's Tariff Reduction Schedule in the ASEAN-China Free Trade Area (percent)

<i>X = Applied preferential tax rate</i>	<i>Preferential tax rate (no later than 1st Jan)</i>							
	2005*	2006	2007	2008	2009	2011	2013	2015
$X \geq 60$	60	50	40	30	25	15	10	0
$45 \leq X < 60$	40	35	35	30	25	15	10	0
$35 \leq X < 45$	35	30	30	25	20	15	5	0
$30 \leq X < 35$	30	25	25	20	17	10	5	0
$25 \leq X < 30$	25	20	20	15	15	10	5	0
$20 \leq X < 25$	20	20	15	15	15	10	0-5	0
$15 \leq X < 20$	15	15	10	10	10	5	0-5	0
$10 \leq X < 15$	10	10	10	10	8	5	0-5	0
$7 \leq X < 10$	7	7	7	7	5	5	0-5	0
$5 \leq X < 7$	5	5	5	5	5	5	0-5	0
$X < 5$	<i>Unchanged</i>							0

Note: * Date of implementation is 1st July 2005.

2.3. The Implementation of ASEAN-South Korea Comprehensive Economic Co-operation Agreement of Vietnam

The schedule of tariff reduction following the Agreement on Commodity Trade under the Framework Agreement on comprehensive economic co-operation between Governments of ASEAN's members and South Korea is sum up in Table 4.

Table 4: Vietnam's Schedule of Tariff Reduction Commitment in the ASEAN-Korea Free Trade Area (percent)

<i>X = Applied preferential tax rate</i>	<i>Preferential tax rate (no later than 1st Jan)</i>							
	2006	2007	2008	2009	2011	2013	2015	2016
$X \geq 60$	60	50	40	30	20	15	10	0
$40 \leq x < 60$	45	40	35	25	20	15	10	0
$35 \leq x < 40$	35	30	30	20	15	10	0-5	0
$30 \leq x < 35$	30	30	25	20	15	10	0-5	0
$25 \leq x < 30$	25	25	20	20	10	7	0-5	0
$20 \leq x < 25$	20	20	15	15	10	7	0-5	0
$15 \leq x < 20$	15	15	15	10	7	5	0-5	0
$10 \leq x < 15$	10	10	10	8	5	0-5	0-5	0
$7 \leq x < 10$	7	7	7	7	5	0-5	0-5	0
$5 \leq x < 7$	5	5	5	5	5	0-5	0	0
$x < 5$	<i>Unchanged</i>				0			

The roadmap of tariff reduction towards the majority of agricultural products was rightly executed according to the commitment. The level of tariff reduction of some agricultural products (temperate vegetables, eggs, meat of goat and sheep) was implemented faster than plan. The level of tariff reduction for most of wooden products was conducted exactly according to the commitments. For seafood and aquatic products, the tariff reduction progress was right according to the roadmap as well (details in Annex 4).

3. THE CURRENT SITUATION ON IMPLEMENTATION OF WTO COMMITMENTS BY OTHER COUNTRIES TOWARDS VIETNAM

One of the WTO's important principles in trade relation between the member states is equal treatment. Accordingly, WTO's members have to equally treat towards all manufacturers and service providers, whether she/he is domestic producer of any economic components or foreign manufacturer came from any member states. This principle is executed via two clauses namely Most Favoured Nation (MFN) and National Treatment Principle (NTP).

The MFN clause says that if a member state did provide, is providing and will provide some preferential conditions or doesn't apply some trade restrictions towards commodities, services, intellectual property objects and service providers came from a second member state, that country also has to apply unconditionally these preferential treatments or doesn't apply those restrictions to any third member state.

NTP requires member state not to discriminate domestic and imported goods, services and intellectual property objectives executed by domestic and foreign providers. Nevertheless, this principle does not apply to government's buy and sale for consumption.

Since 2007 when Vietnam became a member of WTO, other WTO member states have been fully applied both MFN Regulation and NTP towards Vietnam. It means that other WTO's member states moved Vietnam from the list of non-WTO treatment to WTO treatment. All WTO commitments were fully executed by other member states right after Vietnam had been recognised as an official member of WTO. Their implementation in those countries was not as difficult as in Vietnam since their legal framework had been adequately adjusted in conformity with WTO regulations when they had just started its member.

However, in reality it is not easy for Vietnam to enjoy these concessions. A number of partner countries have wisely applied technical barriers and even administrative measures to protect their domestic production. When Vietnam has entered deeper into the international economic integration, and exported more, then we are more likely to be sued for commercial-related issues. In the period from 1994 to 2009, Vietnam has been taken to court with a total of 42 cases, of which there are 34 anti-dumping lawsuits (see Table 5), six safeguard cases and one anti-subsidy case. Particularly, from 2007 to date, there have been 13 Vietnam-related lawsuits.

Vietnam has accumulated quite a lot of experience to combat the commercial litigation, especially since WTO membership. We also take advantage of the rights of member to be treated more equally in these cases.

However, Vietnam is still regarded as non-market economy in WTO, our capacity to win is not high. In fact, Vietnam has been lost in many cases and as a consequence, the quantity of exports sued to country of petition reduced, production in Vietnam was narrowed, workers lost their jobs and their income seriously decreased. These are negative impacts stem from WTO commitments on the economy.

Table 5: Anti-Dumping Lawsuits against Vietnam, 2004-2009

	<i>Year</i>	<i>Number of cases</i>	<i>Type of goods</i>	<i>Country of petition/petitioner</i>
After WTO accession	2009	5	Shoes, shoe soles, plastic bags, DVDs, air conditioner	Brazil, Canada, the US, India, Turkey
	2008	3	Fabrics, springs, plastic canvas	The US, India, Turkey
	2007	3	Discs, fluorescent lamps, gas lighters	India, Turkey
Before WTO accession	2006	2	Shoes cloth hat, belt	Peru, Turkey
	2005	3	Bicycle spokes, fluorescent lamps, leather shoes	Argentina, Egypt, EU
	1994-2004	18	Surfboards, fluorescent lamps, stainless steel latch, bicycles, steel pipes, tires	EU, Peru, Turkey, the US, Korea, Canada, Poland, Columbia

Source: summarised from various sources.

4. THE WORLD ECONOMY CONTEXT AND POLICY RESPONSE OF VIETNAM

The socio-economic development of Vietnam during the period 2007-2009 also was affected by interactive impact between the process of international economic integration and many objective and subjective factors. The global economy changed complicatedly and unpredictably: The oil price strongly increased and the food price escalated (from the end of 2007 to August 2008); the global financial crisis broke out in September 2008 and pushed the world economy into serious recession; not until late 2009 did the world economy start its recovery.

In the past three years, the policy response from the Government has been increasingly flexible. To deal with rising inflation from third quarter of 2007, since April 2008 the Government had made a turning point, shifted its policies from promoting growth to curbing inflation by tightening monetary policy and public investment, accepted the trade-offs between growth and inflation in the short run. From October 2008, the economy suffered severely negative impact from the global financial crisis “storm” and global recession. Once again, the Government turned its policy priority, focused on preventing economic slowdown and maintaining macroeconomic stability and social security. Monetary policy was gradually loosened and from December 2008 an economic stimulus package of 6 billion USD was

officially implemented in order to support manufacturing enterprises and export businesses (especially SMEs), to develop infrastructure, to stimulate consumption and social support.

5. KEY IMPACT CHANNELS OF INTERNATIONAL ECONOMIC INTEGRATION

5.1. International Economic Integration

Figure 1 depicts a general framework for assessing the complex impacts on Vietnam's economy in three years after the WTO accession.

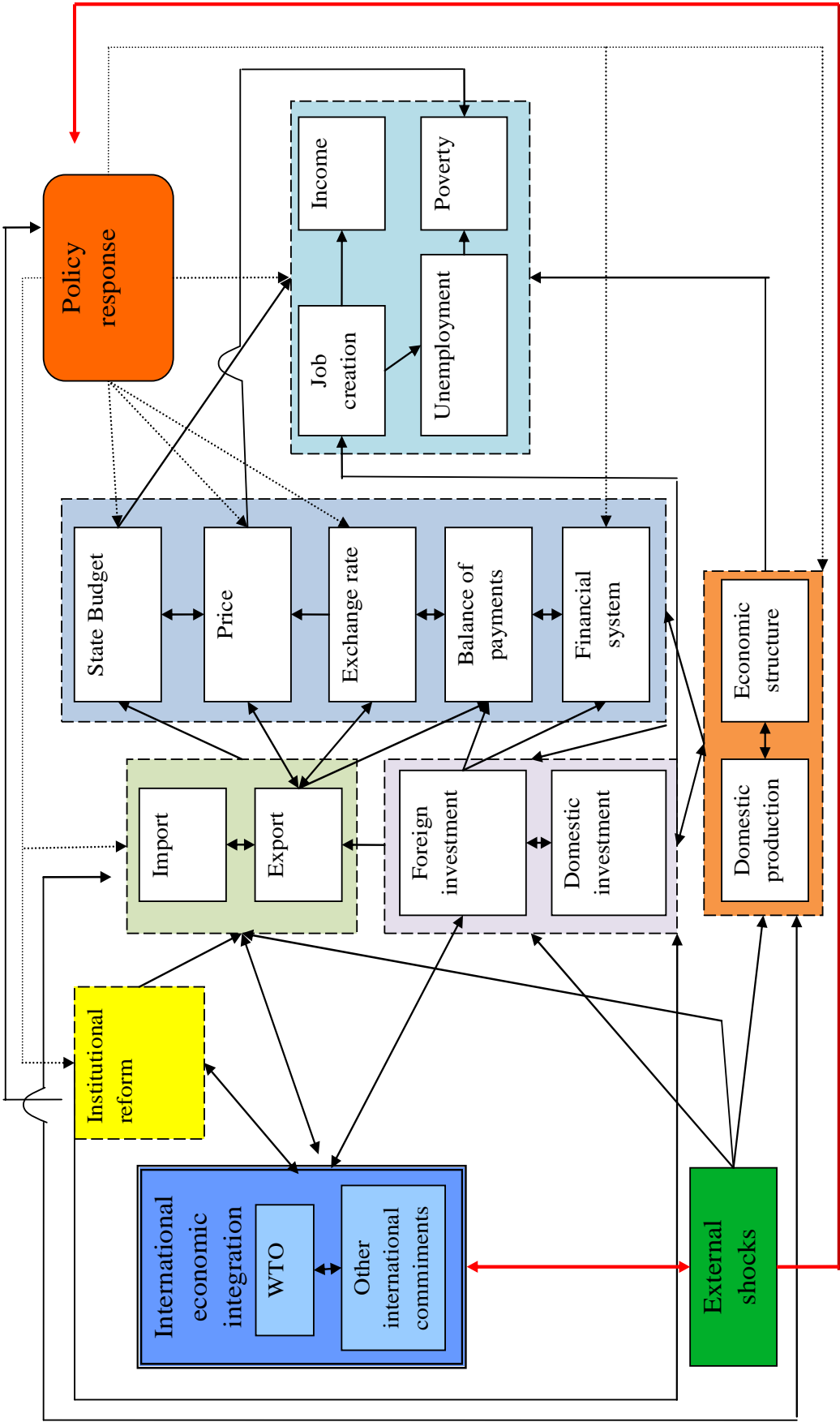
International economic integration affects all sectors of the economy via some key channels. The process has direct and most rapid impacts on foreign trade and investment, thereby generating spill over impacts on domestic production, job creation and poverty reduction.

The abolition of trade barriers makes domestic prices of goods and services vary more closely in line with those in the world market. Simultaneously, applying investment barriers to the minimal extent and removing discriminatory treatment reduces distortion in incentives for resource allocation, investment and trade. Consequently, this leads to the expansions of trade and investment activities, as well as of gross output in the economy.

Economic resources, particularly those of scarcity to Vietnam such as capital, land, will therefore be diverted away from protected sectors to those with comparative advantage and more efficient utilisation of resource. The latter ones are often more labour-intensive and therefore create more jobs. Efficiency of resource utilisation in each sector and in the economy as a whole will also be improved. This presents a realisation of static comparative advantage, reflecting more efficient use of existing resources of the economy, rather than attraction of new resources into the economy, or application of new technology.

Together with the fewer protection measures for domestic production, barriers to capital flows are phased out and demand for some export products of Vietnam goes up. Consequently, domestic and foreign investment capital flows to more profitable production and business sectors. Competition in these sectors becomes tougher. In search for better competitiveness in the market, the enterprises have to undertake various measures to reduce production costs, to apply new technology for higher labour productivity, to improve management, and to diversify and renovate products. In some sectors, production can be expanded with optimal output level, at which all resources are used most efficiently, leading to a fall in price. This is the realisation of dynamic comparative advantage due to: (i) increase in economic resources via attraction of FDI and other capital flows; (ii) improvement in productivity as a consequence of better access to foreign knowledge and technology, more efficient utilisation of resources, and attainment of optimal economic scale; and (iii) acceleration of domestic economic reforms. In other words, the open-door policy has exerted pressures to accelerate domestic economic reforms and reduced the possibility of reverting to protectionist policy, thereby improving business environment and transparency – the prerequisite for attracting more investment capital.

Figure 1: Analytical Framework for Assessing Impacts of International Economic Integration on Vietnam's Economy



Note: The arrow indicates the direction of impact.

Another reason for the surge in FDI inflows has been Vietnam's improved access to other export markets. Such an improvement results from more preferential treatment in the bilateral and regional trade and investment arrangements to which Vietnam is a signatory.

Together with Vietnam's abolition of domestic barriers to trade and investment, other trade partners also have to remove or reduce their barriers to the country's exports and investment. Vietnam is thus able to compete on a more equal basis in the market of trade partners. Accordingly, Vietnam's export products can attain higher competitiveness and better penetration of new markets or higher shares in existing ones. In turn, production of these export products can be expanded, thereby creating more output and jobs, generating more foreign exchanges. Ultimately, this contributes to economic growth, improves people's income, and reduces poverty.

Diminishing trade- and investment-distorting policies is only the first step in creating a more transparent policy framework. Domestic economic reforms together with changes in economic institution, establishment of a more enabling and equal business environment, with more transparent policies have been and are the key broader drivers to investment attraction, export growth, job creation and improvement of national income.

Besides, international economic integration has impacts on Vietnam's macro-economic situation via some channels. *First*, as previously mentioned, the reduction of trade barriers makes domestic prices of goods and services vary more closely in line with those in the world market. *Second*, economic integration with larger and more rapid trade and investment flows affects the balance of payments and, accordingly, the supply and demand of foreign currencies. In turn, this impact brings about changes in money supply and interest rate. *Third*, changes in supply and demand of foreign currencies also exerted pressures on exchange rate and, as the exchange rate regime follows a crawling-peg approach, exchange rate management is affected to a certain extent. *Fourth*, international economic integration affects Vietnam's economy via the commercial banks and financial market, as trade and investment transactions increased in number. *Finally*, international economic integration brought about changes in the State Budget and, thus, Budget deficit and macroeconomic stability. Due to these impact channels, Vietnam becomes more vulnerable to external shocks such as changes in world prices, economic development in major trade partners, political events, etc.

5.2. Global Financial Crisis

The key impacts of the global financial crisis came via world trade and FDI channels to domestic production, domestic investment, employment and income. The demand of major trade partners for goods and services from Vietnam deteriorated quickly. FDI flows also decreased due to the falls in number and investment scale of new projects, the delay or stop of registered projects, while operating ones experienced a decline in output. Labour had to work for fewer hours or became unemployed, with lower income.

Accordingly, domestic demand for goods services went down. Eventually, economic growth became slower.

Besides, as previously analysed, deeper and wider international economic integration makes the impacts of external shocks on Vietnam become faster and larger, thereby exacerbating the severe impacts of the global financial crisis.

5.3. Policy Responses of the Government

The Government's policies to cope with global changes as well as to support the implementation of international economic integration commitments play a decisive role in determining socio - economic outcomes. With the implementation of relevant, prompt policies with effectively coordinated measures, Vietnam can take advantage of the good opportunities from international economic integration, whilst mitigating risks and unfavourable impacts. Conversely, opportunities may also be transformed into challenges.

The above argument fits well with the Resolution No. 08-NQ/TW¹⁷, which states that: *“Grasping opportunities can by no means be automatic, but depends on our capacity to take advantage of them instead. Realisation of opportunities will create new position and force to overcome challenges and to create larger opportunities. Otherwise, the opportunities can be missed, making way for larger challenges which constrain future opportunities and hinder development. The challenges exert direct pressures, but the extent of impact is also dependent upon our efforts and capacity. With proper preparation and effective measures, we not only overcome challenges but make them become the driver of development as well”*.

Separating the impacts of international economic integration, including the implementation of WTO commitments and other factors, is a virtually impossible task. Nevertheless, the depicted analytical framework can provide a good start for assessing economic integration's impacts on Vietnam's economy after the WTO accession, just as it can with the impact assessment of trade liberalisation and integration.

On that basis, the review of socio-economic development over the past years can help assess the direct or indirect impacts of comprehensive integration into the global economy. Apparently, the years 2007-2009 came with notable changes, not only in the statistical indicators but also in the newly arising issues from practical implementation. This makes way for a proper assessment and draw lessons relevant to the Renovation process, economic reforms, and policy formulation and implementation.

¹⁷ Resolution No. 08-NQ/TW dated 5th February 2007 of the 4th meeting of the Central Committee of the Communist Party of Vietnam, term X, on *Some broad policy guidelines for rapid and sustainable economic development after Vietnam became WTO member*.

6. RESULTS OF IMPLEMENTING THE RESOLUTIONS NO. 08-NQ/TW

The forth plenum of the 10th Party Central Committee has approved Resolution No. 08/NQ-TW dated 5th February 2010 on “Some major guidelines and policies for rapid and sustainable economic development when Vietnam becomes a member of the WTO” with 10 major groups of policies in order to take advantage of opportunities and surmount challenges to successfully achieve the rapid and sustainable economic development when Vietnam is a member of the WTO.

The Government has issued the action plan of the Government in accompanied with the Resolution No 16/2007/NQ-CP dated 27th February 2007 to implement the Resolution No. 08/NQ-TW. Following the Government’s guidelines, 10 groups of policy proposed in the Resolution No. 08/NQ-TW have been implemented broadly and deeply in all ministries, agencies and provinces.

6.1. Propaganda and Information Dissemination on the Economic Integration

Propaganda and information on the WTO were disseminated thoroughly and continuously to all national and local agencies, social and political organisations, businesses and entire people. This has form a consensus in the society on the necessity and sense, the opportunities and the challenges of WTO accession; thus to facilitate the recognition that WTO accession is a means and that the internal force is the decisive factor.

However, many agencies, organisations and relevant people did not have deep understandings of the WTO accession commitments. Especially, they did not proactively act to turn the opportunities into realities, many action programs were just in the formula forms, without implementation; they have not taken advantage of tools that the WTO allows such as the technical barriers, anti-dumping, anti competition actions to protect their interests

On the other hand, while the information on WTO was disseminated broadly, dissemination of commitments in free trade agreements and their impacts was limited.

6.2. Legislation and Institutional Building; Establishing Components of a Market Economy, Mobilising and Utilising Resources most Effectively

During three years 2007-2009, line ministries, agencies and provinces have focused on reviewing legal documents in order to eliminate the conflicting regulations, and not compatible with the international commitments, as well as to promulgate new regulations to meet the international traditions. As the result, in the past three years, more than 400 legal documents relating to about 300 business licenses in different forms have been reviewed, assessed and eliminated.

In principle, regulations have been issued according to the committed and legislation building plans. It can be said that Vietnam has never experienced a progress of

the legislation development at such rapid and intensive pace like such in the past three years. Generally, supplementary and new regulations are compatible with the accession commitments and are seriously implemented.

However, the guiding regulations are slow to be issued; there are still overlapping and conflicting regulations; the understanding about the regulations and regulation implementation are not good.

After accessing to the WTO, market institution has gone through positive transformations; elements of market economy are improved and in line with international standard and the socialist oriented of Vietnam's market economy. Implementing WTO accession commitments as well as other international commitments has contributed to the formation of commodity markets, service markets, financial market, real estate market, labour market and science and technology market.

However, the service market is not developed reasonably; the stock market is not stable; the financial market is not healthy; the real estate is stagnant, land issues are still complicated and causes obstacles for economic development; the science and technology is not fully utilised; the labour market is segmented and could not satisfy the demand for human resources.

Implementing WTO accession commitments has contributed to the perfection of the price mechanism, eradication of dual price systems, and gradual adoption of market prices for some commodities under the Government's management such as the fuel price and electric tariff. Many subsidy schemes, especially export subsidy programs have been removed.

However, Vietnam have not taken advantage of the support and subsidy compatible with the WTO regulations such as export subsidy for marketing and transportation of agricultural products, support for agricultural producers to change their profession, agricultural land usage transformation, subsidy for agricultural producers when the price goes down. The support programs are only to deal with situation based, did not follow a comprehensive plan and sometimes are not for the right target.

Thanks to the previous preparation when participating AFTA and WTO, tax measures become more comprehensive and compatible with international standard. Import tariff cut and removing do not cause any fluctuations to the state revenue but facilitate the comprehension of the national tax system.

After the WTO accession, Vietnam's economy basically becomes an open economy, but there are still limitations in the state management and control of the economy. Although the macroeconomic management has achieved some successes, the coordination between fiscal policy, exchange rate policy, monetary policy, trade balance is not smooth, and does not fully meet the requirements of the market economy. Forecasting is still inadequate and not well served the requirements of the economy management.

The Government, line ministries, agencies and local authorities have promulgated a number of regulations in order to fully mobilise internal and foreign resources, diversify investment forms, create special mechanisms to attract capable domestic and international investors to develop public works such as health care and education facilities, develop the infrastructure, irrigation system, electric system, water supply and produce commodities with local inputs; invest in processing industry and service sector in rural; guide to issue management policy and encourage the indirect investment in order to diversify the capital source and increase the flexibility and connectivity of the local capital market and international capital market. Thus, the economy has attracted a large amount of investment capital, with the ratio of investment over the Gross Domestic Product (GDP) much higher than other countries in the regions and higher than the planned targets even under the difficult circumstances.

However, we have yet created any big changes in attracting the residents' idle capital, and the effectiveness of the social investment is low. Moreover, the investment environment still exists shortcomings such as the cumbersome administrative procedure, poor quality master plan, difficulty and time consuming in land clearance. These have caused obstacles for investment. We have any efficient measures to minimise the corruption and wastefulness. Encouragement investment policy could not attract the domestic and foreign investors to put their money into industries that Vietnam has competitive advantage and that facilitate the upgrading of the country's technology and science capability. Equitisation of SOEs could not meet the planned target. The situation that some SOEs invested in other industries that are not in their core, is not managed closely and effectively from the Government.

6.3. Administrative Reform, Improving the Effectiveness and Efficiency of the State Apparatus

There are big steps in simplifying administrative procedures in Vietnam. Issuing of the Proposal entitled "simplifying administrative procedure in state management in 2007-2010" and "Rules of implementation of one door policy and one connected door policy in local authorities" has saved a large amount of time and cost of businesses. So far, almost all provinces have significantly shortened the time for issuing business licenses to less than 10 working days, even three to five days in some provinces.

The Government has guided relevant agencies to review and eliminate unsuitable administrative procedures. In some sectors, there is a significant progress in administrative reform, especially in the customs sector. The customs procedure is more compliant with the risk management technology and has transformed to post clearance examination, thus the cost for import and export procedure has been reduced.

The Government also restructured the government agencies towards a multi-sector, multi industries management mechanism. The number of line ministries and equivalents has reduced to 22 from 25. Each ministry also focuses on organisational restructuring,

professional and legal training for their staff. There is a positive transformation in strengthening and improving the effectiveness of external affairs. Many proposals on organisational restructuring in this aspect have been implemented such as those relating to the operation of Vietnam's representatives overseas, and other national agencies in economic international integration.

However there still exist some inadequacies, cumbersome administrative procedure; especially carrying out the proposal to decentralise in accompanied with strengthening responsibility, and monitoring and evaluation have experienced many difficulties because the quality of civil servants at the local authorities did not match with their responsibility. There is a big gap between the reality and the demand for professionalism, accountancy, and transparency of the state apparatus while the incentive system (i.e. recruitment, evaluation, promotion and salary) for civil servants is still distorted. The coordination among line ministries and agencies in the external affair activities sometimes are not coherent, unified and timely.

6.4. Raising the Competitive Capability

Although three years are short to have a significant improvement in competitive capability, there is an important change in acknowledgements and the thinking of both the Government and businesses on this issue. To raise the national competitive capability, the Government has concentrated in dealing with some major issues such as improvement of the institutional environment, improvement of the national socio-economic infrastructure, development of human resources and training of a cadre of experts to meet the demand of international economic integration, development of vocational training system, guiding to develop programs, implementation of projects to raise the national competitiveness.

The government has promulgated policies on learning and talent encouragement, learning society building, socialisation of education, vocational training, health, culture, sport, environment activities, some investment incentives for foreign investment in education and vocational training projects in some sectors such as technology, technique, international law, finance and accountant and business administration.

According to the action program of the Government, there are some proposals having been started to develop including: Proposal "Training the legal experts and lawyers satisfying the demand of international economic integration 2008-2010"¹⁸; Proposal on "Some policies on the encouraging the development of private schools and people-founded schools and attracting the foreign investment in education and professional training in technique-technology, international law, finance-accountant and business administration. The state investment and mobilisation of all available resources for education and training have been strengthened; the assets of the education sector have been improved.

¹⁸ According to the Decision No. 544/QĐ/TTg dated 14th May 2008.

Provinces also guides their agencies to foster the socialisation of education by proposing mechanisms, incentive policy to encourage different economic sectors, including foreign investors, to invest into education sector; transforming the public education entities into private ones; stimulate cooperation and diversification of vocational trainings, foreign languages and skills that serve the demand of the socio-economic development of the provinces and to send the skilled workers to work abroad; encourage the credit-based training and expansion of training skills that are required for industrialisation and modernisation.

However, the education quality is still low; the structure of education and training is inappropriate; the education and training programs, the teaching and learning methods are obsolete; negative activities are prolonged and slow to be solved; the quality of our human resource is not much improved. The shortage of the skilled human resources hinders both the process of proactive economic integration and rapid and sustainable economic development. Improving the quality of the human resources is relevant to all social groups: from the policy makers, cadre of civil servant, businesspeople and labourers. In the meantime, the whole education system seems not meet the demand of the society and of the era.

For the business sector, they have gradually adapted to the international business environment, heightened their pro-activeness and their creativity. Although the competitiveness of Vietnam's businesses and products is limited in comparison to other countries, the competitiveness of Vietnam's products has significantly raised. Thus, in the context of economic fluctuation and global financial crisis, some of Vietnam's products with competitive advantages still have their own markets and the export value of these products fairly increased.

However, the competitiveness capability of the nation, businesses and products is still low and slow to be improved in comparison to other countries in the region. There are some aspects that Vietnam has very weak competitiveness such as human resources, infrastructure, institutional capability and technology capability. They are obstacles for having a competitiveness capability at all levels. The competitiveness of Vietnamese exported commodities are low and mostly based upon the extensive use of the cheap labour force and natural resources. Vietnam just only well utilises her static advantage in economic integration but have succeeded yet in fully exploitation of her available chance to take advantage of economic scale and FDI, which in turns are rooted in solving bottlenecks in infrastructure, institution, human resources and an appropriate bilateral, regional, and global cooperation.

6.5. Modernisation of the Agriculture and Rural Development

Vietnam has right attitudes about the agriculture and rural area in international economic integration, especially after the WTO accession. Thus, the Communist Party and

the Government has promulgated a number of major policies to stabilise and develop this area.

Firstly, reviewing all the development master plan for the agricultural development in general and for different agricultural sectors such as breeding, cropping and planting, and aquaculture; carrying out the agricultural development programs; improving the management system and quality control system of seeds, animal breeds and inputs for production to satisfy the demand for agricultural production; closely cooperating with localities, timely guiding measures to counter the natural disasters; increasing the investment for the irrigation system to ensure adequate water for agricultural production and people's livelihood.

Under the guidance of the Government, provinces have fastened the agricultural production structure shift toward a higher specialised structure; reviewing, supplementing areas for specific crops, specific cattle, and poultries; continuing the effective implementation of agricultural economic development; facilitating domestic and international investors to invest into the agricultural sector following programs and projects that provinces encourage or make priority for investment; increasing the research capability and application of scientific and technology knowledge into production; increasing the mechanisation of all steps in the agricultural production.

Investment for agriculture and rural areas has been fostered. The Government has been and is currently supporting the building of storage, preserving, drying facilities to reduce the losses and secure the quality of products after harvesting; supporting the development of rural markets and focal wholesale markets for agricultural products to facilitate the flow of the goods and to manage the prices of agricultural commodity. The Government also supports the development of extension services, animal health services, plant protection, forestry from the central to local level to help the agricultural labourers to rapidly adapt new knowledge and technology and to ensure the hygiene and food safety.

The Government has developed mechanisms, policies and socio-economic development plans for difficult areas, especially the remote areas and areas where minorities are living, and reduction of the rural residents' contribution.

In general, during the period 2007-2010, the agricultural sector and rural areas have new development steps. Not as previous expectation, the agricultural sector is not heavily negatively impacted by the WTO accession. There were some advantages such as the increases of prices of some commodities in the world market. But the major factor is that Vietnam has concentrated a large amount of resources for the agricultural development.

However, in such period, Vietnam has yet achieved much progress in improvement of agricultural policies which are directly relevant with the WTO accession, including policies that Vietnam is allowed to use to support for the agricultural sectors (with the level of support equal to 10 percent of total agricultural output); the agricultural export is increasing but most of the exports are in the raw form, the quality and hygienic safety of the products are not much improved comprehensively; the foreign investment in the

agricultural sector is small. Agricultural production is small scaled and scattered; the technology level and the productivity are low and much dependent on the natural condition and the world price; the livelihood of a number of farmer groups is still not much improved.

6.6. Implementation of Social Welfare Policies

The impact of the WTO accession on social issues in the last few years has not been clearly visible, but the post-WTO development has posed many issues related to employment, income, conflicts in industrial relations, relapse into poverty, inequality...

In general, the economic integration has positive impacts on job creation due to the development of labour intensive industries. The unemployment rate in the urban areas in 2007 was reduced. However, the economic slowdown in 2008 had caused the increase in the unemployment rate in the urban areas. The proportion of poverty household has declined from 17.2 percent in 2006 to 14.8 percent in 2007, 13.1 percent in 2008 and 11.3 percent in 2009. The livelihood of a large number of residents has improved in 2008, but the high inflation rate and slowdown in economic growth in 2008 have impacted on some groups of households, especially those with low income and those living in rural areas. Strikes occurred more regularly in 2007 and 2008 (in 2008, there were 720 strikes).

The Government has promulgated many policies and implemented a number of solutions to deal with social issues emerged after the WTO accession. The Government has ordered the line ministries, agencies and local authorities to carry out synchronically social policies including financial support, self employment support, job training to change the career; provision of employment consultant services, and job market information for labourers who had been lost their jobs due to their employers could not survive in the competitive environment; carrying out social safety net according to the socialisation principles which mean the Government, businesses and labourers jointly contribute and share the difficulties.

Because the time after the WTO accession is short, it very difficult to distinguish what social issues were emerged due to the WTO accession, and what issues were emerged due to internal forces. However, it can be seen that due to the increase in export and especially due to the sharp increase in FDI, the chance to send Vietnamese workers abroad is increased, and thus the number of people have jobs increased. The active domestic markets (such as the stock market and real estate market) have contributed to the increase in income of a number of households.

However, the high inflation and the negative impact of the global financial crisis have hindered, and partly offset the results achieved, and thus forced the country to cope with the unemployment and to spend more resources to secure the social welfare; the poverty eradication progress albeit having many successes, is not sustainable and faces with a number of new challenges; shortening the income gap among different groups of

households and regions is difficult. The employee-employer conflict tends to increase after the WTO accession.

6.7. Protection and Promotion of National Cultural Values

In the last few years, the Government has guided line ministries, agencies and local authorities to develop a management mechanism and work out sanctions against the penetration of unhealthy cultural products and services that are detrimental to national development with a view to preserve Vietnamese cultural traditions and people. The Government also has made efforts to effectively implement intellectual property rights, creating the most favourable environment for the creation of spiritual values of the society. There were many activities to heighten the pride of the country's history, and national tradition and values, to foster the dissemination of the national images and Vietnamese people images, with the purpose to grasp selectively advanced cultural values. The operation of mass media has been strengthened. The Government has strongly solved media distortions which have negative influence to the cultural traditions, production and caused lost to the business, the economy and social-economic stability. The Government also increased the investment and preservation of cultural and history sites.

In general, thanks to the open door policy, the country has grasped many positive values from the world. However, the side effect is that unhealthy cultural products and services have chances to broadly and strongly penetrate into the country, and put new pressures on the traditional cultures, even in some aspects, the unhealthy cultural products and services have overrun the local products and services. The country has done a lot of works to preserve and to bring into play traditional cultures and to disseminate the national cultures to the world. However, in general, the effectiveness is not as our expectation: many historic and cultural sites and value are degraded; many traditional values have been seriously destroyed, especially among the young generation.

6.8. Environment Protection and Sustainable Development

The international integration and development have facilitated the country to recognise more deeply about the environment issues. In the last few years, many environment problems have been identified and attracted the public attention such as: food hygiene and safety; environment destroying activities of businesses; development master plans and projects with negative impacts on the environment.

Environment protection activities in Vietnam have achieved some successes. Many management mechanisms and policies have been developed. The observation and experiment systems and analyses have been gradually formed and strengthened. Reviewing environment analysis report, environment monitoring and examination, and controlling activities have significantly improved. The education propaganda and dissemination through mass media on environment issues and sustainable development have gained some positive outcomes. Many sustainable development models have been implemented. The country also regularly carries out activities such as monitoring, examining and solving activities relating to environment pollution and minimising activities that have negative

impacts on environment at businesses, industrial zones, craft villages which have high chance to pollute the environment.

However, the outcomes are limited. Environment law and regulation violation happened widely. The implementation of environment protection policies at all level is not effective, partly due to the lack of the close coordination among agencies. The country also do not have effective barrier to prevent the environment pollution from abroad. The capability of local businesses in meeting the environment standard, especially hygiene and safety standard is limited. The land, water and air pollution in many industrial zones, urban areas is heavily while measures to prevent and solve such issues are implemented slowly and inefficiently. The reality has shown that, as long as the country integrated broadly and deeply into the world economy, the environment issues become more pressure. Thus, the environment protection activities should be strengthened in the coming time.

6.9. Assurance of Security and Defence

Firmly safeguarding and strengthening the national independence, sovereignty and territorial integrity in the integration process are vital tasks. These are regular works and are implemented seriously according to the guidelines stated in the Resolution No. 08/NQ-TW. The party committees, local authorities and all defensive forces have actively developed defensive people-based mechanism, region-wide defensive plan and comprehensive plans to ensure the national security and social stability. Development process toward a professional, well-trained and modernised people's defence and police forces has been well carried out. All ministries, agencies and local authorities are vigilant for peaceful evolution process and regime transformation plots of hostile forces. The political security and social stability is firmly safeguarded to protect the national sovereignty and territorial integrity.

However, there are a number of civil servants and party members having lost their vigilance in response to hostile plots. In some regions and sectors, there are still hidden factors that can cause the political and social instability.

7. OBJECTIVES, STRUCTURE AND SCOPE OF THE REPORT

The purpose of this report is to evaluate the impacts of international economic integration three years after joining WTO. The report also seeks to have some assessment and analysis of the impacts of global financial crisis on Vietnam economy in the multi-faceted of economic growth, trade, investment, social issues and institutions. Therefore, it contains following issues:

- Assessing the impacts of international economic integration on:
 1. Economic growth
 2. Trade
 3. Investment

4. Macroeconomic stability
 5. Social issues
 6. Economic institutions
- Overall assessment, some lesson learnt and recommendations

PART TWO

IMPACTS OF INTERNATIONAL ECONOMIC INTEGRATION

1. IMPACTS ON ECONOMIC GROWTH

1.1. Overall Assessment

Briefly, international economic integration, especially Vietnam's accession to the WTO, has positively effected Vietnam's economic growth in the past three years.

In 2007, Vietnam economic growth took advantages of both internal and external factors that closely related to international economic integration. The favourable effects from the outside world mostly were the relative high growth rate of the world economy (though lower than that in the 2006), especially Vietnam's major trading partners like the US, Japan, China and European countries; as well as robust and very high economic growth of Asian region (especially East Asia). Thanks to broader and deeper international economic integration, Vietnam has been imposed by less trading barriers from its partners, and expanding its shares in those markets, increasing export values, which in turn resulted in higher production of export-oriented industries.¹⁹

The implementation of WTO commitments and multilateral and bilateral agreements has considerably improved Vietnam's business environment, creating favourable effects from the inside. In parallel with politic stability, these factors helped Vietnam attract more investment and enhance its economic growth. Consequently, in 2007, despite much higher world prices that put pressure on input prices for domestic production, Vietnam GDP growth rate kept its trend from the previous years, and reached 8.5 percent.

In 2008, however, international integration influenced the economy in two opposite ways. Due to deeper international integration and higher dependence on international trade, the rapidly increase of the world prices of raw materials affected the economy more severely and quickly and somehow resulted in higher inflation pressure and lower economic growth. As Vietnam's trading partners felt into recession or experienced weaker economic growth, exports and FDI of Vietnam were badly hit, leading to worse economic growth. Last but not least, weaknesses in dealing with macroeconomic instabilities also created certain effects on inflation and economic growth.

¹⁹ See more details in Section 2.

On the other hand, Vietnam also benefited from higher world prices because the prices of crude oil and food - two most important exported items of Vietnam - and that of many others increased as well, which in turn affected economic growth positively. Moreover, continuously expanding export market led by international integration helped foster economic growth as well. Among the two effected directions, the adverse impacts seem have greater influenced to Vietnam economy compared to the other because of openness. As a result, GDP growth in 2008 was slowdown, only reached 6.2 percent. However, that economic growth would be much lower without international integration should be taken into consideration.

Since October 2008, unfavourable effects of the financial crisis and global economic recession were stronger. Demand for imported goods from trading partners felt dramatically despite sharp decrease of raw material prices. It is clear that favourable effects of international economic integration on the economy were very limited in 2009.

In that context, the government took more timely and keen policy responses, shifted from inflation targeting (tightening monetary and public investment policies) to fighting against economic downturn and maintaining macroeconomic stability and social security. Monetary policy has been gradually loosen and in December 2008, an economic stimulus package was officially implemented in order to support manufacturing enterprises (especially small and medium ones), develop infrastructure, stimulate consumption and minimise social problems. Consequently, negative effects on economic growth were lessened considerably.

In general, GDP growth continued to decrease in 2009, and reached only 5.3 percent. Though this was a dramatic decline compared to the previous years since 2000, Vietnam's GDP growth was better than much lower or even negative growth rate of many other countries in over the world in the context of financial crisis and global economic recession.

Overall, the financial crisis and economic downturn started in the end of 2007 created adverse impacts on Vietnam economy through several channels like prices, trade and investment (including both foreign directed investment and capital flows).

The above analyses show that in the past three years, there were a lot of opportunities as well as challenges caused by international economic integration arose and considerably influenced Vietnam economy. This fact proved the appropriateness of Resolution No. 08-NQ/TW as well as of many other arguments and judgments put forth in previous studies that international economic integration would create many chances for economic development, including rapid economic growth; but this process also made the economy more vulnerable and be more severely and rapidly affected by unfavourable conditions and instabilities of the world economy such as investment flows, financial market, crude oil market, etc.

In order to more clearly address negative effects of the 2009 global economic recession caused by international economic integration, the macro-econometric model of

CIEM was used to estimate the likely economic reduction if timely responses by the government had not been introduced and if the economic stimulus package had not been implemented in the beginning of 2009. Simulation result showed that the GDP growth rate would be only 4-4.5 percent without economic stimulus package while other assumptions were hold.²⁰ Industry – construction sector growth was most severely hit. This result helped partly explain very pessimistic forecasts on Vietnam economic growth in 2009 produced by international organisations in the end of 2008 as the world economy was predicted to likely fall into crisis and its bottom could not be estimated yet in terms of time.

Looking back at the Asian financial crisis broke in the past decade, though Vietnam did not open the economy and integrate as deeper and broader as recently, the country was suffered from similar severe impacts with relatively rapid reduction of GDP growth rate, from 8.2 percent in 1997 to 5.8 percent in 1998 and 4.8 percent in 1999. This also was an evidence of the efficiency of the government's policy response.

1.2. Impacts at the Sectoral Level

1.2.1. Effective Rate of Protection²¹

One of the most important and direct impacts on good manufacturing industries is the implementation of tariff reduction. However, full effects of this are not only the considerable tariff reduction of output that may lead to fiercer competition between locally produced items and imported ones, but also higher comparative advantages due to lower input cost and cheaper materials.

Effective Rate of Protection (ERP) shows the actual protection levels afforded to domestic producers in a particular manufacturing industry by tariff barriers. This index helps analyse the real amount of protection of a particular output, in which nominal rates of protection (tariff and non-tariff barriers that can be quantified) of both input and output of that industry are also taken into consideration. In other words, ERP reveals how many extra percentage of value added (VA) will be afforded to domestic producers due to protection measures in comparison with free trade condition. If the total value of import tax imposed on inputs of an industry is larger than the total value of import tax imposed on outputs of that industry, ERP will be less than 0. In this case, the studied industry is not only unprotected, but also loses its competitive advantage to the similar imported goods. Thus, ERP reflects impacts of tariff reduction on the production of goods more completely.

Details on ERP by industries are presented in Appendix 5.

²⁰ According to “*Vietnam Economy in 2008*” Report (CIEM 2009b).

²¹ ERPs presented in this sub-section were calculated by authors using the 2007 input-output table provided by GSO (2010) and tariff reduction time table under Vietnam's WTO commitments (National Committee for International Economic Cooperation (NCIEC) 2006).

In 2009, products with highest ERPs (more than 50 percent) are those of food processing industry (tobacco and cigarette, sweetie, alcohol, non-alcoholic beverages, processed fruits and vegetables, coffee and other foodstuff); consumer electrical appliances, motor vehicles; and they account for nearly one tenth of total products in the 2007 input-output table. It is notable that most of these products have their ERPs increased in the 2007-2009 period.

ERP of nearly one fifth of the total products range from 10 percent to 40 percent, mostly are meat processing and aquatic products. ERP of most these products become higher in the past three years. As the processing industry of agricultural products and foodstuff creates many jobs for the economy (with high adverse linkages coefficient), this fact is very meaningful to job creation. However, those industries of Vietnam are facing a critical issue of low competitiveness and efficiency.

Around more than one third the total products in the 2007 input-output table have low ERPs, which vary from 0 to 10 percent. It is notable that ERP of most products declined most rapidly in the past three years.

ERPs of about one third of the total products are less than 0, which mean some export products suffer loss (such as plastic products, electric wire, textile), several unprocessed agricultural products (sugarcane, other perennial crops, poultry, pigs, cattle and buffalos, rubber latex), round timber, battery, fertilizer. Most of them have the ERPs of less than 0 since 2007.

The overall ERP reflects that during the implementation of WTO commitments, Vietnam tends to protect industries with low competitiveness, including food processing, motor vehicles, consumer electrical appliances; while does not provide protection to unprocessed agricultural products and several exported ones. This fact may negatively affect farmers but favour agricultural processing factories, leading to unequal distribution of income among the two groups. The export of non-agricultural products has to suffer also.

1.2.2. Agriculture, Forestry and Fishery

During the period 2007-2008, in overall, international economic integration favourably influenced the growth of AFF sector like to the whole economy, but this effect was quite limited in 2009. As discussed in Sub-section 1.2.1, ERPs of most agricultural products are low after three years of accessing into the WTO, in which some even less than 0 with modest improvement. Thus, tariff reduction according to WTO timetable is not the main reason for increased VA of this sector. More thoroughly study of related factors reveals that high growth rate of the sector in the 2007-2008 was resulted from bumper crops, and much higher world prices of key agricultural products. Thus, when world prices

of most agricultural products dropped dramatically in 2009,²² growth rate of AFF sector in GDP reached recorded-low level of 1.8 percent, the lowest since 1991.

Area of perennial crops, especially rubber and cashew, tends to increase due to higher world prices of such products. Generally, because international economic commitments of Vietnam on key exported industrial crops do not significantly change in terms of area, the crop productivity is not affected by more favourable accession to the international market, but mostly by the fluctuation of world prices or weather condition. This fact means that Vietnam's agriculture still heavily depends on weather, changes of agricultural inputs and agricultural prices in the international market. In order to maintain stable growth of agricultural industry, Vietnam needs a breakthrough in taking advantages of economic scale, advanced technology and diversification.

Table 6: GDP Growth Rate by Sector, 2004-2009

<i>Sector</i>	<i>Before WTO</i>			<i>After WTO</i>		
	<i>2004</i>	<i>2005</i>	<i>2006</i>	<i>2007</i>	<i>2008</i>	<i>2009</i>
GDP	7.79	8.44	8.23	8.46	6.18	5.32
Agriculture, forestry and fishery	4.36	4.02	3.69	3.76	4.07	1.83
Agriculture	3.92	3.16	3.13	2.72	3.93	1.32
Forestry	0.82	0.94	1.37	1.39	1.35	3.47
Fishery	8.53	10.66	7.77	10.57	5.44	4.28
Industry-Construction	10.22	10.69	10.38	10.22	6.11	5.52
Mining and quarrying	8.86	1.86	-2.00	-2.20	-3.83	7.62
Processing and manufacturing	10.86	12.92	13.36	12.37	9.94	2.76
Electricity, gas and water supply	11.97	12.30	9.91	9.09	10.49	9.02
Construction	9.03	10.87	11.04	12.15	-0.38	11.36
Services	7.26	8.48	8.29	8.85	7.18	6.63
Trade; repair	7.82	8.34	8.55	8.81	6.42	7.67
Hotels and restaurants	8.12	17.04	12.42	12.82	8.63	2.29
Transportation, storage and communication	8.12	9.61	10.13	11.40	13.16	8.48
Financial intermediation	8.07	9.37	8.18	8.84	6.63	8.70
Scientific activities and technology	7.42	7.85	7.39	7.66	6.14	6.40
Real estate, renting and business activities	4.35	2.92	2.94	4.06	2.50	2.54
Public administration and defence, compulsory social security	5.90	7.21	7.57	8.13	6.47	7.27
Education and training	7.68	8.26	8.42	8.75	8.04	6.56
Health and social work	7.86	7.75	7.84	8.05	8.30	6.73
Recreational, cultural and sporting activities	7.51	8.31	7.67	8.12	6.52	7.20
Activities of party and membership organisations	6.23	7.05	7.33	8.15	6.92	6.72
Community, social and personal service activities	5.90	7.20	7.25	7.92	6.30	5.90

Source: Central Institute for Economic Management (CIEM)'s calculations using General Statistics Office (GSO) data.

However, the reduction of import tax in the past three years created more severe competition in the domestic market between imported and locally produced items of several agricultural products, which do not have comparative advantages. Though products

²² See more details in Section 2.

with low competitiveness such as sugarcane and cotton are still highly protected by the government, such industries have revealed their weaknesses, and are unable to develop in the context of fierce competition as the country opened the economy. Other products such as mulberry, several tropical fruits and vegetables, beans have to face similar situation. It is difficult to develop those products in big scale due to weak or non-competitiveness. In the meanwhile, there are manufacturers and businesses that are not well-prepared and unable to adapt to new situation.

In some cases, Vietnam took the faster step in comparison with its commitments. As a result, some manufacturers have to suffer. For example, the reduction of import taxes of fresh, frozen and processed meat in 2007-2008 was taken earlier and bigger than requirements of WTO commitments, which in turn negatively affected domestic production of such products.

For fishery industry, because of higher cost of petroleum in 2008 and lower demand from other countries in 2009, growth rate of this industry decreased rapidly. The industry's VA was only 5.4 percent and 4.2 percent in 2008 and 2009 compared to 10.2 percent in 2007.

Overall, Vietnam's WTO commitments in fishery industry on import tax have been seriously implemented. However, several critical issues should be addressed: i) the amount of tariff reduction is relatively larger than commitments, in which that of some products were lower than committed levels; ii) tax rate of quite a lot products were cut earlier than scheduled (implemented in advance to timetable). In the meanwhile, much time was taken to negotiate for the approval of high tax rates when Vietnam accessed into the WTO. In this case, Vietnam could not foresee negative effects of rapid tariff reduction on producers due to its comparative advantages in this industry.

Box 1: Sugar and Cotton Industries in the Context of Integration

Though being imposed to many supported policies by the Government (The Program of manufacturing and processing 1 million tonnes of sugarcane), sugar industry still could not meet its targeted goal. Sugarcane area declined from 302.3 thousand hectares in 2007 to 271 thousand hectares in 2008. Due to low sugarcane productivity, which was only less than 60 tonnes per hectare in average*, sugarcane output did not increase, only reached more than 16 million tonnes, leading to the lack of raw material for sugar manufacturing industry. As a result, the goals of sugarcane area as well as sugar output set in the Decision on the development of sugar industry** could not be reached. The situation reflects that sugar industry has very weak competitiveness and is difficult to improve.

Cotton production reduced rapidly in terms of area and output. In 2000, the total cotton area was more than 18.6 thousand hectares and output was 18.8 thousand tonnes. However, in 2008, those numbers plumped to only 5.2 thousand hectares and 6.9 thousand tonnes, respectively. Weak competitiveness of this industry can be considered as the main reason. This trend may cause the disappearance of cotton growing industry in the coming several years, and textile industry must totally depends on imported cotton material.

*Note: * Sugarcane productivity was 50.4 quintal per ha in 2000, and 59.4 quintal per ha in 2008, very modest increase.*

*** According to the Decision No. 26/2007/QĐ-TTg dated 15th February 2007 that approved “Plan on the development of sugar industry to 2010 and orientation to 2020”, the targets for 2010 includes producing 1.4 million tonnes of sugar and the total production capacity of 105,000 tonnes of sugarcane per day by sugar factories. Some sugar factories will increase their production capacity in compliance with the plan on sugarcane development of 300,000 ha (in which centralised material area accounts for 250,000 ha), and North Central region, South Coastal and Central Highland regions, South East region and Mekong Delta will be four main areas.*

Box 2: Multidimensional Effects of a Policy

To cope with the pressure of high consumption prices, in the mid-2007, the Prime Minister decided to reduce import tax of poultry meat from 30 percent to 12 percent; that of beef and pork from 20 percent to 12 percent; of corn from 5 percent to 3 percent,* although committed tax rates of 2007 were 40 percent for chicken meat, 20 percent for beef and pork, and 5 percent for corn. After the tax reduction, the volume of imported poultry to Vietnam increased dramatically, creating strong pressure on domestic breeding industry, especially poultry breeding households or farms in rural areas. The decision resulted in the bankruptcy of many chicken raising households, while consumers had to buy frozen chicken meat with low quality. This reveals the weakness of state authorities in adjusting tax as well as establishing technical barriers.

*Note: * 1. Decision No. 39/2006/QĐ-BTC dated 28/7/2006 on the Issuance of export tax; 2. Decision No. 106/2007/QĐ-BTC dated 20th December 2007 on the Issuance of export tax and preferential import tariff; 3. Decision No. 123/2008/QĐ-BTC dated 26th December 2008 on the Adjustment of export tax rate, preferential import tax rate for several groups of goods included in the export tax and preferential import tariff; 4. Circular No. 216/2009/TT-BTC dated 12th November 2009 on the rates of export tax, preferential import tariff by tax-imposed items.*

The two important impacts on agricultural producers since WTO accession are: (i) They have acquired more experience in dealing with anti-dumping law suits; (ii) They have paid more attention in trade mark, quality and food hygienic of exported agricultural products as they have expanded their export business to potential markets with high demand on product quality as well as strict requirements on quality standards and food hygienic, namely the U.S., Japan and EU. Specialising areas have been established, especially for exportable fruits and vegetables like litchi, Nam Roi grapefruit, green-skin grapefruit, durian with small seeds, etc. Large scale production models, using advanced technologies and high quality seed and food hygienic have been expanded in comparison with previous period.

1.2.3. Industry - Construction

Construction is the industry that creates material and technological facilities and may rapidly develop if lots of investment capital is poured into the economy, consequently it will face biggest influence, both directly and indirectly, from changes in FDI and domestic investment. Normally, construction tends to obtain high growth rate during strong economic development period, and stagnant if the economy falls into recessions.

In 2007, due to relatively big amount of capital (FDI and domestic capital) was invested in the economy, despite many difficulties arose (significantly increased prices of construction materials, low speed of capital disbursement), construction industry could reach the highest growth rate of 12.2 percent (in terms of VA) since 2002.

However, in 2008, construction industry was badly affected by unexpected highly increased costs (cement, steel and iron) because of impacts from international prices and the implementation of tightening macroeconomic policy by the Government to fight against inflation.²³ For the first time in several decades, growth rate of construction industry was negative (-0.4 percent).

Though processing industry may be quickly and most severely affected by international economic integration due to its high export-orientation, sub-sectors of this industry only faced limited impacts of the international integration process in the past three years, except machinery and technology intensive sectors²⁴ (see Appendix 6). Growth rate of production volume in 2007 was not improved significantly in comparison with 2006 because most newly-started projects since Vietnam accession to the WTO could not be put into production. Growth rate of labour intensive industries even declined compared to that in 2006. In 2008, growth rate of processing industry was slowdown because of negative effects of robustly increased world price. In 2009, processing industry had to cope with difficulties in serving domestic market and suffered from fierce competition from turbulent flows of imported products as import tariffs were considerably reduced in compliance with WTO commitments and other ones²⁵. In the meanwhile, export manufacturing industries

²³ The Prime Minister issued the Decision No. 390/QĐ-TTg dated 17th April 2008 on *Operating plans on investment in capital construction and state budget expenditure in 2008 aiming at inflation targeting*.

²⁴ The classification of “intensive” industry was introduced by the United Nation of Industry Development Organization (UNIDO). In machinery and technology intensive industries, technology cost accounts for relatively large share, including machinery and equipment manufacturing; office accessories, computers; electrical equipment; radio, TVs and communication equipment; health and optical equipment; manufacturing and repair of motor vehicles; other transportation facilities.

²⁵ According to the Ministry of Industry and Trade (2009), fertilizer industry faced many difficulties in manufacturing and selling because of relatively large amount of inventories since the beginning of 2009 and the effect of imported source. In mechanical industry, 70-80 percent input for manufacturing and assembling has to be imported. Besides, many domestic enterprises shifted from manufacturing to processing and assembling for foreign partners. In steel industry, imported volume from China and ASEAN countries rapidly increased, accounted for more than 70 percent of the total imported steel in 2009 because of 0 percent import tariff.

were imposed to lower import demand from Vietnam's trading partners due to crisis and global economic downturn²⁶.

In terms of the decline in the growth rate, agrarian-intensive industry²⁷ suffered the greatest loss from the global crisis with low growth rate in 2009, only equivalent to 63 percent in comparison with 2008. Following were capital-intensive industry²⁸ and machinery and technology intensive industry, which had growth rate in 2009 equivalent to approximately 50 percent of that in 2008. Labour-intensive industry faced the least impacts as its growth rate in 2009 was only 40 percent lower than that in 2008.

Thanks to the introduction of various solutions by the Government (including investment stimulus, manufacturing assistance, domestic consumption and export promotion), negative effects on industry-construction in general and on processing industry in particular had been partly lessened. However, VA of the processing industry only increased by 2.8 percent in 2009 compared to 9.9 percent in 2008. The effects of policy solutions and signals of recovery of the world economy were expressed more clearly in construction industry with 11.4 percent increase in VA.

An expected impact of broader and deeper integration is the improvement of industrial production efficiency, which has been unclearly showed. Industries with highest rate of return²⁹ are import-substitution industries (printing, electric machinery and equipment, chemicals, and especially transportation devices) and non-metallic mining and quarrying; while export-oriented industries, especially labour intensive ones like textile, garment, leather and foot-ware, wood products had very low (even negative) rates of return, which were 0.11 percent, 0.61 percent, -0.05 percent and 1.99 percent in 2006, respectively.³⁰

As a result, in 2007, fastest growing industries were the manufacturing of machinery and equipment and the manufacturing of domestic consumer products (machinery intensive industries) with high ERPs (such as air conditioner with growth rate

²⁶ According to the Ministry of Industry and Trade (2009), in garment and textile industry, many enterprises had to reduce production because of decreased order for export and lower price. Moreover, 10 percent anti-dumping tax rate imposed by EU on Vietnam's leather shoes and hats exported to the EU in the last three years and the abolishment of footwear from the Generalised System of Preferences (GSP) for the period 2009-2011 caused significant loss to leather and footwear of Vietnam. Many trading partners have moved their footwear manufacturing factories to Cambodia (the total of around 20 factories) in order to obtain GSP.

²⁷ Agrarian-intensive industries are those with large cost share of agricultural products, including manufacturing of food and beverages.

²⁸ In capital-intensive industries, capital cost accounts for significant share, but still less than that of machinery- and technology-intensive ones, including manufacturing of cigarette and pipe tobacco, manufacturing of paper and paper products, printing and reproduction of recorded media, manufacturing of coke, manufacturing of refined petroleum, manufacturing of chemicals and chemical products, manufacturing of rubber and plastic, manufacturing of metal and metal products (except machinery and equipment), manufacturing of other non-metallic products.

²⁹ Rate of return in this Report is the ratio of earnings before tax relative to an unit of revenue in a certain period of time.

³⁰ According to Dinh Hien Minh (2008).

of 51.9 percent, car – 52.8 percent, motor vehicles – 23.9 percent). Those industries continued to have biggest growth rate in 2008 and 2009. It is notable that protection may distort signals for investment flows and as protection rate will be dramatically reduced in the coming period, the cost of adjusting production structure may be very high.

These results reveal the fact that Vietnam's export-oriented industries are mostly responsible for processing jobs, suffer from great pressure and heavily depends on imported inputs; while capital intensive industries still enjoy high protection though protection rate has been gradually decreased under WTO and integration commitments.³¹

Processing industry is a similar picture. Though facing with larger competition pressure, processing industry in general and food processing industry in particular has not made significant progress in technology improvement, diversification, and the enhancement of VA for Vietnam's products. Several processing industry aiming at serving domestic market with uncomplicated technology like rubber processing is still underdeveloped.

Having affected by export structure, industrial manufacturing structure of Vietnam has shifted to gradually decrease the proportion of agricultural-product intensive industries, and increase the proportion of machinery and technology intensive industries.

1.2.4. Services

1.2.4.1. Overall Assessments

Basically, international economic integration has positive impacts on service sector, which always has higher VA growth rate compared to GDP growth rate. After Vietnam's accession to the WTO, a clearer and more transparent policy environment; the implementation of commitments on opening service sector, especially with higher openness ratio compared to prior WTO accession like retail, banking, telecommunication, stock exchange have attracted more service enterprises to join the market. Another impact of international economic integration on service sector is that highest growth rates belong to sub-sectors with the largest number of foreign invested enterprises.

Service sector started to be dynamic even prior to Vietnam's accession to the WTO because domestic enterprises desired to take control their local market before foreign competitors could enter the market. To foreign investors, service is a potential sector for the leading actors. Number of enterprises operating in this sector increased considerably with nearly 20,000 newly registered ones in 2007, much higher than previous years. It was impossible to happen before when international economic integration was still limited.

In 2007, all service industries achieved higher growth rate in comparison with 2006 and also higher than the average of the 2001-2006 period (except science and technology).

³¹ See Sub-section 1.2.

Construction, hotels and restaurants, and transportation had the biggest growth rate of more than 10 percent. In 2008, due to newly emerged effects from international financial crisis, all service industries experienced lower growth rate compared to last year, except transportation and communication.

The most evident impact of international economic integration on service sector is the shift of investment flows from processing industry until 2005 to services, especially real estate³². Finance and banking, transportation, telecommunication and real estate have high growth rate. However, service business cannot avoid negative effects of global financial crisis and economic downturn.

The most obvious hit of international economic integration in 2009 was impacts on business activities that heavily depend on the market situation (hotels, restaurants, and real estate). VA growth rate of hotel and restaurant industry declined to 2.3 percent compared to 8.6 percent in 2008 and 12.8 percent in 2007. In the meanwhile, that of real estate, renting and business activities decreased to 2.5 percent in 2008 and slightly increased to 2.54 percent in 2009.

However, the proportion in GDP of almost all service industries that play an important role to manufacturing and trading, as well as knowledge-based services that likely to produce great amount of VA is quite small and does not increase. For instance, since 2002, finance, banking and insurance has accounted for 1.8 percent GDP since 2002; while that of science and technology was 0.6 percent GDP. This reflects that Vietnam's service sector has not caught up with international development trend in services, in which the preparation of knowledge-based industries has been rapidly increasing.

Within the scope of this Report, it is impossible to thoroughly study all industries of service sector, which is very broad and includes many sub-sectors. Among service industries, banking is one of the most important industries and has highest openness level, allowing foreign investors to establish 100 percent foreign invested banks in Vietnam immediately after Vietnam's accession to the WTO (April 2007). Thus, this sector is chosen for thorough analysis in order to clarify impacts of integration on service sector.

1.2.4.2. Banking Industry

As expected earlier, foreign banks quickly joined Vietnam's banking system. By the end of 2009, there were five 100 percent foreign invested banks operated in Vietnam (ANZ, Hong Leong, Standard Chartered, HSBC and Shinhan; which were all licensed in 2008). Besides, there were also five joint venture banks with more than 20 dependent branches and 45 branches of 33 foreign banks.

³² See more details in Sub-section 3.2.

Table 7: Commercial Banks Operating in Vietnam

<i>Bank</i>	<i>2002</i>	<i>2006</i>	<i>2007</i>	<i>2008</i>	<i>2009</i>
Joint stock commercial bank	36	35	35	36	37
Joint venture commercial bank	5	5	5	5	6
Branch of foreign bank	26	27	35	37	37
100% foreign invested bank	0	0	0	5	5
State commercial bank	5	5	6	6	6
Policy bank	1	2	2	2	2

Source: Nguyen Xuan Trinh et al (2009).

Statistics from 26 foreign banks with 36 branches operating in Vietnam in 2008 showed that by August 2008, total foreign currency outstanding loan had increased up to 77 percent compared to the same period of 2007 (the highest in the whole banking system, which had the average increase of 25.8 percent), and accounted for 30.2 percent of the market share.³³

In 2009, though having faced with many difficulties in the context of the global financial crisis, branches of foreign banks and 100 percent foreign invested banks operating in Vietnam were still running very well, achieving income before tax of 2,612 billion VND. Mobilised capital and outstanding loan increased by 17.8 percent and 10.8 percent, respectively; total asset value was 14 percent higher than the ending of 2008. Joint venture banks grew relatively stably, in which income before tax reached 477 billion VND; capital mobilisation, outstanding loan and total asset value increased by 18.2 percent, 34.4 percent, and 18.3 percent in comparison with the end of 2008, respectively.³⁴

State commercial bank sector continued maintain its leading role, but joint stock commercial banks were expanded significantly. However, the number of newly established commercial banks in the period of 2007-2009 was quite small. Most commercial banks was licensed and started operation prior to 2007 in order to be able to take advantages of opportunities after Vietnam accessed into the WTO (

Table 7).

The participation of foreign banks in Vietnam created competition pressure on domestic commercial banks. The pressure has been gradually increasing as foreign banks have been expanding their operating scale in terms of human resource, types of services, as well as targeted customers. There have been evidences of the advantages of foreign banks in attracting customers in comparison with domestic counterparts.³⁵ Especially, after 2010, as discriminations on capital mobilisation, service products, setting up automatic teller

³³ Source: Phuong Nam (2008).

³⁴ Source: ATP Vietnam (2009b).

³⁵ Vietnam Cement Industry Corporation was traditional customer of a domestic bank, but unexpectedly turned it back to become customer of a foreign bank, which offered cheaper lending cost (Vu Giang 2009).

machine (ATM) will be basically abolished, the competition between domestic and foreign banks will be fiercer.

Cooperation between foreign and domestic banks

After Vietnam's accession to the WTO, foreign and domestic banks have not only competed for market share but also cooperated and associated in order to exploit the market together.

First, foreign banks and financial institutions buy shares of Vietnam's commercial banks, cooperate in such areas as stock exchange and investment. Until now, there have been two Vietnam commercial banks (Sacombank and ACB) that had 30 percent of their equity owned by foreign-bank and financial-institution shareholders. Joint stock banks like VP Bank, Orient commercial Bank, Techcombank, Southern Bank also sold 10 percent equity to foreign banks and the ratio will be increased to 20 percent, the highest bound for a foreign investor after related decrees will be officially issued by the Government.

Other joint stock commercial banks like Eximbank, Nam A, Dong A have been at the final stage of negotiation to sell their shares to foreign banks. In overall, foreign banks and financial institutions have invested more than 200 million USD in buying shares of domestic commercial banks. This amount excludes technical assistance to modernise technology, improve quality of human resource and enhance administration and management capacity, etc. of joint stock banks.

Another area of cooperation is stock exchange. Sacombank – a joint stock commercial bank – joined capital with Dragon Fund to establish VietFund Management (VFM). A similar fund management company was set up by a foreign partner and Vietcombank. A joint venture investment fund between Agribank and an US partner was founded also.

The expansion of foreign banks and financial institutions in Vietnam market through holding equity of Vietnam commercial banks has brought benefit to both sides during their competition and cooperation process. Foreign partners can save a lot of expenses to set up new branches because of already available network, technical infrastructure, human resource as well as abundant customers of Vietnam commercial banks. Vietnam commercial banks will be able to not only enhance their financial capacity but also modernise technology, upgrade administrative management, improve human resource to meet international standard and expand their business to international market. Together with buying shares, foreign banks and financial institutions also commit to provide technical assistance, and even experts, counsellors and assistants for Vietnam commercial banks (Banking University of Ho Chi Minh City 2008).

Moreover, cooperation in several banking service areas is also promoted among banks. Citibank signed cooperation contract with East Asia Joint Stock Commercial Bank (EAB) on developing banking services. Accordingly, Citibank will assist training programs on enhancing EAB's specialised capacity in retail banking service, corporate banking

service and the linkage between EAB's card payment system with that of Citibank. Through the cooperation, Citibank has the opportunity to expand its modern and handy banking services in Vietnam. In other hand, EAB can attract remittance flows into Vietnam from Citibank's customers in the US, especially overseas Vietnamese, as well as develop its card services in the US market.

Another cooperation area is card payment linkage. VNBC (the card payment linkage among four domestic joint stock commercial banks, and two other commercial banks are scheduled to join the group) created the linkage with China Union Pay, the only card linkage in the whole banking system of China. The linkage allows customers of the two parties can withdraw money at ATMs of both VNBC in Vietnam and China Union Pay in China.

International credit card corporations such as Master Card, Visa, America Express have expanded their issuance and payment agencies with many commercial banks of Vietnam. Many money transfer companies, especially Western Union of the US, have developed their remittance payment and money transfer agencies at the network of thousands branches of commercial banks in the whole country.

Expanding banking agency network is also a measure to enhance competitiveness capacity. Currently, commercial banks being allowed to carry out international payment and foreign currency trading activities have been doing business with hundreds, even thousands banks in more than 100 countries and territories in over the world (Banking University of Ho Chi Minh City 2008).

Commercial banking system

Commercial banks have taken significant changes in order to take advantages of opportunities arisen from integration process and make use of their comparative advantages in their "own" market. Thus, domestic commercial banks still play important role in providing traditional banking services like capital mobilisation and lending. Currently, domestic commercial banks have made up the major share in capital mobilisation of about 90 percent.

Banking technology attracts much attention by banks, and is considered as a vital tool to narrow development gap with banks in developed countries in the region and over the world. Most commercial banks have invested in establishing core banking system, which enable to operate centralised data management at Head Office, and help minimise business risks. Several banks like Vietcombank, and Maritime bank have completed Phase 2 of the project on modernising banking and payment system, which allow them to take the most advantage of banking technological tools, especially internationally standardised risk management techniques.

In terms of banking services, commercial banks have focused on innovating and introducing various kinds of services to meet customers' demand. Together with traditional services like deposit and lending, there have been many new and more useful services for

customers. Deposit service has also been diversified with traditionally fixed interest rates or adjustable interest rates in compliance with inflation rate, guaranteed by gold value, compensation for exchange rate changes, Especially, card payment service has developed dramatically. Variety of multi-purpose payment card has been introduced to customers, and payment using ATM card has become relatively popular in major cities and provinces.

Capital capacity of commercial banks has increased considerably. At the present, there have been a number of banks with total capital of more than 1,000 billion VND to 3,000 billion VND. State commercial banks continue the restructure and equitisation process. Thanks to the development of the stock market, it is less difficult for commercial banks to raise capital. Besides, commercial banks can sell their shares to foreign partners. Consequently, commercial banks can expand their branch network, operating area and enhance competitiveness capacity. Before 2006, capital adequacy ratio of state commercial banks was lower than the requirement of 8 percent, but now has been higher than requirement. This ratio of joint stock commercial banks is always higher than required level, and may reach more than 20 percent in the case of several banks.

In parallel with increasing capital size, many banks also strengthen financial restructure like raising owner's equity, settling bad debts, restructuring organisation and operation. The strict implementation of regulations on capital adequacy ratio, debt classification and risk provision as well as effort to increase owner's equity have enabled commercial banks thoroughly solve their bad debts arisen from many previous years, and considerable improved their assets quality. The ratio of bad debts in comparison with total outstanding loan of joint stock commercial banks was only less than 1 percent, while that of state commercial banks was less than 5 percent (Nguyen Dinh Tu 2008).

1.3. Impacts on Expenditure Side of GDP

International economic integration has had multiple impacts on different components of expenditure side of GDP. By looking at economic growth on the expenditure of GDP, a more comprehensive trend of consumption, investment and trade has been reflected during the past three years. There has been certain shift in the consumption structure of GDP during the past three years, by which final consumption share has been on the increase, while investment has reduced respectively. In 2009, there has been a significant shift in the structure of export and import.

In 2009, during the financial crisis and economic downturn, the growth of final consumption of households has reduced sharply, maintaining at 3.9 percent as compared to that of 9.2 percent in 2008 due to the curtailing of households' expenses. Therefore the final consumption growth of the whole economy has reduced to 4.2 percent as compared to that of 4.2 percent in 2008 and 10.6 percent of 2007. However, the final consumption growth of the state sector has still attained 7.6 percent (it was 7.5 percent in 2008 and 8.9 percent in 2007).

Thanks to rapid increase in the FDI, the total asset accumulation in 2007 was at high growth of 26.8 percent (as compared to that of 11.8 percent in 2006), contributing to the GDP growth rate in 2007. In contrast with this, in 2008 and 2009, as being affected by the global financial crisis, the growth rate at total asset accumulation has decreased sharply, at 6.3 percent and 4.3 percent respectively. This leads to the decreasing contribution to GDP growth of the total asset accumulation, causing a reduction of GDP growth rate. It also shows that GDP growth in Vietnam has significantly depends on investment.

The domestic savings has been on a decreasing trend sine 2005,³⁶ and in order to have high total asset accumulation over GDP (or realised investment over GDP), the economy has attracted complimentary foreign investment to offset the low domestic savings. International economic integration has importantly contributed to capital investment in Vietnam. Foreign investment, including direct investment, indirect investment and loans has become an important motivation for economic growth. Within the past three years, Vietnam has attracted a large amount of FDI.

It is notable that the economy has relied more on the outflow of capital which is not always appropriate selection. When massive FDI flows into Vietnam, the economy cannot fully absorb them effectively (in 2008). In other words, the inflow of FDI contains risks and challenged in terms of investment structure by industry, the commitment as compared to investors' ability, and the compatibility with advantages of the economy and national benefits, and sustainable development goals.

**Table 8: Growth and Composition of GDP on Expenditure Side, 2004-2009
(percent)**

<i>GDP component</i>	<i>Prior to WTO accession</i>			<i>Post WTO accession</i>		
	2004	2005	2006	2007	2008	2009
<i>Growth</i>						
GDP	7.79	8.44	8.23	8.46	6.18	5.32
Consumption	7.16	7.34	8.36	10.63	9.01	4.19
Investment	10.54	11.15	11.83	26.80	6.28	4.31
Export (goods and services)	25.68	na	14.22	11.29	5.05	11.08
Import (goods and services)	21.94	na	15.16	27.62	7.61	6.66
Statistic error						
<i>Structure</i>						
GDP	100.00	100.00	100.00	100.00	100.00	100.00
Consumption	71.47	69.68	69.38	70.81	73.41	73.34
Investment	35.47	35.57	36.81	43.13	39.91	38.43
Export (goods and services)	65.74	69.03	73.60	76.90	78.31	68.83
Import (goods and services)	-73.30	-73.21	-78.16	-92.75	-93.59	-79.26
Statistic error	0.62	-1.07	-1.63	1.91	1.96	-1.34
<i>Total trade/GDP</i>	<i>139.04</i>	<i>142.24</i>	<i>151.76</i>	<i>169.65</i>	<i>171.90</i>	<i>148.09</i>

³⁶ Domestic savings in 2009 attained 438.0 thousand billion VND, accounting for 26.7 percent of GDP as compared to that of 26.6 percent in 2008, but still lower than that of 2007 of 29.2 percent.

Note: Data calculated from SNA.

na – not applicable.

Source: CIEM Calculation using GSO data.

It can be seen clearly that one of impacts of international economic integration on the economy is the higher contribution of export to GDP. Vietnam has become an “open” economy with regards to trade over GDP ratio (at the peak of 172 percent in 2008). Under the demands by importing countries, the export structure has significant shift from raw products to processed products, and it is the important engine for positive changes in economic structural shift and development.

During 2007-2008, the contribution of exports of goods and services to GDP growth has been the highest in GDP expenditure structure, attaining 233.5 percent and 57.8 percent respectively. Meanwhile, the imports of goods and services are even larger, resulting in net export of -134.7 percent and -52.5 percent respectively. In 2009, the situation has been changed due to the decrease in export. The contribution of export to GDP reduced by 145.5 percent, or equivalent to 7.7 percentage point. However, the import of goods and services has reduced overall growth by 113.5 percent, resulting in the contribution of net export to GDP of 32 percent or 1.7 percentage point in 2009.

The situation shows that export and import are on the same trend, implying high dependency of export on input import for production.

1.4. Economic Structure by Ownership

Together with the overall trend of the economy during 2007-2009, economic growth of all sectors by ownership has been on the decrease. However, there is big gap among different sectors, by which the FDI sector has the highest growth and state sector has the lowest growth. This trend is also in accordance with investment trend during the past five years of those sectors.

In 2008 and 2009, the VA growth rate of the state sector has reduced sharply, attaining 2.0 percent and 2.3 percent respectively. Meanwhile, that of the non-state sector was higher, at 8.4 and 6.6 percent, three times higher than that of the state sector. The FDI sector, in spite of negative impacts of financial crisis and economic downturns, still maintained the highest growth rate of VA, reaching 10.2 percent in 2008 and 8.8 percent in 2009.

The economic structure by ownership has significantly changed (

Table 9**Error! Reference source not found.**). However, due to the lag between investment and production, the economic structure has primarily resulted from domestic investment three to five years ago under the impacts from Enterprise Law. The proportion

of state sector has gradually reduced, at 33.2 percent in 2009 as compared to that of 35.9 percent in 2007. Meanwhile, that of the non-state sector has been on the rise from 46.1 percent in 2007 to 47.5 percent.

Table 9: Growth Rate and Economic Structure by Ownership, 2005-2009 (percent)

<i>Economic sector</i>	<i>Prior to WTO accession</i>			<i>Post WTO accession</i>		
	<i>2004</i>	<i>2005</i>	<i>2006</i>	<i>2007</i>	<i>2008</i>	<i>2009</i>
<i>Growth, 1994 price (percent)</i>						
State sector	7.75	7.37	6.17	6.02	2.05	2.32
Non-state sector	6.95	8.21	8.22	9.38	8.37	6.65
Foreign invested sector	11.51	13.22	15.22	12.81	10.22	8.77
GDP growth rate	7.79	8.44	8.23	8.48	6.15	5.32
<i>Structure, real price (percent)</i>						
State sector	39.10	38.40	37.39	35.93	34.35	33.17
Non-state sector	45.76	45.61	45.63	46.12	46.97	47.51
Foreign invested sector	15.13	15.99	16.98	17.96	18.68	19.32
GDP	100.00	100.00	100.00	100.00	100.00	100.00

Source: Calculation by CIEM using GSO data.

The significant shift of economic structure by ownership during 2007-2009 can be interpreted as follows. Firstly, the number of state-owned enterprises has reduced because of the continuous direction n of reforming, restructuring and transforming by the State through equitisation, merge and acquisition. Secondly, some SOEs are at low effectiveness or slowly adapted to changing policy environment and negative fluctuation of business environment. Thirdly, the non-state sector has rapidly developed. Fourthly, the FDI has significantly increased and the VA growth rate of the FDI sector has been higher than the overall GDP growth rate. It can be said that, in parallel with domestic reforms prior to Vietnam's access to WTO, FDI has significant impacts on economic structure shift during 2007-2009.

2. IMPACTS ON INTERNATIONAL TRADE

2.1. Exports

2.1.1. Overall Assessment

In 2007 and 2008, the international economic integration has positive impacts on exports - an important driving force of the economy. Export value in 2007 attained 48.6 billion USD, increasing by 25.1 percent as compared to that of 2006. Export value in 2008 reached 62.7 billion USD, increasing by 28.9 percent as compared to that of the previous year.

However, being influenced by global economic crisis, export value in 2009 is estimated at 57.1 billion USD, which is equivalent to 91.1 percent of that in 2008, but is still higher than 45.8 percent of that in 2006. If compared to the global trade value in 2009 which is 31 percent lower than that in 2008 and much lower than 2006, the Vietnam's export performance is rather good.

If the year 2009 is not taken into account (due to significant impacts of the crisis), although export growth rate in 2007 and 2008 increases, especially in 2007³⁷, it is not as high as the previous years and as expectation for the post-WTO accession. On average, the export growth rate in the post-WTO accession is 27.1 percent (for 2007-2008) and 13.7 percent (for 2007-2009), meanwhile the average growth for the prior-to-WTO accession period (2004-2006) has attained 25.5 percent.

The increase in this period is contributed by three major factors: export structure changes, the general competitiveness of exported goods and the interaction of the competitiveness of Vietnamese goods in the imported markets. While in the period 2001-2006, the change in exported goods structure contributed 47.3 percent of increase in export value, this factor contributed up to 58 percent of total increase in export value in the period 2007-2008. However, the contribution of change in the competitiveness of Vietnamese goods in the importing markets declined.³⁸

³⁷2007 is the year with three important integration events: (i) Vietnam becomes a WTO member; (ii) Vietnam completed its tariff cut according to the Early Harvest Program in the framework of ASEAN-China Free Trade Agreement; (iii) Vietnam started to remove its tariff in the framework of ASEAN-South Korea Free Trade Agreement.

³⁸Trinh Quang Long (2010) uses the constant market share analysis to calculate factors caused the increase of Vietnam's export value during period 2001-2008.

2.1.2. Export by Commodity

The increase in export in 2007-2008 was partly due to the increase in the world prices (Table 11). Even as the price of some commodities such as coal, rice is doubled that of the 2006, the quantity of exports, especially agricultural and fuel products just slightly increased. Only three out of main agricultural commodities exported in 2008, namely pepper, rice and cashew nuts, are increased in export quantity as compared to that of 2007.

Table 10: Factor Contributing to the Increase of Vietnam's Export Value before and after the WTO Accession (Percent of Total Export Value)

<i>Change</i>	<i>2001-2006</i>	<i>2007-2008</i>
1. Structure change	47.3	58.0
Growth demand	0.1	0.2
Market change	3.1	-0.6
Commodity change	-21.1	-4.0
Structural interaction	65.2	62.4
2. Competitiveness of Vietnamese goods	34.2	37.3
Overall competitiveness	0.1	0.1
Specific competitiveness	34.1	37.2
3. Interaction of competitiveness and demand for exports	18.5	4.7
Interaction of Vietnam's export competitiveness and (total) demand in its export market	32.0	11.9
Interaction of Vietnam's export competitiveness and demand for imports of specific commodities in specific markets	-13.5	-7.2
TOTAL	100.0	100.0

Source: Trinh Quang Long (2010).

Table 11: Change in Export Value, Price and Quality of Some Major Commodities, 2007-2009 (percent)

<i>Items</i>	<i>2007 vs. 2006</i>			<i>2008 vs. 2007</i>			<i>2009 vs. 2008</i>			<i>2009 vs. 2006</i>		
	<i>Value</i>	<i>Quantity</i>	<i>Price</i>	<i>Value</i>	<i>Quantity</i>	<i>Price</i>	<i>Value</i>	<i>Quantity</i>	<i>Price</i>	<i>Value</i>	<i>Quantity</i>	<i>Price</i>
Crude oil	2.1	-8.4	11.5	21.9	-8.7	33.6	-40.0	-2.4	-38.5	-25.3	-18.4	-8.4
Coal	9.3	9.4	-0.1	38.9	-39.7	130.2	-4.5	29.9	-26.5	44.9	-14.2	69.0
Pepper	45.6	-27.7	101.4	14.7	9.1	5.2	14.3	51.3	-24.5	90.9	19.3	60.0
Coffee	57.5	25.6	25.4	10.1	-14.0	28.1	-19.0	10.1	-26.4	40.5	18.9	18.2
Rubber	8.3	1.7	6.5	15.0	-8.0	25.0	-25.2	10.3	-32.2	-6.8	3.2	-9.7
Rice	16.8	-1.3	18.4	94.2	3.5	87.5	-8.0	25.4	-26.6	108.6	28.1	62.9
Cashew	8.2	21.1	-10.7	87.2	6.7	75.4	-16.8	7.2	-22.4	68.5	38.6	21.6
Tea	20.9	9.8	10.2	9.9	-9.7	21.7	21.3	27.3	-4.7	61.2	26.2	27.8

Source: CIEM's calculation based upon data from the GSO and General Customs Office.

In 2009, although there is a signal of increasing in export quantity of agricultural products, their prices have significantly decreased (one fourth as compared to 2008), only pepper and tea have higher export value than those of 2008.

The decrease in protection barriers in importing countries since the WTO accession (particularly for textiles and garments, agricultural products and other processing products) has positive impacts on the expansion of export. The growth rate of some commodities was higher due to easier access to such markets. Export value of non-crude oil commodities in 2007 and 2008 increased 27.0 percent and 30.6 percent respectively as compared to that of the previous year. If the total export value went down by 9.8 percent, the export value of crude oil in 2009 decreased by just 3.7 percent as compared to that of 2008.

Right after the WTO accession, there has been significant increase in export value of some commodities, such as plastic products (increased by 56.9 percent in 2007), garments (32.1 percent), handbags and purses (24.9 percent) (Table 12). Other processing products also increases, but at lower growth rate. While exports of agricultural products (in 2007) increased rapidly because of decreasing supply in key exporting countries, the expansion of exports of handbags, electronics, plastic products, garments, mostly is due to the WTO accession and the fact that Vietnam has taken advantage of comparative static advantage (such as low labour cost, abundant natural resources).

Table 12: Export Growth Rate of Some Manufactured Goods, 2004-2009 (percent)

<i>Items</i>	<i>2006</i>	<i>2007</i>	<i>2008</i>	<i>2009</i>	<i>2004-2006</i>	<i>2007-2008</i>	<i>2007-2009</i>
Aquaculture products	22.9	12.1	20.2	-7.0	15.1	16.1	7.8
Textile-Garment	22.7	32.1	18.0	-1.3	17.5	24.8	15.4
Shoe	18.3	11.2	19.2	-15.8	16.7	15.2	3.7
Electronics-computers	25.8	19.8	21.9	5.1	28.4	20.8	15.3
Wood and wooden products	24.4	22.7	18.7	-9.9	47.2	20.7	9.5
Electric wire and cables	36.2	25.0	13.5	-12.2	34.2	19.1	7.6
Plastic product	26.4	56.9	29.8	-12.9	38.5	42.7	21.0
Handbags, bags, wallet	6.6	24.9	32.5	-13.2	27.3	28.6	12.8

Source: GSO.

In 2008 and 2009, export value of processing products has gone down as compared to 2007. It is partly of the harder impacts of financial crisis that lead to the cancel-out of orders. Even though some commodities still maintain high growth rate of export value such as plastic products (29.8 percent in 2008) electronics and computers (21.9 percent in 2008), handbags (32.5 percent in 2008), and aqua-cultural products (20.2 percent in 2008).

The WTO accession has an indirect impact on the shift of the export structure. Export structure has changed from exporting raw commodities (crude oil, coal, rubber, rice) into exporting processed goods, including those with high added value and high technology. This implies that Vietnam has gradually taken advantage of its dynamic competitive advantage.

Using export data of the major export goods of Vietnam, it can be seen that after accessing to WTO the competitive capacity contributed the most to the increase of export value of the electronics industry (120 percent, six times higher than the level of

contribution of this factor in the previous period). The contribution of this factor to the increase in the export value of the textile and garment goods is 80.6 percent (Table 13). This means that, after the WTO accession, in some industries, Vietnamese firms have improved their export capability.³⁹

Table 13: Factors Contributing to the Export Growth of Textiles, Garment, Footwear and Electronic Products before and after the WTO Accession

(percentage change in export value)

<i>Change</i>	<i>Textiles & garments</i>		<i>Leather shoes</i>		<i>Electronic prod.</i>	
	<i>2001-06</i>	<i>2007-08</i>	<i>2001-06</i>	<i>2007-08</i>	<i>2001-06</i>	<i>2007-08</i>
1. Structure change	41.3	20.5	58.3	72,6	48,5	16,4
Growth demand	31.6	34.8	55.1	72,8	50,7	22,6
Market change	11.7	-16.0	-3.5	-8,0	-1,4	-3,2
Commodity change	-1.7	-0.2	1.6	4,6	7,5	-3,0
Structural interaction	-0.4	1.9	5.0	3,4	-8,4	-0,1
2. Competitiveness of Vietnamese goods	52.5	80.6	26.5	24,5	28,2	120,0
Overall competitiveness	42.1	54.4	26.6	21,9	26,4	65,4
Specific competitiveness	10.4	26.2	-0.2	2,5	1,8	54,6
3. Interaction of competitiveness and demand for exports	6.2	-1.0	15.3	2,9	23,3	-36,4
Interaction of Vietnam's export competitiveness and (total) demand in its export market	3.9	-0.2	10.5	0,7	20,2	-6,7
Interaction of Vietnam's export competitiveness and demand for imports of specific commodities in specific markets	2.3	-0.8	4.8	2,2	3,1	-29,7
TOTAL	100.0	100.0	100.0	100,0	100,0	100,0

Source: Trinh Quang Long (2010).

2.1.3. Export by Trading Partners

External markets become more diversified and Vietnam has entered key markets in the world such as the US, EU, China and Japan. The WTO accession is one of the key elements that have positive impacts on trade, which leads to the export increase in all markets and has little trade diversion under the impacts of FTAs.

Although the trade liberalisation in the ASEAN-China free trade area recently started with the early harvest program in 2004, this free trade area just brought about a significant change in export value from Vietnam to China in the first year (2004) and 2008 (the first year after the Early Harvest program ended). Commodities with high export

³⁹ Source: Trinh Quang Long (2010).

values to China include raw materials (coal, crude oil, raw rubber, cotton) and agricultural products (vegetables, seeds, etc).

ASEAN-South Korea Free Trade Area started little bit later (in 2007) but have more visible impacts. The export from Vietnam to South Korea increased sharply in 2007 and 2008 (Table 14).

ASEAN, Japan, China, the US and EU are main markets for Vietnam's major export items such as agricultural and aqua-cultural products, textiles and garments, and footwear. These markets accounted for 70 percent of total export value of Vietnam. In the period 2004-2009, the share of total export value into these markets slightly reduced to 72.3 percent in 2009 from 77.4 percent in 2004. This implies that there is a shift in the export market after the WTO accession.

The export share to other countries is not much increased, excluding aqua-cultural products (with the significant increase of aqua-cultural products exported to Russia and of footwear to new trading partners such as Mexico). Exporting two previous major products, i.e. bicycle and leather shoe hat, became some difficult because the European Union levied the anti-dumping taxes on these two products. The African market albeit accounting for a small share of Vietnam's total export value with the export value in 2009 of 1.1 billion USD (equal to 1.9 percent of the total export value), have a great potential, especially for medium-tech and low-technology goods.

Although processed goods were mostly exported to developed countries and the raw materials were majorly exported to countries in the region, there has small change in the proportion of processed products in total export value to those countries. While the proportion of processed products exporting to China, ASEAN and the US went up respectively to 25.6 percent, 38.4 percent and 79.2 percent in 2008 (from 14.1 percent, 32.6 percent and 72.6 percent in 2004), the proportion of processed products to EU and Japan in total export decrease to 73.1 percent and 55.6 percent in 2008 respectively (from 80.2 percent and 60 percent in 2004). This implies that the WTO accession has facilitated the raw materials penetrating to the European market.

The WTO accession has increased competitiveness of Vietnamese exported products. The Vietnam's export growth rate to major trading partners is higher than that of the import during the period 2007-2008. In 2009, the decrease of export growth to these countries was lower than that of the import (Table 14). This implies that the competitiveness of Vietnamese products has improved and its share has increased.

If the cases of Indonesia (which has afforded enough food and there is no import demand for rice from Vietnam since 2007) and the Philippines (due to frequent natural disasters that lead to difficulties in rice production and high increase of import demand for rice) are not taken into consideration, the export growth rate of Vietnam to the US is much higher than the import growth rate. It shows that Vietnamese goods are now able to enter the biggest and most difficult in the world.

Table 14: Vietnam's Trade Growth by Major Trading Partners, 2004-2009 (percent)

	2004		2005		2006		2007		2008		2009		2004-2006		2007-2008		2007-2009	
	Trading partner import growth rate	Vietnam's export growth rate to trading partner	Trading partner import growth rate	Vietnam's export growth rate to trading partner	Trading partner import growth rate	Vietnam's export growth rate to trading partner	Trading partner import growth rate	Vietnam's export growth rate to trading partner	Trading partner import growth rate	Vietnam's export growth rate to trading partner	Trading partner import growth rate	Vietnam's export growth rate to trading partner	Trading partner import growth rate	Vietnam's export growth rate to trading partner	Trading partner import growth rate	Vietnam's export growth rate to trading partner	Trading partner import growth rate	Vietnam's export growth rate to trading partner
Trading partners																		
USA	16.9	16.7	13.6	25.8	10.8	28.6	5.1	23.3	7.3	21.3	-25.9	-5.9	13.7	23.6	6.2	22.3	-5.8	12.1
Japan	18.7	24.7	13.3	17.8	12.3	16.5	7.5	15.7	22.5	48.5	-27.8	-23.5	14.7	19.6	14.8	31.1	-1.7	9.5
China	36.0	70.4	17.6	2.9	19.9	-2.6	20.8	29.8	18.5	34.4	-11.4	9.3	24.2	19.5	19.6	32.1	8.3	24.0
South Korea	25.5	31.8	16.4	3.1	18.4	33.3	15.3	50.5	22.0	46.4	-25.8	16.3	20.0	21.9	18.6	48.4	1.5	36.8
Germany	19.3	27.6	8.6	3.4	18.3	25.9	14.9	35.1	13.7	18.8	-22.1	-8.9	15.3	18.4	14.3	26.7	0.6	13.5
UK	19.0	31.0	10.2	-0.1	17.6	10.4	3.0	14.2	1.2	10.0	-24.0	-13.9	15.5	13.0	2.1	12.1	-7.5	2.6
Singapore	27.4	36.8	15.2	29.6	19.3	-9.1	10.2	29.7	21.5	11.2	-42.7	-15.3	20.5	17.2	15.7	20.1	-8.4	6.9
Malaysia	27.6	57.6	8.7	77.2	14.7	38.6	12.0	29.8	6.3	25.8	-20.9	-10.6	16.7	57.0	9.1	27.8	-2.0	13.4
Philippines	24.5	30.4	25.2	103.4	9.3	-13.3	7.2	25.3	4.2	98.7	-24.1	-22.2	19.3	39.1	17.9	26.1	1.7	15.7
Thailand	8.3	45.9	7.3	79.2	8.8	1.4	11.8	22.8	24.2	29.5	-24.3	-2.6	8.3	31.3	5.7	57.8	-5.3	24.7
Indonesia	42.9	0.1	24.0	5.6	5.8	92.9	22.0	17.4	73.5	-27.8	-25.1	-8.9	23.3	26.8	45.5	-7.9	16.6	-8.3
Total	-	31.4	-	22.5	-	22.7	-	21.9	-	29.1	-	-8.9	-	25.5	-	25.5	-	12.8

Source: CIEM's calculation based upon GSO and International Monetary Fund (IMF) data.

**Table 15: Structure of Some Vietnamese Export Commodities by Destination
(percent)**

<i>Destination</i>	<i>Aquaculture</i>		<i>Agricultural products</i>		<i>Textiles & garments</i>		<i>Footwear</i>	
	<i>2005</i>	<i>2009</i>	<i>2005</i>	<i>2009</i>	<i>2005</i>	<i>2009</i>	<i>2005</i>	<i>2009</i>
ASEAN	4.7	5.2	23.6	23.6	0.8	2.2	0.8	1.3
China	2.4	3.2	23.4	20.5	0.2	0.5	1.0	2.5
Japan	31.2	19.4	4.6	2.8	13.3	10.8	3.3	3.1
USA	24.0	18.1	11.3	10.0	57.2	56.7	21.8	26.5
EU	15.8	26.4	19.4	22.1	19.0	18.1	62.4	49.3
Others	22.0	27.7	17.7	21.0	9.6	11.7	10.6	17.2
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

In particular, the competitiveness of Vietnamese products in the key markets has increased significantly. Table 16 shows the competitive capacity of Vietnamese export to the US in terms of revealed competitive advantage (RCA).⁴⁰ After WTO accession, the competitive advantage of low-technology products (according to the classification of United Nations Conference on Trade and Development (UNCTAD) and Organization for Economic Cooperation and Development (OECD)) continues to rise, while the resource-based goods and raw materials have decreased significantly. This shows that Vietnam continues to take advantage of its static advantage (such as cheap labour cost). The competitive advantage of high and medium technology products have much increased since the WTO accession, although their competitive advantage in general is still low.

With regard to those products which have RCA equal or greater than 1 (having competitive advantage) in big market such as the US (Table 16), European, and Japan, after WTO accession, the number of products having high competitive advantage increased, including high-technology products. For example, in the US market, the number of high-technology products that have competitive advantage increases from 61 products in 2006 to 86 products in 2009. This figure in Japan and EU-15 is 92 and 117 products and 80 and 100 products, respectively (in 2008). The number of competitive advantage products in other groups also increase.

2.1.4. Export of Services

In 2007, which is the first year Vietnam as a member of the WTO, the export of services increased rapidly (26.6 percent). Almost all services had achieved high export growth rate except the post and telecommunication with export value decline of 8.4 percent. In the last few years, Vietnam emerged as an attractive destination for foreign tourists because other

⁴⁰ Goods is competitive if $RCA \geq 1$.

countries in the region such as Thailand, Indonesia and Philippines have political instability, religious conflicts and terrorisms. Vietnam opened door for foreign investors in developing hotels and resorts project also attributed to the increase of the number of foreign arrivals. Thus, the tourism service has attained the highest growth among the services (31.6 percent), followed by the insurance service (30 percent), the maritime transportation (24.6 percent), financial service (23 percent) and air transportation (20 percent).

Table 16: Revealed Competitive Advantage of Some Vietnamese Goods in the US Market (by HS-6)

<i>Sector</i>	<i>Before WTO accession</i>				<i>After WTO accession</i>		
	<i>2001</i>	<i>2004</i>	<i>2005</i>	<i>2006</i>	<i>2007</i>	<i>2008</i>	<i>2009</i>
High-tech commodities	0.001	0.092	0.144	0.200	0.137	0.172	0.193
Low-tech commodities	1.003	3.765	3.828	3.769	4.039	4.277	4.074
Medium-tech commodities	0.010	0.031	0.040	0.075	0.161	0.180	0.208
Raw material	9.621	2.892	2.589	1.915	1.866	1.736	1.660
Resource-based commodities	0.762	0.299	0.264	0.251	0.209	0.227	0.231

Source: CIEM's calculation using COMTRADE data.

Table 17: Number of Goods Having Competitiveness ($RCA \geq 1$) in Some Major Markets

<i>Market</i>	<i>Year</i>	<i>High-tech commodities</i>	<i>Low-tech commodities</i>	<i>Medium-tech commodities</i>	<i>Raw materials</i>	<i>Resource-based commodities</i>
USA	2001	63	153	70	67	190
	2006	61	127	63	59	152
	2007	85	202	109	81	184
	2008	78	199	106	84	183
	2009	86	201	107	86	184
Japan	2001	85	411	155	153	281
	2006	92	406	176	152	276
	2007	112	516	228	191	294
	2008	119	479	235	183	295
	2009	117	514	256	188	314
EU-15	2001	79	448	83	123	238
	2006	80	470	84	119	200
	2007	104	540	135	153	233
	2008	100	568	132	148	231

Source: CIEM's calculation using COMTRADE data.

Due to the global financial crisis, the export value of the services had low growth rates in 2008 and sharply declined in 2009, especially with the tourism, air transportation, financial, post-telecommunication and insurance services. Developed countries such as the US, EU and Japan were heavily impacted by the crisis, thus the people from such countries had to reduce their expenditure as well as to cut their business expenses, thus led to a decline in the demand for services.

In 2008, the export value of the services declined to 9.8 percent. Among the services, three sectors with a positive growth rate included tourism, air transportation and maritime transportation. Of which the tourism experienced a sharp decline in the growth rate (7.2 percent). Two industries (air transportation and maritime transportation) still grew at high rate of 20 percent. Financial, post-telecommunication, and insurance services had negative growth rate of 30.7 percent, 27.3 percent and 7.7 percent respectively.

In 2009, the export value of service declined by 18.1 percent, of which the tourism industry experienced a decline of 22.4 percent and transportation⁴¹ (including air transportation and maritime transportation) experienced a fall of 12.5 percent. But it should be noted that in 2009, the post-telecommunication and Government services had high growth rates of 55 percent and 100 percent, respectively. The insurance service also gained a positive growth rate of 8.3 percent.

2.1.5. Limitations of Export

After three years of the WTO accession, the export value and quantity of key commodities such as wooden products, footwear, electric wires and cables, has almost no big change as compared to previous period, even stagnated. The grow rate of these commodities are lower than that in the period prior to the WTO accession. The annual average growth rate of electric wires and cables during the period 2007-2008 is at 19.1 percent/year, much lower than that of 42.7 percent per annum in 2004-2006.

The scale of export is still small; export turnover per capita is still low as compared with other countries in the region and the world. The export value per capita of Singapore, Malaysia, Thailand, Philippines and Vietnam in 2007 were 60,600 USD, 5,890 USD, 1,860 USD, 546 USD and 570 USD respectively (the figures for Vietnam in 2008 and 2008 were 730 USD and 666 USD).

Exports have been vulnerable to other external shocks such as price shocks and the emergence of new trade barriers. This is partly due to the fact that number of exported goods is low, and focused on some key goods without any breakthrough. Table 18 shows that the list of major export commodities has not changed in the past six years. The share of the most important exported goods declined from 80.8 percent in 2004 and 79.5 percent in 2006 to 76.7 percent, 73.0 percent and 68.8 percent in 2007, 2008 and 2009. If the crude oil is excluded from the list, the share of export values of the most important export goods in total export value is not changed. In 2004, this share was 59.3 percent. In 2007, 2008, and 2009, the shares were 59.2 percent, 56.4 percent and 57.8 percent, respectively.

⁴¹ Because lack of disaggregated data for two transportation services, we cannot distinguish the change in each of the transport service in 2009 in compared to the previous year.

Export is still dependent on raw commodities such as minerals (crude oil, coal), agricultural, forestry and aqua-cultural products while the processed goods (such as textile and garment, electronics and computers) basically are mostly assembling-based or outsourcing-based goods with low added value. The share of processed good in low technology category⁴² accounted for 44.5 percent of total export value (not including crude oil). The share of export using high technology and medium-technology increased slowly from 14.5 percent in 2004 to 18.1 percent in 2008. The quality of export goods is uneven.

Table 18: Share of Major Exported Goods, 2004-2009 (percent)

<i>Items</i>	<i>2004</i>	<i>2005</i>	<i>2006</i>	<i>2007</i>	<i>2008</i>	<i>2009</i>
Crude oil	21.4	22.9	21.0	17.5	16.6	11.0
Textile-Garment	16.7	14.9	14.6	16.1	14.5	15.9
Footwear	10.2	9.3	9.0	8.2	7.5	7.1
Aqua-cultural products	9.1	8.5	8.5	7.8	7.2	7.4
Wooden products	4.2	4.7	4.8	4.9	4.4	4.5
Electronics - computer	4.0	4.5	4.5	4.5	4.3	4.9
Coffee	2.4	2.2	2.8	3.8	3.2	3.0
Rice	3.6	4.3	3.3	3.0	4.6	4.7
Rubber	2.3	2.4	3.2	2.9	2.5	2.1
Coal	1.3	2.0	2.3	2.1	2.3	2.3
Electric wire and cable	1.5	1.6	1.8	1.8	1.6	1.6
Plastic products	0.9	1.1	1.2	1.5	1.5	1.4
Cashew	1.8	1.5	1.3	1.3	1.5	1.5
Bags, umbrella	1.4	1.4	1.2	1.3	1.3	1.3

Sources: GSO.

Table 19: Share of Export Value (not Including Crude Oil) by Technology Content (percent)

<i>Technology level</i>	<i>2001</i>	<i>2004</i>	<i>2005</i>	<i>2006</i>	<i>2007</i>	<i>2008</i>
High-tech commodities	6.7	7.1	7.2	7.7	7.3	6.2
Medium-tech commodities	6.8	7.4	7.7	8.5	9.8	11.9
Low-tech commodities	41.9	48.4	46.8	45.6	46.1	44.5
Resource-based commodities	10.7	9.4	8.5	8.9	8.7	8.7
Raw materials	34.0	27.7	29.8	29.4	28.1	28.7
Total	100.0	100.0	100.0	100.0	100.0	100.0

Source: CIEM calculation based upon COMTRADE data.

There are three major factors influencing the export growth:

⁴² According to the classification by OECD and UNCTAD.

Firstly, factors hindering the export growth may not be the protection barriers in trading partners but, at a certain level, can be the internal structure-based limitation such as limited capacity, low competitiveness, complicated procedure for export, high cost of logistic (transportation, communication, stores, and ports) and financial services. The supporting industry did not develop so almost material inputs for processing exports were imported, thus caused low added value. Besides, limitation in terms of product quality (including hygiene and food security), design, marketing and other obstacles also hindered developing existing markets and accessing new markets.

The second factor is the limited capacity in taking advantage of opportunities to penetrate into new export market. Businesses have yet fully taken advantage of the WTO accession, the bilateral and regional free trade agreements to enter the big and important market such as the US, EU, China. The trade promotion activities were small scaled, scattered and inefficient.

The third factor is the fluctuation of the global economy. Deeper and broader integration means that the growth of exports, particularly key exporting products, can be vary with the evolvement of the world economy, especially main trading partners. The decreasing growth rate of textile and garments and the significant increase of rice exports can be two typical examples for this evidence.

2.2. Imports

2.2.1. Overall Assessment

A foreseen but underestimated impact of the WTO accession, is the increase of import value and trade deficit. Total goods import value in 2007 was 62.7 billion USD (at the CIF price), an increase of 36.9 percent as compared to 2006, the trade deficit was 14.1 billion USD. The total import value in the first half of 2008 amounted to 44.5 billion USD, a year-on-year increase of 60.3 percent. The total import value in 2008 was 80.4 billion USD and trade deficit was 14.5 billion USD. With the strong measures of the Government, the growth of import values and consequently the trade deficit level had declined in the second half of 2008. However, the decline of total imports in the second half of 2008 was attributable to the fact that the global crisis had negative impacts on the investment and production in Vietnam and on the world price. The impacts of global crisis prolonged to the early 2009. The import value and trade deficit in 2009 were 69.95 billion USD and 12.85 billion USD.

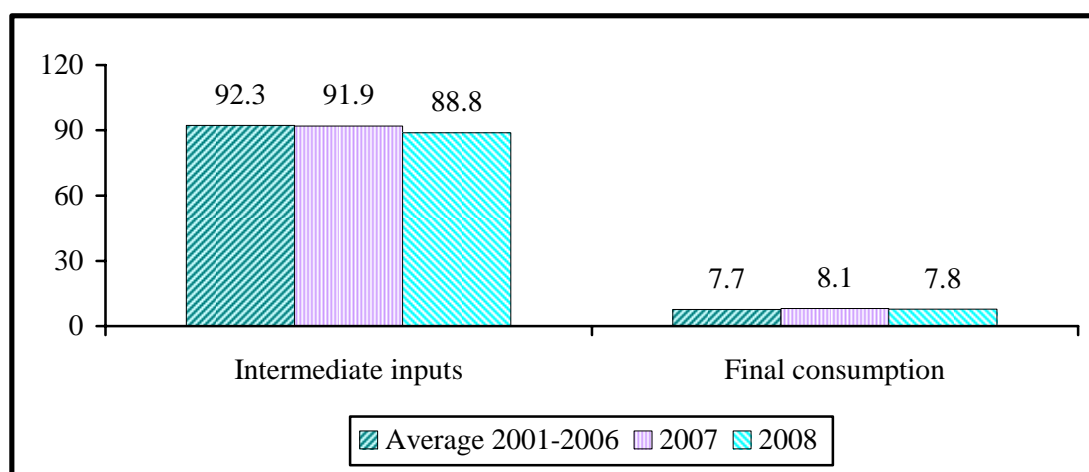
The imported goods mostly are the input materials and machinery equipment for domestic production and exports. However, the proportion of consumption goods in the total import value has increased from 7.7 percent in the period 2001-2006 to 8.1 percent in 2007 and topped 8.8 percent in 2008. Moreover, the import value of input materials for production declined during the crisis period while imports of consumption goods tended to increase. In

reality, consumption goods import could be much higher if adding the value of smuggling goods and better classification of goods imported for consumption and for production.

One example is that in 2007, the import value of completely built cars reached 579 million USD (with more than 30,000 cars), an increase of 171.8 percent as compared to 2006. In 2008, the growth rate was slowed down (to 78.7 percent), but the import value still amounted to 1 billion USD (with 54,400 cars). Even in 2009, amid the global recession, while a number of global automobile manufacturers were in the edge of bankrupts due to the falling demand for cars in the world market, the number of completely built cars imported into Vietnam reached a new high. In 2009, 80,600 new cars has been imported, a year-on-year increase of 57.8 percent and 6.5 times higher than the figure in 2006. Similarly, the import value of automobile spare parts declined but at much slower pace than the decline rate of total imports.

Dramatic increase in import value in 2007 and in the first half of 2008 was explained by the high growth rate of the economy which in turn led to the high demand for investment (especially into the infrastructure and national priority projects), the increase of FID inflow and the structural change in the economy which also demanded for more imports of input materials for export production in particular and for production in general. The increase of prices of all commodities in the world market was also a reason for this dramatic rise in imports.

Figure 2: Import Structure (percent of total import value)



Note: For 2008 figure, the gold import, which accounted for 3.4 percent of total import value, has been excluded. If import of gold is separated for consumption and production, the share is similar to 2007.

Source: GSO.

The rise in imports of consumption goods was due to the income hike (in general), complemented with the “wealth effect” and the tariff cut for several consumption goods. However, it should be more comprehensive in analyzing the sudden increase of imports, in terms of goods imported, import purposes and import structure. It should be analysed in the

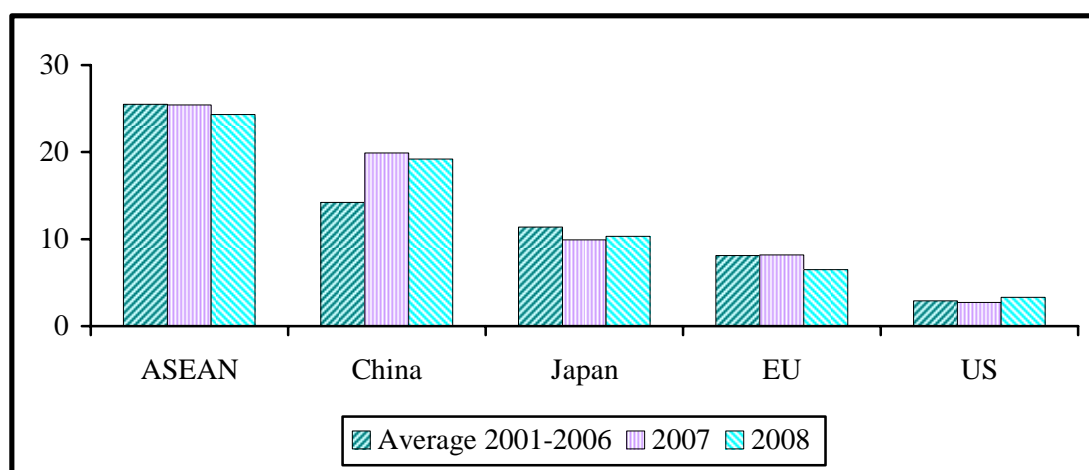
context with other macroeconomic indicators such as foreign exchange rate, inflation, tariff cut and capital flow. Inertia and the wrong expectation about the continuing strong growth of the economy, coupled with speculation factor (initiating import “fevers” for some goods such as automobile, steel, precious metals such as gold...) were also reasons behind the hike in the import value in the first half of 2008.

2.2.2. Import by Trading Partner

By trading partner, Vietnam’s trade deficit was mainly with Asia, especially with China, South Korea and ASEAN. A large proportion of production inputs, materials and equipment were imported from China, South Korea, Taiwan, Singapore, and Thailand due to the transportation advantage, low price and suitability. Especially, ASEAN and China were still the biggest suppliers for Vietnam with total share in import value increasing from 31.9 percent in 1995 to 45.3 percent in 2007, 43.4 percent in 2008 and 43 percent in 2009. The share of import from China has increased from 14.2 percent in 2001-2006 to 19 percent in 2007 and 2008 and hiked to 23.2 percent in 2009

China is also the largest supplier of products in the categories of machine, equipment, spare parts and goods in the group of computer, electronics product and equipment and some other groups. Goods imported from the United States, Japan, and EU mainly were source technology, some important materials, but import values were small and tended to declined recently.

Figure 3: Import Sources by Major Trading Partners (percent)



Source: GSO and CIEM calculation.

It is apparent that approaching to the technology source is not common in Vietnam, and they could have not-so-good impacts on competitiveness of the economy in the long term. Moreover, the trade deficit with the trading partners in the East Asia tended to rise in recent

years. This shows that to some extent, Vietnam has not fully exploit opportunities brought about the free trade areas as the other countries in the region.

2.2.3. Import of Services

In the first year after the WTO accession, import of all services increased, of which the post and telecommunication had the highest growth rate (50 percent), followed by insurance service (31.3 percent), maritime transportation (19 percent), air transportation (17.1 percent), tourism (16.2 percent) and financial services (11.1 percent).

The contribution of foreign direct investment in import of services is significant because in the market there are commercial presence of international service providers in services such as hotel-restaurant, air transportation, insurance and banking.

In 2008, the growth rate of import of service declined to 10.3 percent, of which financial service and air transport service declined 23.3 percent and 2.4 percent respectively while the other services still had positive growth rate.

However, in 2008, the import of service also experienced a negative growth rate of 14.1 percent. Only two services (post and telecommunication and government services had positive import growth. Of the services, the financial services has highest decline (33.5 percent) followed by insurance service (25.1 percent), transportation (21.8 percent) and tourism (15.4 percent).

Negative growth rate of almost major services had shown the impact of the global crisis on the demand for import of services of Vietnamese people and businesses.

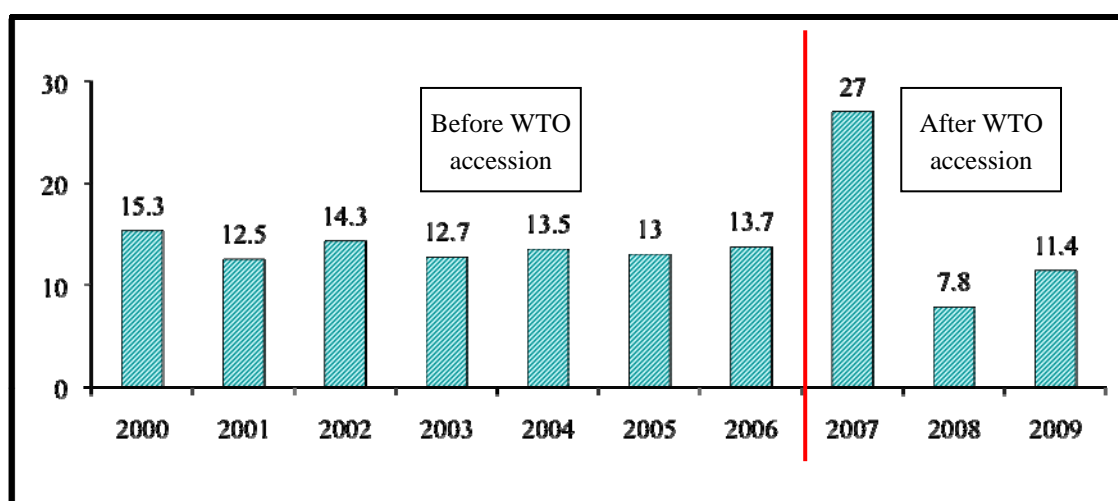
3. IMPACTS ON INVESTMENT

3.1. Overall Assessment

Investment is one of the sectors that have been most quickly affected by international economic integration during the past three years with very high growth rate (more than that of exports). More equal and transparent legal environment as well as higher level of openness after Vietnam's accession to the WTO, more preferential terms under the framework of bilateral and regional trade and investment agreements that Vietnam has participated are the most important factors that considerably contributed to the investment attraction in Vietnam.

Achievement in attracting investment capital is the most obvious impact of the WTO membership and the implementation of WTO commitments. While the average growth rate of total investment capital of the 2001-2006 period was only 13.3 percent, it reached the record of 27 percent in 2007 (the first year beyond WTO accession). In 2008 and 2009, due to the financial crisis, impacts of international economic integration on investment was lessened, and investment growth rate declined to only 7.8 percent and 11.4 percent, respectively.

Figure 4: Annual Growth Rate of Investment, 2000-2009 (1994 price, percent)



Source: GSO data.

The main driving force of high investment growth rate in 2007 was FDI and non-state sectors with unprecedented growth rates of 93.4 percent and 26.9 percent, respectively. Measure on public investment restriction to deal with inflation problems is one of the causes of lower investment growth rate in 2008. Investment by state sector and non-state sector decreased by 2.5 percent and 3.5 percent compared to 2007, respectively; while investment by FDI sector increased by 36.1 percent but was less than previously. In 2009, financial crisis

and global economic recession made investment by foreign-invested decline. On the other hand, in order to implement economic stimulus policies, state investment expanded by the recorded growth rate of 34.6 percent (comparative price). Consequently, total social investment capital of 2009 grew faster than that of 2008, but was lower than before WTO accession.

International economic integration helped foster the mobilisation of investment capital into the economy. In terms of share in GDP, total investment capital of Vietnam after accessing to the WTO reached the highest levels of 46.5 percent, 41.5 percent and 42.7 percent GDP in 2007, 2008 and 2009, respectively.

3.2. Investment by Sector

The implementation of integration commitments has affected social investment as well as investment structure by industry, area, and economic sector. Moreover, international situation has also quickly and directly influenced investment activity in Vietnam. FDI and non-state sectors have significantly contributed to the development of industries that have higher investment growth rate in comparison with the average growth rate.

The openness of service sector is a key factor of flourished investment poured into this sector. Especially, unexpectedly increased investment in real estate, renting and business activity industry was caused by the shift of capital from highly risky market to newly emerged ones with more profit. In the first year after Vietnam's accession to the WTO, industries with fastest investment growth rate of the economy were real estate, renting and business activities, especially real estate (increased 263.0 percent in 2007 and 16.5 percent in 2008); and those that opened to FDI like financial intermediation (grew 87.4 percent in 2007 and 5.8 percent in 2008); transportation, storage and communications (increased 29.5 percent in 2007 and 5.8 percent in 2008). The development of those mentioned industries was mostly due to the contribution of FDI and non-state sectors.

Agriculture, forestry and fishery received significantly increased investment growth compared to before WTO accession. Processing industry, electricity, gas and water supply, and construction had higher investment growth rates in 2007, but in 2008, those industries experienced lower growth rates or decreased output. Investment growth of those industries also mainly depends on FDI and non-state sectors.

Only education and training industry had investment growth rate lower than before WTO accession due to internal weakness of Vietnam.

Table 20: Investment Growth Rate by Sector, 2001-2009 (percent)

Sector	Before WTO accession						After WTO accession		
	2001	2002	2003	2004	2005	2006	2007	2008	2009
Agriculture and forestry	-21.1	4.4	11.2	-0.9	7.3	10.2	13.6	15.5	8.9
Fishery	-32.5	12.2	-1.2	32.3	13.6	36.2	10.1	10.5	4.4
Mining and quarrying	-15.3	-3.0	40.7	78.1	12.8	13.8	15.1	7.3	8.5
Manufacturing	30.4	14.9	3.9	1.9	12.9	17.4	34.2	-1.3	22.7
Electric, gas and water supply	-0.6	22.8	15.6	24.1	12.0	13.0	23.6	8.8	5.6
Construction	153.2	12.9	4.0	-7.2	12.7	17.9	22.2	6.1	4.6
Whole sale and retailed trade; repair of motor vehicles, motor cycles and personal and household goods	161.3	45.5	12.0	-5.8	12.7	9.7	11.0	4.8	6.1
Hotels and restaurants	-33.4	23.7	2.8	11.7	16.0	29.2	19.8	2.0	4.2
Transportation, storage and	35.2	18.2	13.1	2.4	16.5	10.9	29.5	6.9	8.8
Financial intermediation	54.4	-47.0	71.8	-19.1	15.9	47.8	87.4	5.8	17.4
Scientific activities and technology	2.5	-65.0	61.9	21.9	4.3	71.3	17.9	7.4	7.0
Real estate, renting and business activities	-57.1	44.9	27.1	31.9	8.1	13.5	263.0	16.5	4.0
Public administration and defence; compulsory social security	-1.8	-20.7	44.7	84.8	11.7	22.0	11.0	12.8	18.8
Education and	2.0	-7.2	18.1	23.5	8.8	27.4	8.8	8.5	5.5
Health and social work	18.9	13.8	31.5	33.8	-3.2	6.4	13.0	8.0	3.6
Recreational, cultural and sporting activities	-21.0	34.2	38.5	4.8	1.5	14.9	12.6	6.0	2.7
Activities of party and of membership organisations	-57.1	131.0	0.5	13.6	11.5	19.6	11.5	13.8	14.1
Community, social and personal service activities, and others	12.8	21.2	9.1	19.0	18.7	3.1	22.3	16.9	15.2
Total	12.5	14.3	12.7	13.5	13.0	13.7	27.0	7.8	11.4

Source: Authors' calculation using GSO data.

Table 21: Investment Structure by Sector, 2001-2009 (percent)

Sector	Before WTO accession						After WTO accession		
	2001	2002	2003	2004	2005	2006	2007	2008	2009
1. Agriculture, forestry and fishery	9.47	8.76	8.45	7.89	7.50	7.43	6.38	6.45	6.26
Agriculture and forestry	7.99	7.30	7.14	6.23	5.85	5.52	4.77	4.85	4.73
Fishery	1.47	1.47	1.31	1.67	1.65	1.92	1.61	1.60	1.53
2. Industry and construction	42.38	42.34	41.29	42.75	42.58	42.24	41.81	40.38	40.63
2.1. Industry	37.07	37.10	36.48	38.90	38.73	38.27	37.83	36.33	36.66
Mining and quarrying	4.77	3.98	4.74	7.73	7.83	7.65	7.13	8.17	8.45
Manufacturing	22.37	22.65	21.34	20.18	19.90	19.86	20.38	17.69	17.65
Electric, gas and water supply	9.92	10.46	10.40	10.99	11.00	10.76	10.33	10.47	10.56
2.2. Construction	5.31	5.24	4.81	3.85	3.85	3.96	3.97	4.05	3.97
3. Services	48.16	48.90	50.25	49.36	49.92	50.33	51.81	53.17	53.11
Whole sale and retail trade; repair of motor vehicles, motor cycles and personal and household goods	4.66	5.98	6.17	5.38	5.35	4.98	4.36	4.60	4.43
Hotels and restaurants	1.74	1.92	1.77	1.91	1.93	2.13	2.05	2.00	2.11
Transportation, storage and	15.84	16.19	15.98	13.54	14.06	14.43	15.50	14.75	14.40
Financial intermediation	1.18	0.56	0.83	0.62	0.63	0.81	1.18	1.22	1.39
Scientific activities and technology	1.14	0.35	0.48	0.46	0.43	0.63	0.61	0.62	0.73
Real estate, renting and business activities	1.02	1.31	1.51	1.73	1.66	1.71	4.78	5.59	5.07
Public administration and defence; compulsory social security	2.26	1.53	1.86	2.84	2.83	2.94	2.49	2.68	2.77
Education and	3.65	2.94	2.98	2.96	2.94	3.27	2.73	2.68	2.64
Health and social work	1.62	1.60	1.83	1.95	1.68	1.52	1.41	1.45	1.47
Recreational, cultural and sporting activities	1.31	1.51	1.79	1.58	1.43	1.39	1.36	1.60	1.70
Activities of party and of membership organisations	0.20	0.41	0.37	0.35	0.35	0.36	0.31	0.28	0.30
Community, social and personal service activities, and others	13.53	14.60	14.69	16.05	16.60	16.15	15.03	15.69	16.11
TOTAL	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00

Source: Authors' calculation using GSO data.

In compliance with the movement of FDI and domestic investment affected by the implementation of integration commitments, social investment's structure by sector also significantly shifted after WTO accession, by which the proportion of investment in industry and construction has been gradually decreased and that in service sector has been increased. The share of investment in agriculture, forestry and fishery in total social investment fell from 9.5 percent in 2001 to 7.4 percent in 2006 and 6.3 percent in 2009. In the meanwhile, the percentage of investment in industry jumped from 37.1 percent in 2001 to 38.9 percent in 2004 and continuously reduced to 36.7 percent in 2009. The proportion of construction's investment went down from 5.3 percent in 2001 to 3.8 percent in 2005, but went up to 4.0 percent in 2009. Investment in services, social and other areas gradually increased from 48.2 percent in 2001 to 53.1 percent in 2009.

There are some notable issues in the movement of investment structure beyond WTO as the following:

- Priority was and have been placing in infrastructure industries (transportation, storage, communication, construction, electricity, water supply);
- Industries that help improve human resources like education and training, health, scientific activities and technology account for a small proportion of investment capital, which has not increased, or even decreased;
- There have not been significant changes in investment in industries that can create high VA and enhance the competitiveness of the economy like finance and banking;
- Real estate, renting and business activities (mainly real estate) flourished after Vietnam's accession to the WTO;
- Several FDI projects in such areas that using scarce or in shortage of resources as land, energy, natural resources have led to critical imbalance in economic structure in the long term;
- Some projects contain implicit threat of environmental pollution and damages.

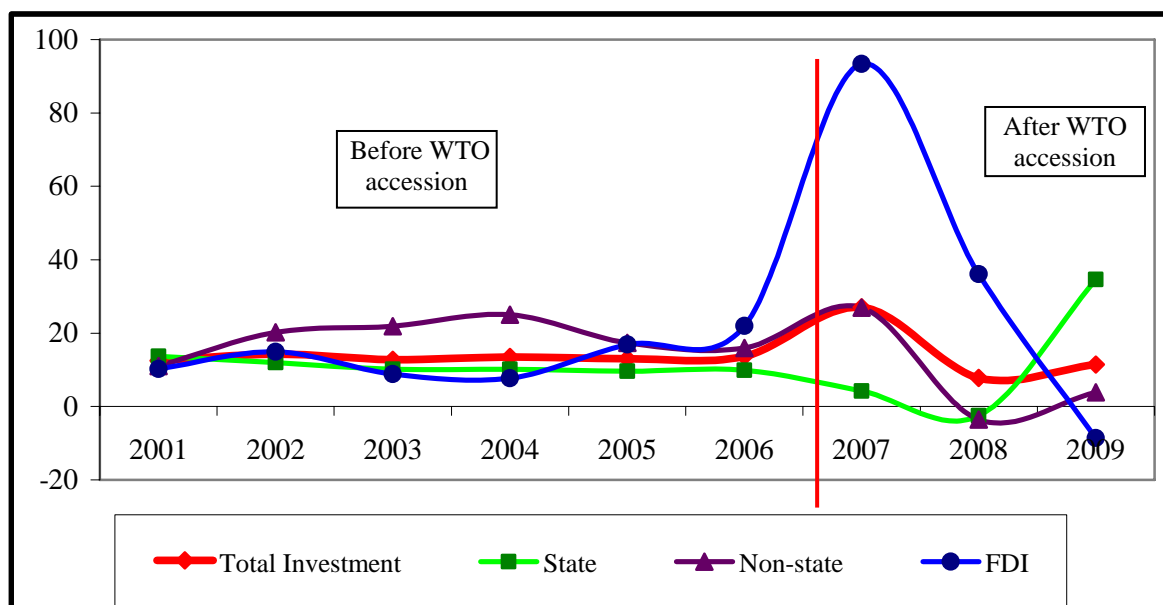
3.3. Investment by Ownership

Investment growth by ownership in the 2001-2006 period increased relatively stably, and was similar to social investment growth. However, after WTO accession, investment by non-state and foreign invested sector has the tendency to increase faster than that of state sector, except in 2009 because of the effect from the global financial crisis and economic recession. International economic integration and domestic economic policies have helped foster production forces and significantly mobilise investment by non-state sector for development.

Positive impact of international economic integration is that investment structure by ownership has dramatically shifted, in which growth rate of FDI and non-state sectors has

considerably increased. The proportion of investment by non-state sector in total social investment continued to grow from 22.6 percent in 2001 to 38.5 percent in 2007, but fell to about 33.9 percent in 2009.

Figure 5: Investment Growth by Ownership, 2001-2009 (percent)



Source: GSO data.

The share of investment by foreign invested sector also continuously improved from 14.2 percent in 2004 to 24.3 percent in 2007 and reached the highest of 30.9 percent in 2008; but declined to 25.5 percent in 2009.

In the meanwhile, the proportion of state investment decreased by nearly half in the period of 2001-2008, from 59.8 percent to 33.9 percent; but recovered to 40.6 percent in 2009 when other investment sources were increased by the Government (from state budget, governmental bond) in order to stimulus the economy and prevent economic declining trend because of impacts of the global financial crisis and economic recession.

Changes in investment structure reflect the fact that while investment by FDI and non-state sectors increased due to more transparent business environment and decreased because of the global economic recession, state investment shifted in opposite direction. Thus, if international economic integration becomes broader and deeper, and the economy becomes more market-oriented, other investment sources will play more and more important role while state investment has been becoming an instrument to regulate the stable development of the economy.

3.3.1. State Investment

In the context of international economic integration, improved investment environment, all economic sectors have been encouraged to invest for economic development. The proportion of state investment in social investment tends to decrease while that of non-state and foreign invested sectors increases. Real situation in the past three years revealed that international economic integration has gradually changed state investment into an important policy instrument (provide public services, social security and regulate economic development), aiming at taking advantage of opportunities and favourable conditions, as well as overcoming drawbacks of the integration process.

In 2008, to deal with high inflation, the Government reduced unnecessary and ineffective investment. Consequently, state investment in 2008 was less than in 2007, but contributed to fight against inflation. In 2009, state investment was remarkably higher compared to 2008 because of the implementation of investment stimulus policy in order to cope with global financial crisis and economic recession.

In accordance with the changes in state investment's role as analysed above, investment growth rate by SOEs was low in the first year after WTO accession (2.6 percent) and decreased (-19.1 percent) in the second year in comparison with the 40.7 percent growth rate in 2006. The drop in the first two years after becoming WTO member more or less originated from impacts of implementing the integration commitments: (i) manufacturing and business activities faced with increasingly competitive pressure; (ii) structure changes and improved investment efficiency are in much needed in the context of integration... However, it is undeniable that high inflation in 2008 was the main culprit of the investment decline as mentioned earlier.

In 2009, despite the effects of the global financial crisis and economic recession, SOEs' investment still achieved relatively high growth rate of 18.1 percent. Among many reasons for this growth, there were factors that indirectly arose from international economic integration, including: (i) Lower prices of raw materials encouraged SOEs to increase their investment in 2009; (ii) SOEs had to invest more to cope with crisis and overcome difficulties caused by economic recession, as well as take advantage of economic stimulus policy by the Government like promoting investment and consumption demand, tax exemption, reduction and relaxation; (iii) After reorganising and restructuring investment structure (in 2008), SOEs have found investment opportunities; (iv) Competitive pressure from foreign investors decreased due to crisis...

The proportion of investment by SOEs and other related sources of the state sector gradually fell after Vietnam's accession to the WTO, from 31.4 percent in 2006 to 30.4 percent in 2007, 24.7 percent in 2008 and 21.6 percent in 2009; while that of state budget (mainly focused on economic and social infrastructure, non-profit projects) increased, from 54.1 percent in 2006 to 54.2 percent in 2007, 61.8 percent in 2008 and 64.3 percent in 2009.

Table 22: Investment by SOEs and Related Sources, 2004-2009

(thousand billion VND)

<i>Year</i>	<i>Before WTO accession</i>			<i>After WTO accession</i>		
	<i>2004</i>	<i>2005</i>	<i>2006</i>	<i>2007</i>	<i>2008</i>	<i>2009</i>
Investment capital (current price)	35.0	37.7	58.1	60.2	51.7	62.2
Proportion in state sector (%)	25.0	23.3	31.4	30.4	24.7	21.6
Investment capital (1994 price)	26.3	27.5	38.7	39.7	32.1	37.9
Growth rate (%)	12.9	4.6	40.7	2.6	-19.1	18.1

Source: GSO data.

State investment structure by sector has changed significantly during integration process. The proportion of state investment in agriculture, forestry and fishery declined from 12.2 percent in 2000 to 6.8 percent in 2006 and 5.9 percent in 2009.

State investment in industry (mostly by SOEs) continuously decreased from 37.6 percent in 2000 to 34.5 percent in 2006 and accounted for 36.6 percent in 2009. Electricity, gas and water supply made up the majority in state investment (16.2 percent in 2007 and 19.8 percent in 2009) because of increasing demand for those products recently. Investment in construction industry gradually increased, from 2.4 percent in 2000 to 4.8 percent and 5 percent in 2006 and 2009, respectively.

The proportion of services, social and other areas went up from 47.8 percent in 2000 to more than 50 percent in the 2006-2009 period (54.0 percent in 2006, 50.8 percent in 2007, 56.9 percent in 2008 and 52.5 percent in 2009). This is a positive trend as state investment focused more on social and economic infrastructure projects, non-profit areas or projects that may take long time to regain invested capital.

Briefly, the implementation of international commitments on investment, in which WTO commitments mainly indirectly effect state investment. However, changes in growth rate and structure of state investment are indispensable in the context of international economic integration. On the other hand, state investment has evidently reflected the State's role in managing the macro economy, as well as achieving targeted socioeconomic development goals.

3.3.2. Household and Private Investment

Thanks to the implementation of international commitments in general and WTO commitments in particular, in which more favourable requirements on reforming, improving mechanism, procedure and policy on business registration, market entry are included, individual and private investment has been increasing. Number of newly registered private enterprises keeps growing over the years, even during period of

economic difficulty. In the first three years after joining the WTO, there were 208 thousand enterprises newly registered (about 58 thousand enterprises in 2007, 65 thousand in 2008 and 84 thousand in 2009), thus the total enterprises in the economy jumped to 463 thousand in 2009. It is a remarkable achievement in comparison with only 205 thousand newly registered enterprises in seven years, from 1999 to 2006.

Table 23: Structure of State Investment by Sector (percent)

<i>Sector</i>	<i>Before WTO accession</i>		<i>After WTO accession</i>		
	2000	2006	2007	2008	2009
Agriculture and forestry	10.32	6.45	6.39	6.80	5.37
Fishery	1.93	0.37	0.38	0.43	0.51
Mining and quarrying	9.65	8.07	7.87	7.97	6.88
Manufacturing	10.29	10.30	13.47	7.18	9.91
Electricity, gas and water supply	17.63	16.10	16.20	15.60	19.79
Construction	2.35	4.75	4.89	5.13	4.98
Whole sale and retail trade; repair of motor vehicles, motor cycles, personal and household goods	1.41	1.66	1.77	1.97	2.91
Hotels and restaurants	1.01	0.41	0.43	0.51	1.25
Transportation, storage and communications	20.94	22.93	21.61	25.94	20.60
Financial intermediation	0.72	0.47	0.80	1.01	1.50
Scientific activities and technology	2.10	1.37	1.51	1.68	1.55
Real estate, renting and business activities	0.89	1.45	1.86	1.88	2.42
Public administration and defence; compulsory social security	4.38	6.44	6.69	7.90	6.82
Education and training	6.38	5.36	5.24	5.09	3.49
Health and social work	2.43	3.18	3.31	3.39	2.91
Recreational, cultural and sporting activities	1.74	2.54	3.07	3.00	2.92
Activities of party and of membership organisations	0.83	0.40	0.42	0.46	0.38
Community, social and personal service activities, and others	4.99	7.77	4.08	4.07	5.81
Total	100.00	100.00	100.00	100.00	100.00

Source: Authors' calculation using GSO data.

Table 24: Development of Private Enterprises, 2006-2009

<i>Indicator</i>	<i>Unit</i>	2006	2007	2008	2009
1. Number of enterprises operating in the economy (including newly established ones)	Thousand enterprises	254.2	312.4	377.7	462.9
2. Number of newly registered private enterprises	Thousand enterprises	46.6	58.2	65.3	84.5
3. Total registered capital of newly established private enterprises	Thousand billion VND	146.4	471.6	569.5	517.0

Source: Agency for Small- and Medium-Scale Enterprise Development, MPI.

Total registered capital of private enterprises has been growing year by year, from about 146 thousand billion VND in 2006 to approximately 570 thousand billion VND in 2008, except a decline to 517 thousand billion VND (current price) in 2009 because of the global financial crisis and economic recession.

Non-state investment (individual and private) in 2007 grew very fast, reached 26.9 percent (compared to 16.0 percent in 2006). However, due to high inflation in 2008 and the 2009's global financial crisis and economic recession, implemented investment by non-state sector decreased to 3.5 percent in 2008 and slightly increased in 2009 (3.9 percent).

The proportion of investment by this sector in social investment continuously went up during the 2001-2007 period, from 22.6 percent in 2001 to 38.5 percent in 2007; but fell to 35.2 percent in 2008 and 33.9 percent in 2009.

In summary, non-state sector, mainly SMEs, has significantly suffered from international and domestic situation in the context of integration. Besides, after Vietnam's accession to the WTO, non-state sector also faced with increasingly competitive pressure from foreign invested enterprises.

3.3.3. Foreign Direct Investment

3.3.3.1. Overall Assessment

Investment-related commitments under international economic integration, including WTO commitments, remarkably effect foreign investment. The implementation of those commitments, in parallel with innovating and improving legal system and foreign investment policy over the years has helped improved investment environment and attracted foreign investors. Vietnam has adjusted economic policies that more favourable and transparent for enterprises, opened market for goods and services, as well as taken simultaneous reforms in order to take the most advantage of opportunities and overcome challenges of integration. Administrative reform on business registration and the issuance of investment license has been pushed up, import and export procedures have been improved, one-door mechanism has been well applied in some provinces, business registration and investment licensing procedures have been simplified and improved. Those actions have encouraged foreign investors to promote their investment to Vietnam, as well as to be more confident to increase capital and expand production scale of investment projects. As a result, foreign investment into Vietnam has achieved remarkable improvement.

Implemented capital of FDI sector in the first two years after joining the WTO surged with the growth rate of 75.3 percent in 2007 and 42.6 percent in 2008 (at current USD). In 2009, though having affected by the global financial crisis and economic recession, implemented FDI capital decreased only 13 percent compared to previous year.

Total implemented capital of FDI sector in three years of 2007-2009 was about 29.6 billion USD, equivalent to three fourth of total implemented capital in the period of 1988-2006 (38.4 billion USD)⁴³ and 1.6 times as high as that during the period 2001-2006 (17.8 billion USD).

After WTO accession, with high growth rate of implemented capital, the proportion of investment by FDI sector in total social investment grew up from 16.2 percent in 2006 to 30.9 percent in 2008, but went down to 25.9 percent in 2009. Thus, foreign investment has been a vital investment source for socio-economic development recently.

In 2006, the year that Vietnam's negotiation to join the WTO finished, FDI flow into the country considerably increased (12 billion USD registered capital), reached the highest level in 18 years of attracting FDI with many large-scale projects on industry sector (steel manufacturing, electronics, high-tech products) and services (sea port, real estate, information technology, tourism, high quality service,...).

Table 25: FDI Attraction, 2006-2009

	<i>Indicator</i>	<i>Unit</i>	2006	2007	2008	2009
I. Registration						
1	New project	Project	987	1,445	1,557	1,208
	Growth rate	%		46.4	7.8	-22.4
2	Registered capital of new projects	Million USD	9,096	18,718	66,500	17,236
	Growth rate	%		105.8	255.3	-74.1
3	Number of existing projects with increased capital	Projects	486	379	397	215
	Growth rate	%		-22.0	4.7	-45.8
4	Increased registered capital	Million USD	2,906	2,629	5,226	5,871
	Growth rate	%		-9.5	98.8	12.3
5	New and increased capital	Million USD	12,002	21,347	71,726	23,107
	Growth rate	%		77.9	236.0	-67.8
II. Implementation						
	Implemented capital by foreign invested sector	Million USD	4,600	8,066	11,500	10,000
	Growth rate	%		75.3	42.6	-13.0

Source: Foreign Investment Agency (FIA), MPI.

Within three years after WTO accession, registered FDI significantly grew and obtained unprecedentedly high growth rate since the introduction of Foreign Investment Law in 1987. In 2007, registered capital continued to reach a new record of 21.3 billion USD, 77.9 percent higher than in 2006. In 2008, registered capital was more than 71.7 billion USD, three folds compared to in 2007 and was the highest level in the history.

In 2009, due to the effects of international economic crisis and other factors, registered FDI into Vietnam considerably decreased, estimated to be 23.1 billion USD, and

⁴³ In which, foreign capital (contributed and lending capital) was about 34 billion USD, accounted for 89.5 percent of the total implemented capital.

only equivalent to 32.2 percent in comparison with the same period of 2008. However, this achievement was still relatively better compared to previous years (higher than in 2007) and other countries in the region, especially when Vietnam and other countries had been facing global investment decrease because of the world economic crisis.

In three years from 2007 to 2009, Vietnam attracted 5,201 FDI projects with the total registered capital of 116.2 billion USD, 3.6 times higher than the 2001-2006 period (32.7 billion USD) and 1.4 times higher than 1988-2006 period (83 billion USD).

3.3.3.2. *FDI by Sector*

In parallel with significant increase of investment scale, there have been many changes in FDI structure by sector, area, and source after and before WTO accession. If registered FDI in industry-construction sector only accounted for 62.9 percent of the total registered capital in the period of 1988-2006, this number was down to 49.4 percent after three years of joining the WTO. The proportion of registered capital of agriculture, forestry and fishery sector in the total registered capital also felt from 6.4 percent to 0.4 percent. FDI shifted remarkably to service sector, increased from 30.7 percent of the total registered capital in the period of 1988-2006 to 48.1 percent in the past three years.

Table 26: Structure of Registered FDI, 2006-2009 (percent)

<i>Sector</i>	<i>Before WTO accession</i>	<i>After WTO accession</i>		
	<i>2006</i>	<i>2007</i>	<i>2008</i>	<i>2009</i>
Agriculture and forestry	1.22	0.23	0.32	0.56
Fishery	0.19	0.05	0.03	0.03
Mining and quarrying	1.20	1.23	10.69	1.72
Manufacturing	68.90	50.98	45.15	17.06
Electricity, gas and water supply	-	0.04	0.01	0.80
Construction	5.34	4.65	0.77	2.82
Whole sale and retail trade; repair of motor vehicles, motor cycles, personal and household goods	1.18	0.61	0.09	1.13
Hotels and restaurants	4.15	9.22	2.11	39.63
Transportation, storage and communications	0.44	1.67	2.94	1.30
Financial intermediation	0.27	0.15	0.10	0.43
Real estate, renting and business activities	15.15	28.64	37.03	33.79
Education and training	0.18	0.05	0.14	0.13
Health and social work	0.07	0.53	0.63	0.06
Recreational, cultural and sporting activities	1.58	1.92	0.01	0.46
Community, social and private service activities	0.13	0.03	0.00	0.08
Total	100.00	100.00	100.00	100.00

Source: Authors' calculation using data of GSO and FIA, MPI.

In service sector, FDI has concentrated in the most opened industries (100 percent FDI) that did not require a transitional period such as construction, real estate – renting and business activities, hotels-restaurants, transportation – telecommunication. Hotels and restaurants (accommodation and meals) increased from the proportion of 4.2 percent in 2006 to the highest of 39.6 percent in 2009. The proportion of registered FDI in real estate, renting and business activities (mainly real estate) increased from 15.2 percent in 2006 to 28.6 percent, 37.0 percent and 33.8 percent in 2007, 2008 and 2009, respectively, and received the second biggest registered FDI by sector. This reveals that the implementation of WTO commitments on opening service market and other investment and business opportunities in several service industries has lured much more investment in those areas.

In some service industries (such as education and training, health, transportation, storage), restrictions on investment/business conditions under WTO commitments that are more strict in comparison with current legal regulations may be the reason of modest registered capital in those areas (almost less than 1 percent of total registered FDI), which has not been significantly changed or increased compared to before WTO accession.

Table 27: Growth of Registered FDI by Sector, 2006-2009 (percent)

<i>Sector</i>	<i>Before WTO accession</i>	<i>After WTO accession</i>		
	<i>2006</i>	<i>2007</i>	<i>2008</i>	<i>2009</i>
Agriculture and forestry	274.7	-67.0	320.7	-36.8
Fishery	90.8	-55.0	97.1	-70.4
Mining and quarrying	157.7	81.8	2.508.0	-94.2
Manufacturing	71.7	31.6	165.6	-86.4
Electricity, gas and water supply	-	-	-61.5	4.870.3
Construction	274.9	54.9	-50.5	32.5
Whole sale and retail trade; repair of motor vehicles, motor cycles, personal and household goods	42.1	-7.9	-57.8	376.5
Hotels and restaurants	706.5	294.9	-31.4	578.2
Transportation, storage and communications	-92.4	581.6	427.9	-84.1
Financial intermediation	-78.1	0.9	93.8	59.7
Real estate, renting and business activities	294.7	236.2	287.6	-67.1
Education and training	-14.3	-47.5	647.4	-64.9
Health and social work	-96.1	1.324.1	258.1	-96.3
Recreational, cultural and sporting activities	796.2	117.0	-98.6	1.751.7
Community, social and private service activities	-21.5	-65.8	-89.1	2.933.3
Total	75.5	77.8	199.8	-63.9

Source: Calculated using data of GSO, FIA, and MPI.

Generally, thanks to the implementation of commitments on opening service industries and other investment-related integration commitments, investment in many service areas as well as several industrial sectors has considerably improved after WTO accession. In 2009, in parallel with impacts of integration commitments on investment, changes in investment structure was partly affected by the global financial crisis and economic recession as foreign investors had to adjust investment direction and structure to adapt to the new situation. Nevertheless, 2009's registered capital of some industries still achieved high growth rate, including electricity, gas and water supply (4,870.3 percent); whole sale and retail trade; repair of motor vehicles, motor cycles, personal and household goods (376.5 percent); hotels and restaurants (578.2 percent); recreational, cultural and sporting activities (2,933.3 percent).

It is notable that registered FDI of hotels - restaurants, real estate - renting -business activities has higher growth rate compared to manufacturing industry (which usually accounted for the biggest percentage in previous years) and other service industries that were expected to attract more FDI. In real estate – renting – business activities, improved business environment, more investment opportunities in Vietnam, and sub-prime mortgages in other countries helped Vietnam attract more investment capital. However, this result should be carefully considered in terms of economic efficiency, technology associated with FDI, the stability of the balance of payment, and export capacity in the future.

Though much FDI was lured to some industries, there have been “neglected” industries that were expected to attract more FDI capital, in which the proportion of registered FDI of those industries was less than 1 percent like agriculture-forestry and fishery, electricity-gas-water supply, education, health, recreational-cultural and sporting activities, community-social and personal service activities.

3.3.3.3. FDI by Source

In three years from 2007 to 2009, there was 75 countries and territories invested in Vietnam, in which the biggest investor was Malaysia, accounted for 14.4 percent; followed by Taiwan (China) – 11.4 percent, the United States – 10.7 percent, South Korea – 10.2 percent and British Virgin Islands – 8.7 percent. ASEAN-China and ASEAN-South Korea free trade areas has not had obvious impact on FDI attraction, because South Korea has been always among the leading group of FDI investors into Vietnam since 2007, and the proportion of registered FDI of South Korean projects even decreased compared to the 1988-2006 period. In the meanwhile, investment structure by source has been more diversified, and positively shifted from Asian countries and territories like South Korea, Japan, Singapore, Hong Kong (China)... to other areas like the Europe (British Virgin Islands, Switzerland, the UK, France, the Netherlands, Germany, Denmark...) and the America (Canada, the US).

Briefly, the implementation of investment-related commitments under the WTO and other integration framework has significantly affected FDI in terms of both growth rate and investment structure, at least in the three years of joining the WTO. Changes in investment and business environment during the implementation process have helped Vietnam take advantage of many new investment opportunities. Appropriate, transparent and indiscriminate business and investment practices have created more favourable conditions for FDI enterprises on doing business, manufacturing and exporting. Consequently, FDI sector has remarkably contributed to GDP growth, state budget revenue and job creation.

Nevertheless, in parallel with broader and deeper integration into the world economy, investment by FDI sector in particular and social investment in general have been more and more influenced by the fluctuation of the world economy, especially the global financial crisis and economic recession started in the end of 2008. FDI growth rate of some expected industries like agriculture-forestry and fishery, education and training, community-social and personal service activities was still lower than that of others.

There were some notable issues in FDI flow since the ending of 2007 as the following:

Firstly, dramatically increased FDI flow reveals the limitation in absorbing investment capital of the economy, mainly because of weaknesses of legal institution (though has been improved), infrastructure and skilled human resource. They are “bottle-necks” that have created many difficulties in carrying out FDI projects. The 2007 survey report by Japan Bank for International Cooperation (2007) addressed current challenges of Vietnam, including underdeveloped infrastructure, the lack of human resource for management, weak support industries, non-transparent laws and legal system, which also have not been strictly implemented.

Though project size (in terms of registered capital) grew quickly (from the average of 7.1 million USD per project in 2005 to 9.2 million USD in 2006 and 14.3 million USD in 2009), the ratio of owner’s equity in total registered capital decreased compared to before, which was 45.7 percent in the 1988-2005 period but down to about 1/3 recently. Moreover, if the registered capital is required to be implemented and is pushed to high level so that such projects would be easier to be approved, the actual FDI run into Vietnam would be much lower. In case foreign investors keep their commitments on implementing registered capital in 2007-2008, Vietnam would face more difficulties in absorbing FDI, especially when “bottle-necks” have not been solved.

Briefly, though registered FDI reached unprecedented high with the scale of several billion USD, there have been many issues that should be seriously considered, including investment structure by sector, levels of registered capital, investors’ capacity, and actual investment capital poured into Vietnam from the abroad. This is closely related to the appropriate assessment on the real situation as well as the introduction of suitable policy and measure to realise development potentials of the country.

3.3.4. Direct Investment Abroad

Vietnam's direct investment abroad in the first three years of WTO accession (2007-2009) increased dramatically with 269 projects and 7.2 billion USD of registered capital, 1.4 times higher in terms of the number of projects and 7.4 times higher in terms of registered capital in comparison with the 1989-2006 period.

By investment sector, by 31st December 2009, mining and quarrying accounted for the biggest registered capital of 3,914.8 million USD (73 projects). The second was recreational, cultural and sporting activities with 1,124.5 million USD (three projects), and the third was agriculture, forestry and fishery with 978.7 million USD (48 projects). Manufacturing sector had the biggest number of projects (100 projects) but only took the fifth position in terms of registered capital (421.3 million USD), and was behind electricity, gas and water supply and air conditioner (896.2 million USD and four projects). Other industries with high value of direct investment to abroad were whole sale and retail trade, repair; finance, banking, insurance; information and communications; real estate,...

By investment destination, by 31st December 2009, Vietnam invested to 51 countries and territories. The biggest destination of Vietnam's direct investment abroad was Laos with 3,168 million USD (166 projects), followed by Russia (1,714.5 million USD – 16 projects), Malaysia (811.5 million USD – six projects), Cambodia (722.9 million USD – 57 projects), Algeria (562.4 million USD – one project). It is notable that Vietnam has had direct investment to developed countries with relatively large amount of capital such as the US (234.4 million USD – 57 projects), Australia (108.2 million USD – 11 projects), Germany (12.1 million USD – six projects), Japan (2.9 million USD – 10 projects).

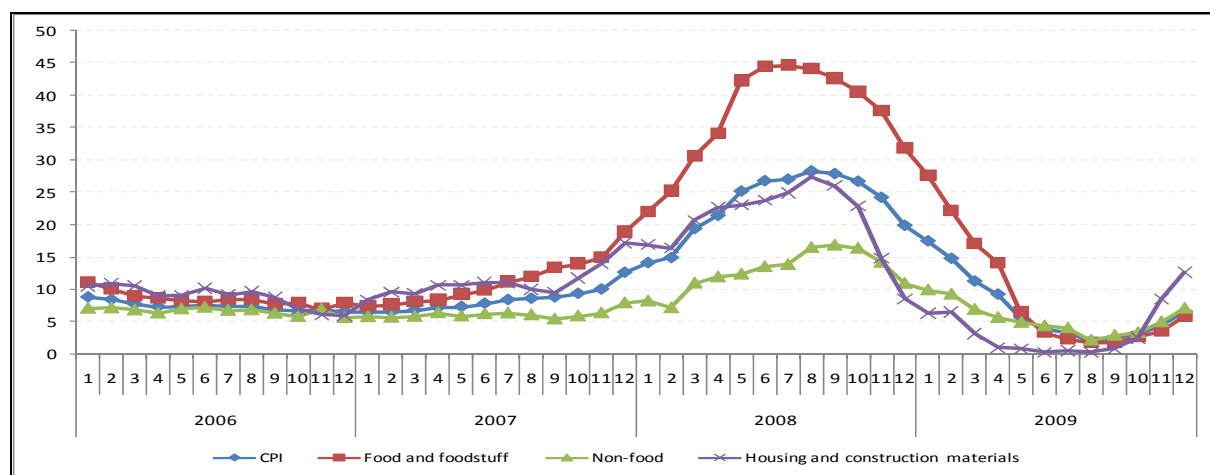
In summary, WTO accession has brought positive impacts on Vietnam's direct investment to abroad. With the considerably increasing capital invested abroad, the supervision and assessment as well as efficiency evaluation of this investment flow should be seriously and frequently taken in order to better manage capital outflow and money inflow (profit).

4. IMPACT ON MACROECONOMIC STABILITY

4.1. Inflation

Under the impacts of world economic developments and domestic economic policies, Vietnam's inflation exhibited complicated movements in different directions in three years after the WTO accession. Figure 6 depicts the changes in year-on-year inflation rate (based on consumer price index (CPI)) throughout the years 2006-2009. Between January 2007 and August 2008, inflation rate rose continuously, particularly since September 2007. Inflation rate then peaked at 28.3 percent in August 2008 (compared with 6.4 percent in January 2007). In 2007 as a whole, the CPI increased by 12.6 percent, the fastest pace since 1996 and almost twice as fast as that in 2006 (6.6 percent).

Figure 6: Changes in Inflation Rate, 2006-2009 (percent)



Source: GSO.

The above increase in inflation in the period January 2007-August 2008 could be attributed to the reasons from both supply and demand sides. From the supply side, the wider and deeper economic integration led to stronger impact of world price increase on Vietnam. From the demand side, high inflation resulted from the high inflationary pressures from previous years, as Vietnam gave priority to high growth target and implemented expansionary macroeconomic policies. Gross investment, final consumption, and credit exhibited rapid growth in a number of years. For example, relative to GDP, investment rose from 34.2 percent in 2000 to over 41.5 percent in 2006. Thus, high inflation in this period was also due to impacts of factors other than international economic integration.

The above impacts were exacerbated by the perplexion and inadequacies in formulating, coordinating macroeconomic policies and price policy in the context of deeper integration into the world economy. The surge in foreign investment inflows (both direct and indirect) to Vietnam since late 2006 was not anticipated, and even larger than the absorptive capacity of the economy. The State Bank of Vietnam (SBV) then had to increase money supply to purchase the large amount of currencies (particularly in the first half of 2007). In doing so, however, the SBV failed to undertake appropriate sterilisation to reduce money supply. In addition, the rather tight peg of VND to USD effectively served to import inflation, particularly as the world prices increased rapidly.

In other words, macroeconomic management failed to anticipate the rapid and strong impacts of international economic integration, and thus incorporated no relevant adjustment.⁴⁴ Attempts to deal with high inflation were to some extent undermined by Vietnam's liberalisation of prices of some products under State control, while necessary preparations remained absent (for instance, little attempts were made to improve monitoring capacity and information transparency, market-based policy instruments and to establish a more competitive market structure, etc.).⁴⁵

In the period from September 2008 to the end of 2008, the CPI fell continuously. Notably, the paces of increase of food-and-foodstuff prices, and non-food-and-foodstuff prices were slower (Figure 6). Of which, prices of housing and construction materials decelerated most significantly. Consequently, inflation rate was 22.97 percent for 2008 as a whole.

The above movements of inflation were due to impacts of the global financial crisis and economic recession on Vietnam's economy in this period. These impacts were transmitted more rapidly than in the period before WTO, as impacts of external economic changes on Vietnam became generally larger and faster through various channels of integration. Nevertheless, the fall in inflation was partly due to the lagged impact of macroeconomic policies to control inflation, adopted since April 2008.⁴⁶ That is, the impact of international economic integration and macroeconomic policy response in this period were in the same direction, thereby reducing domestic inflationary pressures.

In 2009, the CPI started to increase again and continuously, though the month-on-month pace was small. However, year-on-year inflation fell continuously in the period from April-August 2009, and went up continuously between September-December 2009

⁴⁴ In fact, the perplexion in macroeconomic policy management also resulted from limitations of *ex ante* studies before 2007 on assessing possible impact of the WTO accession on Vietnam's economy.

⁴⁵ The State's delegation of right to decide retail prices of oil and petroleum products to enterprises, and the retrieval of such right by the former from the latter in 2007, or the reliance on 'political awareness' of SOEs to deal with pressures for increasing oil and petroleum prices towards the end of the years are the key examples for the inadequacies, even contradiction in managing prices of strategic, sensitive products like oil and petroleum (CIEM 2009a).

⁴⁶ Including many measures such as the tightening of credit growth and rescheduling public investment.

(Figure 6). In 2009 as a whole, average CPI increased by 6.9 percent from that in 2008 (less than that of 22.97 percent in 2008).

Such positive and relatively small inflation could be attributed to some factors, including stimulus measures of the Government via rescheduling, deferring, deducting and exempting taxes, financial supports, interest rate subsidy, etc., the recovery of world prices together with the increase of VND/USD exchange rate⁴⁷. More importantly, inflationary pressures do not depend solely on inherent factors of the Vietnam's economy, but were under larger impacts of external economic changes via channels of integration.

In summary, deeper international economic integration enhanced the impacts of world market changes on Vietnam's CPI. The movements of world market prices and the global financial crisis had different impacts on prices in the country. These impacts, to a certain extent, were not mitigated effectively. The policy responses in some cases were inappropriate and/or the roadmap for domestic price reforms was not adjusted in a flexible manner. Under the impacts of these factors, inflation exhibited a complicated pattern. However, the international economic integration process was not the only reason for inflation movements in the past three years. In fact, such movements also resulted from impacts of many inherent factors, ones which were only magnified by the integration process.

4.2. Exchange Rate

In the years 2007-2009, the VND/USD exchange rate exhibited complicated movements in different directions (Figure 7). This is the difference compared with the situation prior to the WTO accession, when the VND/USD exchange rate increased almost continuously. Even in the years when the VND/USD exchange rate exhibited upward trend, the extent of increase became much more unpredictable. Thus, the interbank rate and permitted trading band were adjusted many times in the years 2007-2009. This was the notable impact on exchange rate after three years of WTO membership.

Figure 7 depicts the changes in VND/USD exchange rate in the years 2006-2009. In the first nine months of 2007, the interbank VND/USD exchange rate was gradually increased by the SBV. Between October 2007 and March 2008, conversely, the rapid increase of foreign capital inflows to Vietnam exerted pressures on the VND to appreciate in nominal terms against the USD. The interbank VND/USD exchange rate announced by the SBV was reduced, at a faster pace (by approximately 1.32 percent) than the increase in the first 9 months of 2007.

⁴⁷ More fundamentally, stress in the foreign exchange market ngoại tệ resulted from prolonged and huge trade deficit as Vietnam integrates herself more deeply into the world economy – the impacts which were predicted prior to 2007 but failed to be addressed effectively.

In the period from April 2008 to December 2009, the VND/USD exchange rate started to increase again due to some reasons. *First*, trade deficit was high in 2008 and 2009. *Second*, the foreign investment fund divested and retrieved capital back to foreign countries in the context of domestic macroeconomic instability and global economic recession after the global financial crisis. *Finally*, the drastic increase of parallel exchange rate (particularly in May 2008) resulted from the people's rush for purchasing foreign exchanges as they feared prevalent macroeconomic risks and the rumour of serious depreciation of the VND.

In summary, via impacts of capital and trade flows, Vietnam's exchange rate became significantly more unpredictable.

4.3. Balance of Payments

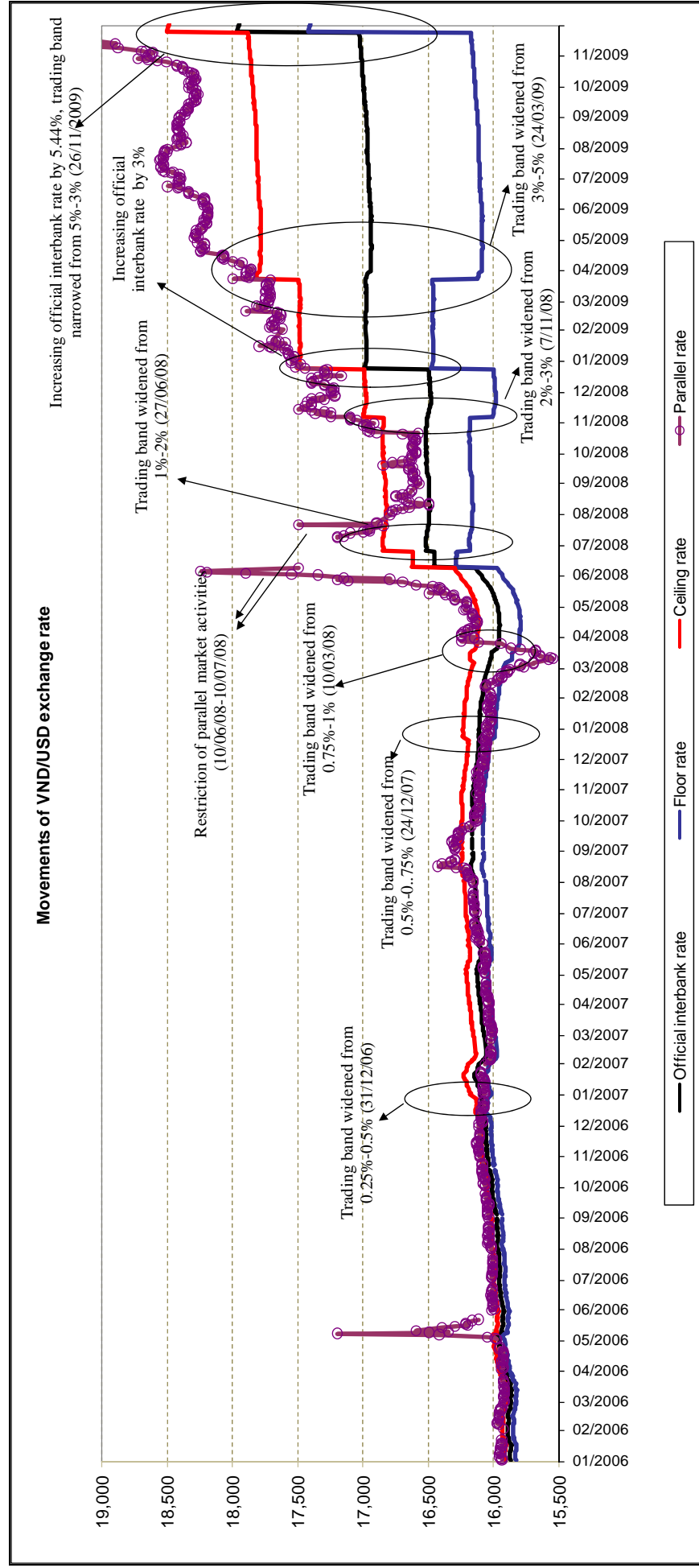
Similar to exchange rate, the balance of payments also had more complicated movements, of relatively larger magnitude in the years after the WTO accession.

Table 28 depicts the changes in Vietnam's balance of payments in the years 2006-2009. As can be seen, international economic integration made balance of payments and sub-balances vary *more drastically in an unpredictable way*. The most evident impact of international economic integration on balance of payments in the years 2007-2009, relative to that before the WTO accession period, was the widening of trade deficit, current account deficit and increase in capital flows, in both absolute terms and relative to GDP. However, these impacts differed from one year to another, leading to the different financing capacity of capital flows for current account deficit in the years 2007, 2008, and 2009.

Following the trend prior to the WTO accession, the current account remained in deficit but with larger extent in the years 2007-2009. The current account deficit reached almost 7.0 billion USD (or 9.8 percent of GDP) in 2007, 10.8 billion USD (11.9 percent of GDP) in 2008, and approximately 6.3 billion USD (or 6.7 percent of GDP) in 2009. The deficits were significantly larger than those in the years 2001-2006 when current account deficit only peaked at about 1.9 billion USD (in 2003).

The above changes in current account balance in the years 2007-2009 could be mainly attributed to the drastic increases of both merchandise trade deficit and deficit in investment income. In particular, the merchandise trade deficit (at FOB prices) rose considerably from almost 2.8 billion USD in 2006 to 10.4 billion USD in 2007, 12.8 billion USD in 2008, and around 8.3 billion USD in 2009.

Figure 7: Movements of VND/USD Exchange Rate and Government Intervention, January 2006 - December 2009



Source: CIEM 's compilations from various sources.

Table 28: Balance of Payments, 2006-2009

	2006		2007		2008		2009	
	Mil. USD	% GDP	Mil. USD	% GDP	Mil. USD	% GDP	Mil. USD	% GDP
Current account	-164	-0.27	-6,953	-9.78	-10,787	-11.95	-6,274	-6.73
Balance of merchandise trade (FOB prices)	-2,776	-4.55	-10,438	-14.68	-12,782	-14.16	-8,306	-8.91
Balance of services trade	-8	-0.01	-755	-1.06	-915	-1.01	-1,388	-1.49
Income from investment (net)	-1,429	-2.34	-2,190	-3.1	-4,401	-4.87	-3,028	-3.25
Transfer (net)	4,049	6.64	6,430	9.0	7,311	8.10	6,448	6.92
- Private	3,800	6.23	6,180	8.7	6,804	7.53	6,018	6.46
Capital account	3,088	5.06	17,730	24.9	12,341	13.67	11,869	12.73
FDI (net)	2,315	3.80	6,516	9.16	9,279	10.28	6,900	7.40
Medium- and long-term loans (net)	1,025	1.68	2,269	3.19	992	1.10	4,890	5.25
Short-term loans (net)	-30	-0.05	79	0.11	1,971	2.18	256	0.27
Indirect investment	1,313	2.15	6,243	8.78	-578	-0.64	128	0.14
Currency and deposits	-1,535	-2.52	2,623	3.69	677	0.75	-305	-0.33
Overall balance of payment (including errors and omission)	4,322	7.09	10,212	14.36	434	0.48	-7,794	-8.36

Source: CIEM's calculations based on data of the IMF International Financial Statistics database, CIEM (2009a), MPI.

Notably, Vietnam's trade deficit with some East Asian FTA partners of ASEAN (such as China, South Korea) was of large extent⁴⁸ and tended to increase. The global financial crisis had positive impact by decelerating the growth in merchandise trade deficit, but such an impact was only transitory. In other words, Vietnam will still have to cope with similar pressures on balances of merchandise trade and current account upon engaging herself deeper in FTAs.

In fact, net transfer (particularly private transfer) was always in large surplus. This surplus was 6.4 billion USD (including USD 6.2 billion of private transfer) in 2007, 7.3 billion USD (6.8 billion USD of private transfer) in 2008, and 6.4 billion USD (6.0 billion USD of private transfer) in 2009. These net transfers had important contributions from income of the Vietnamese labours working overseas. This seems to be a positive impact of integration process. However, the increase in net transfer was slower than that of trade deficit. Therefore, the *net impact* on the current account balance in the years 2007-2009 was negative.

Impact of international economic integration on the capital account was even larger, while the capital inflows to Vietnam increased significantly and frequently changed direction. (Net) disbursed FDI increased from over 2.3 billion USD in 2006 to nearly 9.3 billion USD in 2008, before falling to approximately 6.9 billion USD in 2009⁴⁹. Meanwhile, medium and long-term loans fluctuated drastically, while short-term loans and (net) foreign indirect investment even changed direction in the years 2007-2009. In particular, (net) indirect investment increased in both 2007 and 2008 as investors wanted to grasp the opportunities from Vietnam's better growth outlook, and dropped in 2009 since investors divest capital in the context of global financial crisis and economic recession. Thus, capital inflows to Vietnam became more diverse in source and larger in magnitude, but also with greater variability. Coping with such capital flows was also more challenging as they had been unprecedented in Vietnam before 2007.

The overall balance of payments exhibited larger variability. Despite surplus of 10.2 billion USD in 2007⁵⁰, the overall balance of payments only had a surplus of only 0.4 billion USD in 2008, and even significant deficit (about 7.8 billion USD or 8.4 percent of GDP) in 2009. Together with high inflation, this was the source of pressures on the VND to depreciate (CIEM 2010).⁵¹

⁴⁸ In 2007, at CIF prices, trade deficit with China was 9.1 billion USD; with South Korea: 4.1 billion USD (CIEM 2009a).

⁴⁹ Net disbursed FDI in 2009 was smaller in 2008 partly due to increase in outward FDI of Vietnam in 2009, with committed capital of 7.2 billion USD in 457 projects. However, the value of outward FDI disbursed via the balance of payments was approximately 700 million USD in 2009.

⁵⁰ 2.4 times larger than that in 2006.

⁵¹ This pressure was even stronger in late 2008 when the USD appreciated in the context of spreading global financial crisis.

Apparently, the sustainability of finance for trade deficit and current account deficit was significantly undermined in the years after the WTO accession. This was mainly due to the increase in trade deficit and uncertainty of capital inflows to Vietnam – a main source of finance for trade deficit.

4.4. Financial System and Markets

Vietnam's financial markets currently include all fundamental components. However, the development of each component differed drastically. The integration process after the WTO accession broadened the opportunities for participants in the financial markets with different capacity to grasp. Accordingly, this widened the development gaps between market components.

4.4.1. Commercial banks

Together with the stimulus impacts on the development of Vietnam's commercial banks since 2006, deeper international economic integration in the years 2007-2009 also increased financial risks significantly. The issue of 'maturity mismatch' (using short-term deposits for long-term loans) became more serious in 2007, forcing the SBV to control the ratio of short-term deposits used for medium- and long-term loans at 30 percent in 2009. The liquidity shortage was very serious in the first half 2008. However, the risks of liquidity shortage, serious 'double mismatch' (maturity mismatch and currency mismatch), and increasing non-performing loans (NPL) remained prevalent in the context of global financial crisis and recession, and of high 'dollarisation' and 'goldisation' and low market confidence in the market economy.

In that context, impacts of the global financial crisis as Vietnam integrated herself deeper led to a slight increase in the NPL rate in the years 2007-2009. Specifically, after a drastic decrease from 2.6 percent in 2006 to only 1.5 percent in 2007, the NPL rate rose to almost 2.1 percent in 2008 and over 2.2 percent in Jun 2009 (Nguyen Xuan Trinh *et al* 2009). That is, contrary to the expectations of improved risk management capacity and credit quality control after integration, the NPL rate increased due to larger negative impacts from integration (economic crisis).

Table 29 shows credit growth of commercial banks in relations to some other macroeconomic indicators. As can be seen, together with integration process and economic growth, total credits increased continuously at a relatively faster pace than that in pre-2007 period. In 2007, credit growth soared to about 54 percent, contributing to macroeconomic instability in the mid-2008. Credit growth in 2008 then decelerated significantly, at a pace of less than half of that in 2007. This was mainly due to impact of policy measures to cope with macroeconomic instability as well as impacts of global economic recession.

In 2009, credit growth accelerated again, which partly reflected the recovery of domestic production. In 2009 as a whole, credit growth reached 39.6 percent. This growth rate was relatively high despite measures of the Government to control credit growth in 2009, so as to facilitate growth recovery and to prevent macroeconomic risks.⁵² Apparently, the complicated impacts of international economic integration not properly recognised by policy-makers undermined the effectiveness of controlling credit growth.

Table 29: Credit Growth of Vietnam's Commercial Banks and Some Other Macroeconomic Indicators, 2005-2009

<i>Indicator</i>	<i>Before WTO accession</i>		<i>After WTO accession</i>		
	<i>2005</i>	<i>2006</i>	<i>2007</i>	<i>2008</i>	<i>2009</i>
Total credit to the economy (trillion VND)	543.1	693.8	1,067.7	1,339.0	1,843.8
Credit over GDP (%)	64.7	89.6	93.3	92.0	99.4
Credit growth (% , compared to previous year)	27.8	27.7	53.9	25.4	37.5
M2 growth (% , compared to previous year)	29.65	33.59	46.12	20.3	19.6
GDP growth (%)	8.44	8.23	8.48	6.18	5.32
Inflation (%)	8.4	6.6	12.6	19.9	6.88

Source: SBV, GSO, IMF, and CIEM (2010).

Vietnam's financial depth was also improved significantly with deeper integration, under the impacts of foreign capital inflows as well as the greater participation of foreign commercial banks. Table 30 depicts the improvements in some indicators of Vietnam's financial depth of in the years 2004-2009.

Thus, international economic integration together with greater participation of foreign financial institutions and/or foreign capital flows had favourable impacts on financial system development in Vietnam, in terms of both scale and depth. However, the challenges in this process are huge since Vietnam had to further promote financial system development and simultaneously to mitigate the risks from more volatile capital flows.

⁵² The SBV instructed credit institutions to control the growth rate of outstanding credit in 2009 in line with structure of mobilised funds, whilst ensuring capital adequacy ratios and strengthening the supervision of credit quality, without relaxing credit terms. Specifically, the SBV issued Circular No. 01/2009/TT-SBV on 23rd January 2009 permitting loan for consumption; promulgated Instruction No. 01/CT-SBV dated 22nd May 2009 requesting commercial banks to control the scale and structure of short-, medium- and long-term credit in VND and foreign currencies, in line with term and structure of mobilised capital; Circular No. 15/2009/TT-SBV in effect since October 2009 stipulating that commercial banks can only use up to 30 percent of short-term deposits (with term of shorter than 12 months) for medium- and long-term loans (with term of 12 months or longer). After the SBV had plans for inspecting credit quality, since the last quarter of 2009, the commercial banks reviewed the disbursed loans for consumption purposes, whilst increasing credit terms.

Table 30: Selected Indicators of Vietnam's Financial Depth, 2004-2009 (percent)

<i>Indicator</i>	<i>Before WTO accession</i>			<i>After WTO accession</i>		
	<i>2004</i>	<i>2005</i>	<i>2006</i>	<i>2007</i>	<i>2008</i>	<i>2009</i>
Deposits/GDP	59.9	66.7	78.4	95.4	114.0	
Credit/GDP	58.9	64.7	89.6	93.3	92.0	99.4
% increase in market capitalisation	41.46	28	146.3	89	-55.8	175.6
Market capitalisation/GDP	0.52	0.69	22.7	43	19	55
Number of listed companies	26	32	108	251	342	453
Value of listed bonds	23,000	37,000	69,000	-	213,800	

Source: CIEM' compilations from various sources.

4.4.2. Securities Market

Together with the boom in financial – banking activities, even in the early years of WTO accession, the securities market went up rapidly in terms of market capitalisation, number of listed companies, number of accounts of personal and institutional investors, and participation of securities companies (Table 31 and Figure 8). The *net* purchase of securities (including both shares and bonds) of foreign investors reached 1.3 billion USD in 2006 and 6.2 billion USD in 2007. The number of accounts of foreign investors in official market transactions went up to over 9,100, or five times higher than that at the end of 2006.

The boom of Vietnam's securities market in the period June 2006-2007 could be attributed to some reasons. First, the economy grew relatively rapidly, while the growth outlook remains bright due to better access to foreign export markets, surge in FDI flows, while the Government is expected to seriously implement WTO commitment. Second, the WTO accession is only one step in Vietnam's international economic integration and, thus, will further promote reforms and improvement in the investment environment and business environment, etc. Third, this is also the period with high international liquidity; foreign indirect investment inflows to Vietnam's securities market increased drastically as foreign investors were optimistic over the growth outlook of the economy. Finally, the process of equitising SOEs continued in this period, thereby broadening opportunities for investors (CIEM 2007).

However, between October 2007 and February 2009, the market tended to go down and even dropped sharply in 2008 (Figure 8). The downward trend continued until early 2009, and in February 2009, the VN-Index reached its trough, of only around 235. Total market capitalisation of 342 listed companies in two stock exchanges (HOSE and HASTC) at the end of 2008 equalled only 19 percent of GDP, as compared with the level of 43 percent of GDP in late 2007. Such a drop of securities market was due to the impact of tightened macroeconomic policies together with the global financial crisis which worsened production-business situation of firms and foreign investors therefore decided to divest. Meanwhile, the gold market was highly volatile with many 'rushes'.

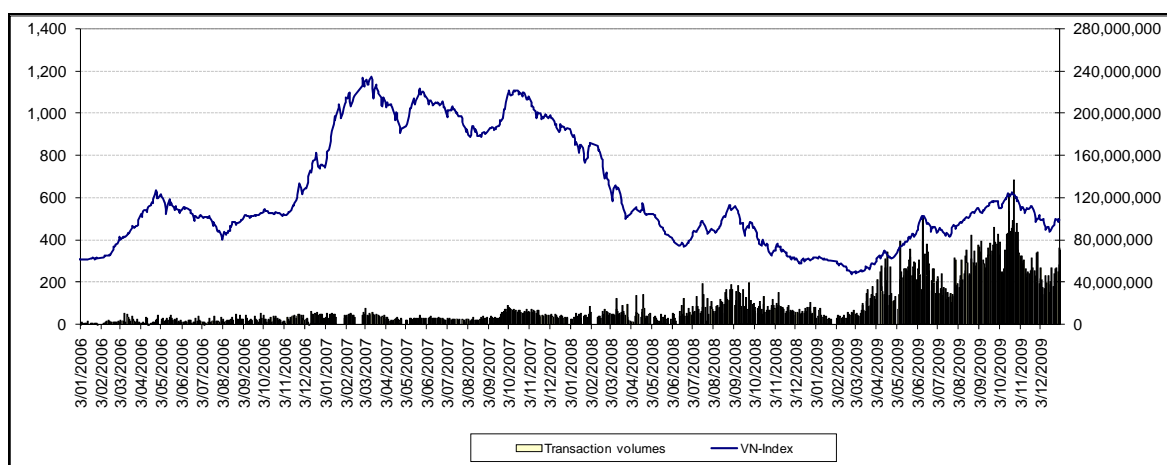
Apparently, this fall was not due only to the domestic economic environment, but more fundamentally to impacts of external factors (particularly the global financial crisis) – which became more evident in the post-WTO-accession period.

Table 31: Some Basic Indicators of the Security Market (December 2001 - December 2008)

<i>Indicator</i>	<i>Dec 2001</i>	<i>Dec 2005</i>	<i>Dec 2006</i>	<i>Dec 2007</i>	<i>Dec 08</i>	<i>Dec 2009</i>
Market capitalisation (% GDP)	0.3	1.1	22.8	43.0	19.0	55.0
VN-Index	235 Peak: 571	307	752	927 Peak: 1,170	315.6	494.77
HASTC-Index	..	91.3	243	324 Peak: 460	105.1	168.17
Number of listed companies	10	41	193	253	342	453
- HOSTC/HOSE	10	32	106	138	174	
- HASTC		9	87	115	168	
- UPCOM						10
Number of investment funds	0	1	3	4	4	4
Number of securities company	8	14	55	74	103	105
Number of investors' account	8,774	29,026	130,000	330,000	600,000	793,000
- Foreign institutions	71	257	400	500	351	571
- Foreign	0	427	1,650	9,100	3,227	11,807

Source: CIEM's compilations from various sources.

Figure 8: Movements of VN-Index, 2006-2009



Source: Website of Hochiminh Stock Exchange.

From the trough in February 2009 till the end of 2009, Vietnam's securities market recovered drastically, mainly led by personal investors and, then, by the participation of institutional

investors. However, the recovery was modest in relative term, particularly related to the decrease of VN-Index in the preceding year. At the end of 2009, the VN-Index stood at almost 495, increasing by 110 percent from the trough in February (235). This recovery of the securities market was mainly driven by the recovery of Vietnam's economy in particular and of the global economy in general, particularly of major trade and investment partners of Vietnam. More fundamentally, the economic stimulus of the Government in 2009 gradually produced positive impacts, while deeper integration also helped Vietnam's economy benefit more from global economic recovery.⁵³

Thus, apart from measures to promote financial market development, the international economic integration process along with foreign capital flows, particularly indirect ones, have been the key determinants of the development and/or fall of Vietnam's securities market in the post-WTO-accession period. On the contrary, the international economic integration process itself also reflects Vietnam's commitment to reforms, thereby enhancing the growth potential and attractiveness to foreign investors. However, in each period, whether the impact of deeper integration on securities market development is positive or negative also depends on changes in the external economic environment. The international economic context with high volatility and complicated movements over the past years apparently had both positive and negative impacts on the securities market. This trend is expected to continue, and may become even clearer, in the forthcoming years. In this respect, the role of an effective policy is to mitigate the negative impacts and promote the positive ones.

4.5. State Budget

In the years 2007-2009, Vietnam reduced import tariff to fulfil her WTO commitment. To control inflation in 2007, the Government lowered import tariff on some products such as automobiles, iron and steel, oil and petroleum, foodstuff, milk, etc. On the contrary, in 2008, import tariff of some non-essential consumer products were increased to control import (complete built-up unit automobiles, electronic appliances, gold, etc.), or to restrain export of raw materials (crude oil, coal, metal ores, etc.). In 2009, import tariff were hardly adjusted.

Unlike some *ex ante* projections of some studies assessing impact of WTO that custom revenues may fall, revenues from import and export taxes (mainly import tariff) went up rapidly in both 2007 and 2008, by 40.9 percent and 50.7 percent, respectively. This was due to the drastic

⁵³ In addition, the loosened monetary policy increased the volume of money injected into the economy in general and, through different channels, into the securities market in particular. The increase in securities market activities also resulted from various measures of securities to support their customers. For example, these companies increased financial leverages for customers, or permitting some customers to sell securities before T+3, thereby increasing capital turnover for investors. In 2009, besides, a number of large corporates such as Eximbank, Bao Viet, Vietcombank and Vietinbank were listed and helped increase market supply.

surges in import as well as in prices of some products such as coal, oil and petroleum products, iron and steel, fertilizer, etc.

In 2009, even with domestic hardship as well as impact of the global economic recession, revenues from trade continue to increase by over 18.5 percent, to almost 144 trillion VND (excluding returns of VA tax). Although this presents a positive impact on State Budget revenues, the net impact on macroeconomic stability was ambiguous as increasing import and trade deficit exacerbated pressures on the exchange rate, while there is no assessment of the increase in production capacity due to import.

Table 32 shows the structures of the State Budget in the years 2005-2009. As can be seen, Budget revenues were highly volatile. Till 2008, Budget revenues depend significantly on revenues from trade and on export of crude oil. Meanwhile, the tax reforms were in progress and had little effects, so the impact on Budget revenues has been modest.⁵⁴ The ratio of Budget revenues (as percentage of GDP) went down continuously in the three years of WTO membership, mainly due to the fall in crude oil prices and, accordingly, revenues from crude oil.

Table 32: Budget Structure, 2005-2009 (percent GDP)

	<i>Before WTO accession</i>		<i>After WTO accession</i>		
	2005	2006	2007	2008	2009
Total revenues	25.1	28.7	27.6	27.0	26.7
- Domestic revenues (excluding those from crude oil)	13.7	14.9	15.2	13.9	16.3
- Revenues from crude oil	6.6	8.6	6.7	6.8	3.6
- Revenues from trade	4.5	4.4	5.3	6.0	6.4
- Grants and financial reserves	0.3	0.8	0.4	0.3	0.4
Total expenditure	30.8	39.6	34.9	32.1	35.3
Of which: Development investment	8.8	9.1	9.8	8.0	10.9
Budget deficit	4.9	5.0	4.9	4.5	6.9

Note: Budget deficit also includes the amount carried-over from one year to another.

Source: Calculations from MPI data.

⁵⁴ In 2008, the National Assembly approved the Law on Personal Income Tax (in effect since 1st January 2009), the Law on Managing and Using State Assets, the Law on Compulsory Acquisition and Expropriation of Assets, Law on Value Added Tax, the Law on Corporate Income Tax (with a common tax rate of 25 percent, instead of 28 percent as levied previously).

Meanwhile, the pressures of increasing expenditures, including both recurrent expenditures and investment expenditures, particularly for infrastructure development, remained enormous. Budget deficit was thus very high, staying at about 5 percent of GDP till 2007. Even in 2008, although Vietnam tightened public investment to cope with macroeconomic stability, budget deficit still amounted to 4.5 percent of GDP (Table 32). Apart from the falls in revenues from trade and domestic revenues as trade, production and business activities decelerating under the impact of global economic recession since the last quarter of 2008, the fiscal stimulus via tax deduction and exemption and increasing expenditure (investment, see Table 33) widened the budget deficit to 6.9 percent in 2009.

Table 33: Vietnam's Economic Stimulus Package in 2009 (trillion VND)

	<i>Economic stimulus package proposed by the Government</i>	<i>Estimated costs related to the State Budget in 2009</i>
Deducting, exempting and rescheduling taxes (decrease in revenues)	25.4	20.0
<i>Corporate income tax</i>	10.4	9.9
<i>Personal income tax</i>	6.5	4.5
<i>VA tax</i>	7.4	4.5
<i>Excise tax and fees</i>	1.1	1.1
Additional Budget expenditures	117.6	45.0
<i>Interest rate subsidy</i>	17.0	
<i>Advancing budget of 2010 for some urgent projects</i>	37.2	26.0
<i>Government bonds carried over from 2008</i>	7.7	5.0
<i>Issuance of additional Government bonds</i>	20.0	14.0
<i>Investment expenditure carried over from 2008 to 2009</i>	22.5	
<i>Deferred retrieval of capital investment advanced in 2009</i>	3.4	
<i>Expenditures to ensure social security, etc.</i>	9.8	
Increase in loans from Vietnam Development Bank (compared with that in 2008)		7.1
Total values of economic stimulus package	143.0	72.1
As percentage of GDP	8.5	4.3

Source: Estimates of the World Bank (2009).

Thus, the pressures on increasing Budget expenditures in the post-WTO-accession became larger for some reasons. *First*, with insufficient participation of the private sector, Vietnam had to make more investment from the State Budget for infrastructure development. This is an important task to reduce the costs of production and business for enterprises, thereby enhancing growth potential for the economy. *Second*, Vietnam also had to allocate more Budget expenditures for socio-economic development programs such as improvement of human resources, scientific and

technological development, etc. to better grasp the opportunities from integration to promote domestic socio-economic development. *Finally*, macroeconomic instability and impact of the global financial crisis through different channels of international economic integration had significant impacts on the livelihood of the people, particularly the poor and near-poor ones. Accordingly, the State Budget had to allocate more expenditure for social security programs (Table 33).

In summary, the integration process in the years 2007-2009 had significant impact on both Budget revenues and expenditures. Budget revenues as percentage of GDP went down continuously due to greater dependence upon domestic revenues, while revenues fell as a consequence of the global financial crisis. Meanwhile, Budget expenditure increased drastically to improve the capacity to take advantage of integration-induced opportunities, and simultaneously to mitigate negative impacts of integration on social security. This tendency is expected to prevail in the forthcoming years. However, the impact of integration on State Budget in the past three years will be a good experience for Vietnam in implementing more effective fiscal and monetary policies in the forthcoming years – when the integration process continues in the context of uncertainty in the world economy.

5.1. Major Achievements and Issues in Maintaining Macroeconomic Stability

The years 2007-2009 witnessed the participation of Vietnam in WTO, with complicated developments in the global economic context under the impacts of the global financial crisis and economic recession, as well as impacts of policies for economic restructuring in various countries. These external economic issues also interacted with the inherent ones of Vietnam's economy, particularly as the country's international economic integration continued to accelerate. The analysis in this sub-section shows that the impacts on macroeconomic stability in Vietnam after three years of WTO membership were rather complicated and, in such a context, the policy responses had certain achievements and remaining issues.

4.5.1. Achievements

First, macroeconomic stability facilitated high and stable economic growth in the period from early 2007 to the mid-2008. Thanks to macroeconomic stability, particularly in the years before WTO accession, the relevant (price) signal to efficient allocation of resources (particularly labour, capital, land) was maintained. Nevertheless, this achievement mainly stems from the country's prolonged over-emphasis on high economic growth (even before WTO accession), without flexible change to the priority given to the target of ensuring macroeconomic stability.

Second, together with high growth potential, the maintenance of macroeconomic stability in 2007, and in the second half of 2009 strengthened foreign investors' confidence in Vietnam's

economy. Therefore, foreign investment increased considerably in the period from 2007 to early 2008, as well as in the second half of 2009. It should be noted that capital flows into Vietnam embody importance not only in terms of supply of capital, but also regarding transfer of technology, managerial skills and training – essential factors to Vietnam. In this respect, Vietnam benefited to a significant extent from the positive impacts of integration.

Third, the effectiveness of macroeconomic policy management has been significantly improved. The macroeconomic instability, particularly high inflation, in the mid-2008, compelled policymakers and policy think-tanks to acknowledge *more seriously* the severe impacts (and persisting risks) of expansionary macroeconomic policy to sustain high growth over a long period. More fundamentally, the trade-off between economic growth and inflation has been recognised, albeit not explicitly.

Such serious acknowledgement of the risks to and the role of macroeconomic stability made way for more relevant policy responses. Facing high inflation in the mid-2008, the Government undertook various measures to dampen inflationary pressure⁵⁵. Notably, the importance of macroeconomic stability and the flexibility of the target were acknowledged seriously. As a result, in the 4th quarter of 2008, when the impacts of the global financial crisis and economic recession became more apparent, the Government changed policy priority to stimulation of economic growth. In the second half of 2009, as economic growth seemed to recover thanks to impacts of expansionary monetary policy and fiscal stimulus package, the Government again considered measures to prevent high inflation.

4.5.2. Remaining Issues

Despite the above achievements in 2007-2009, issues still remain in Vietnam's attempts to maintain macroeconomic stability. The importance of macroeconomic stability is acknowledged *more seriously*, but still *less than appropriately*. The focus on high and stable economic growth driven largely by investment, particularly public investment, led to higher pressures on State Budget deficit and macroeconomic instability. Together with the policy inadequacy, this exacerbates the pressure on macroeconomic instability over the past years.

Given current conditions and export competitiveness, Vietnam's crawling-peg exchange rate regime reflects the *inadequate* attention to the target of macroeconomic stability. Trade deficit prevails, showing that the crawling peg regime will no longer help promote export significantly if it is not accompanied by other medium and long-term measures to improve export competitiveness of Vietnam's goods.

⁵⁵ and also supported by the fall in world prices.

Besides, the maintenance of macroeconomic stability in particular and macroeconomic policy management in general fails to make effective use of information from analysis and forecast. Therefore, macroeconomic management embodied no substance of macroeconomic risk mitigation (except in the last quarter of 2009), but instead relied on quick response when inflation was *already* high and problematic. Slow policy response to address macroeconomic instability created more severe impacts on the economy. Apparently, policy responses usually need certain time period to produce impacts on the economy. Thus, as policy response was adopted only after macroeconomic instability became evident, the severity of the impacts would increase in line with the length of the above time period.

Besides, the relatively large stimulus package (Table 33) increased the State Budget deficit to around 6.9 percent GDP in 2009. Public debt amounted to nearly 41.9 percent, narrowing the room for the Government to borrow in the forthcoming years. This is also a key challenge if economic recovery follows a double-bottom (i.e. W-shaped) pattern, even if this comes at a tiny probability. While interest subsidy schemes facilitated credit expansion, in addition, this created doubt about the possibility of rising bad debts in 2010 as the difficulty in controlling speculative capital flows into financial market and real estate market prevails (Vo Tri Thanh and Nguyen Anh Duong 2009b).

Finally, the coordination of macroeconomic policy has been inadequate. Fiscal and monetary policies fail to cooperate effectively to serve a common goal. For instance, prior to the burst of macroeconomic instability in 2008, fiscal policy gave more priority to increase public investment to sustain high and continuous growth, though monetary policy was tightened in certain times to control inflation. In another aspect, macroeconomic stabilisation under the impacts of integration also faces enormous challenges from domestic price reform. Specifically, the relaxation of State control over prices of some key products mainly sought to enhance the room to adjust (increase) prices for enterprises, without adequate consideration of market structure or the context of high inflationary pressure. Apparently, price liberalisation is a necessary measure in the long-term to facilitate efficient resource allocation. Yet it should be undertaken in a flexible manner, with accountability in certain times to mitigate the unfavourable impacts on macroeconomic stability.

5. SOCIAL IMPACTS

5.1. Labour and Employment

One of the biggest expectations prior to WTO accession was rapid and positive movement of labour market thanks to export expansion and FDI inflow into Vietnam. However, those impacts on labour and employment have not been as expected during the past three years.

5.1.1. Labour Force

5.1.1.1. *Positive Impacts*

During 2007-2009, labour force has a rapid increase, on average of 2.6 percent (or equivalent to 1,185 thousand people/year),⁵⁶ even though the growth rate is lower than that of the five previous years (at 2.7 percent), the new labourers is higher.

The economic active participation has rapidly increased, from 70.3 percent in 2006 to 76.4 percent in 2009. In particular, the economic active participation in the rural areas has increased 7 percentage point after three years, reaching 80.6 percent in 2009 (Figure 9). More details are needed to identify the contribution of international economic integration to the results, however, with the significant increase of labour participation since 2007 and the implementation of WTO commitments resulting in policy changes, it can be said that WTO accession has important impacts on those figures. It can be reflected by the high economic growth rate, at its peak in 2007, and high investment in 2007, leading to high employment demand.⁵⁷

5.1.1.2. *Impacts not as Expected*

In addition to the above-mentioned positive impacts, a number of developments have not been as expected. International economic integration has not contributed to structural shift in a right direction, and there is disadvantage disorder in the labour composition by region.⁵⁸ The northern

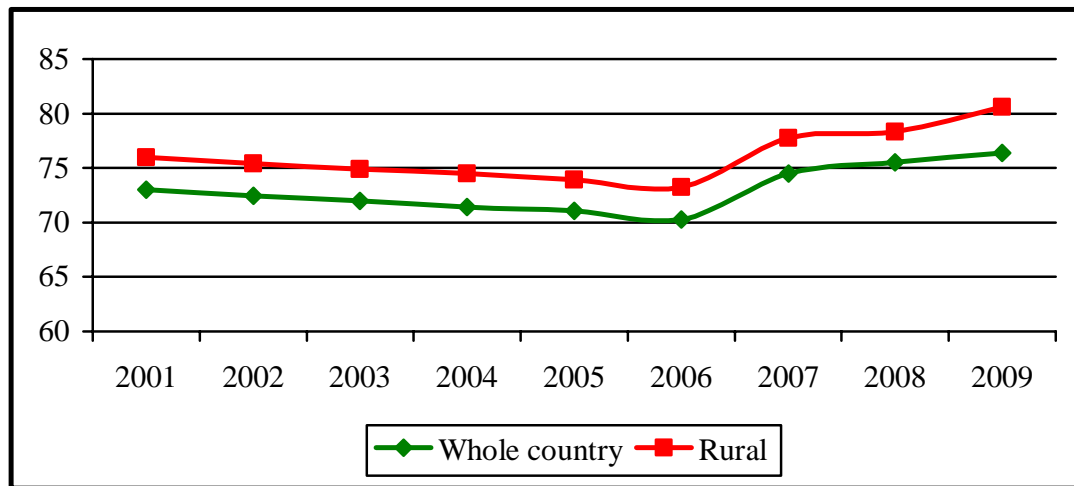
⁵⁶ As of the 1st April 2009, the timing of the Population Census, there are 49.1 million people above 15 years old participating in the labor force, accounting for 57.3 percent of the population, including 47.6 people employed and 1.5 people unemployed.

⁵⁷ The participation of labor market, to some economists, can be one of solutions to coping with income reduction in the case of economic crisis.

⁵⁸ Source: Data for 2009 based on the Population Census in 2009; previous data based on Labour and Employment Survey by MOLISA and GSO. For the time being, there are different and inconsistent between the two sources.

labour force has increased both in the quantity and share, while in the south, especially the South East region, where a lot of industrial parks and processing zones locate, is facing a shortage of long-term labour force because there is a movement back to rural areas of migrant workers.⁵⁹ One of the reasons is the low salary paid by southern enterprises, which is lower than their living standard.

Figure 9: Proportion of Economically Active Population above 15 Years Old, 2001-2009 (percent)



Large areas continue to maintain a low rate of labour participation⁶⁰; the distribution of labour has not taken the advantage of land into effect, created employment, and created a movement of labour from rural to urban areas.

⁵⁹ Labor force in Red River Delta has significantly increased, from 12.5 percent in 2006 to 22.6 percent in 2009 (more than 10 percentage point), being the highest in the nationwide. The Northern Central and Central Coastal experiences the modest increase of labour, but significant rise of structure, increasing by nearly 5 percentage point, reaching 21.5 percent in 2009, ranking the second in the nationwide. The Southern area also has significant increase of quantity and structure, but in the reverse trend. The Mekong River Delta, where is abundant of labour, has reduced sharply, from 16.8 million in 2006 to above 10 million in 2009. The region has always maintained the highest number of labor (over 30.3 percent in 2006, slight reduction in 2007-2009, and significant decrease in 2009, only accounting for 20.4 percent of total labor). The number of labor in South East region has rose up after two year of integration, but sharply reduced in 2009; therefore, the share of this region has reduced from 17.2 percent in 2006 to 15.9 percent in 2009. In spite of surprised trend, it reflects the inconsistent effect of population planning policies. The Northern region has increased much more than other regions in the South, creating disadvantage for employment creation and infrastructure.

⁶⁰ Midlands and Northern mountainous region account for only 13.8 percent of labor, Central Highlands account for 5.8 percent of the labor force.

5.1.1.3. *Remaining Issues*

The educational level has slowly improved and there have been some negative aspects,⁶¹ the gap of education has increased in spite of effects in universalisation of primary and secondary education.

With regards to technical and professional level, although there has been inconsistency in data sources, according to some experts, the quality of labour has been quickly improved prior to WTO accession, however it is not continuous.⁶² However, the performance of labour market three years after WTO accession has confirmed a big challenge of labour quality: low skill labour has been high, and skilled labour is limited, while skilful labour has not met its demand, especially in electronic, manufacturing mechanic, electricity, oil and gas sectors. There has been a development of high skilled labour, which is above college and university, with a slightly increase from 5.7 percent in 2006 to 6.8 percent in 2009 due to excess demand as compared to its supply.

5.1.2. *Employment*

During the first two years of WTO accession, the international economic integration has facilitated the creation of employment, even not as expected, to relax the pressure of employment. During 2001-2006, on average, the employment increases by 1.03 million per year. During the integration period of 2007-2009, the average growth is at 1.03 million. However, in 2009, due to economic crisis, the employment growth has been at 375 thousand people as compared to that of 1.13 million people in 2008.⁶³

The proportion of female labour has been on descending trend, from 49.3 percent in 2007 to 48 percent in 2009, reflecting the descending trend of birth of baby girls.⁶⁴ In 2007-2009, the growth rate of female labour has been significantly low and much lower than that of prior to WTO accession.⁶⁵ However, the female labour proportion is much higher as compared to that of the whole country, approximately 97-98 percent, even it is on the decrease.

Labour structure shift by three main economic industries has some notable movement. The share of agricultural labour has been significant increase in 2009 as there has been sharp decrease of

⁶¹ It is notable that the illiteracy and graduation from primary schools of the whole country and rural areas has been slightly increased during 2007-2009, and the graduation of secondary level has been on the increase.

⁶² According to Ministry of Labour, Invalids and Social Affairs' (MOLISA) data, the trained labor level has increase from 31.9 percent in 2006 to 34.8 percent in 2007. Since 2007, the Labor and Employment Survey has been carried out by GSO instead of MOLISA, the proportion of trained labor has been lower, accounting for 25 percent in 2007. One of the main reasons is the inconsistent definition and division of the two organisations.

⁶³ Data based on the Population Census 2009.

⁶⁴ Data based on Population Census 2009.

⁶⁵ This figure is not consistent with other sources, even though it is taken from the Population Census 2009.

labour in the industry, construction and partly in services sector when global financial crisis has affected to Vietnam.⁶⁶

By professional group, the WTO accession has offered training opportunities, especially for management, service and technical groups. This may also increase the inequality between those groups with others as training supply does not meet its demand.

It is notable that female labour has been dominant in low skilled industries⁶⁷, the share of female labour decrease as the technical and professional skills increase and attains the lowest in management group. However, there are a lot of opportunities for female labour to work in the foreign-invested sectors, showing the better chance for increasing income as compared to male group.

Roadmap for equitisation and Government commitments in this sector has narrowed down the number of state-owned enterprises. Labour in the state sector reduced from 4.84 million people in 2006 to 4.57 million people in 2009. As result, the share of state sector has reduced since WTO accession, from 10.6 percent in 2006 to 9.6 percent in 2009.

Together with its inflows, the FI sector has significant contribution to employment generation. The growth of employment in the FI sector has been high and in the tendency of increasing, from 14.0 percent in 2000-2006 to 16.4percent/year during the integration period, accounting for 3.4 percent of total employment in 2009. The FDI sector has gradually replaced state sector in creating high qualified labour. Moreover, the appearance of this sector has shifted rural labour to urban labour, particularly in processing zones, large industrial parks

The private sector has been slowly increased as compared to its growth rate. After 10 years, the number of labour has not been much increase, only accounted for 6-8 percent. In spite of rapid increase of about one million new jobs in 2007, the year 2008 experienced a reduction in labour because of financial crisis and it is gradually recovered in the beginning of 2009. The private sector is sensitive to external changes because of the small scope and weak performance.

The informal sector, including un-paid and self-employed households, has accounted for large share and continued to increase after WTO accession, although the growth is lower (1.3 percent compared to 2.5 percent). Particularly, this is considered to be the buffer zone for formal sector during the financial crisis, which leads to slow increase of unemployment. In 2009, the proportion of this sector is rather high, reaching about 80.3 percent.

⁶⁶ As at 2008, structural shift in labor force has been in good direction. The agricultural labor was reduced from 54.7 percent in 2006 to 47.7 percent in 2008. However, in 2009, according to the Population Census, it increased by 53.9 percent.

⁶⁷ About 44 percent female labor works in low skilled sectors (as compared to that of 36.9 of male labor).

5.2. Wage and Income

Nominal wage increases significantly, but growth is slow down. Although of significant fluctuation in the economy and employment, it is surprised that the living standard of both rural and urban areas has been improved.⁶⁸ The average income growth in 2002-2006 at comparable price is 11.2 percent per annum, peaking at 21.9 percent in 2006-2008, although slightly reduced in 2009⁶⁹, showing that the real income has been improved, especially for wage earners.

There has been increasing gap of high skilled labour and low skilled ones. Wages of high skilled labour has increase rapidly, of which, the technical worker has experienced the highest growth of 30.2 percent/year; the managers, senior experts of 26.9 percent/year during 2006-2008. Notably, during this period, the salary growth of low skilled labour has not been much lower than other groups, at 17.0 percent. However, the absolute gap between the high and low skilled workers is on the increase⁷⁰, reflecting the shortage of skilful labour, especially managers, senior experts and technical workers.

Although salary by gender has been narrowed down, it is still low for female group. Most of female labour has low wages, equivalent to 70-85 percent of male group at the same qualification. It is notable that the gap between skilful and unskilful labour has increase in both male and female group, however, the gap is larger in male group, leading to the bigger increasing gap between male and female in the high skill group.

By ownership, the wage trend in 2002-2006 has slowly fluctuated; the lowest (both at amount and growth rate) group is household sector (7 percent per year). The FI and SOE sector always experienced the highest wages. During this period, the difference between the lowest and the highest group has decreasing trend, from 1.81 times in 2002 to 1.75 times in 2006.

However, during the post accession period, the salary of collective and state sector has increased significantly, attaining 33.3 percent per annum and 23.3 percent per annum respectively. In 2008, the average monthly salary in the state sector has overcome that of the FDI sector, at 2.2 million VND per person, increasing by 9.3 times as compared to that of 2006. The gap, in comparison with household sector, is on the increase, about 1.82 times. The FDI sector has lowest increase, reflecting one of the reasons that resulted in strikes in this sector.

⁶⁸ Reasons include the adjustment of minimum wage, increasing by 16.5 percent in 2002-2006 and 13.0 percent in (from 210 thousand VND in 2001 to 290 thousand VND in 2004, from 350 thousand VND in 2005 to 450 thousand VND in 2006, 540 thousand VND in 2008, 650 thousand VND in 2009) as well as the implementation of agricultural and rural development programs, and the job creation and poverty alleviation programs.

⁶⁹ During the period 2002-2006, the CPI remains low (under 9.5 percent) as compared to that of other years 2007 (12.63 percent), 2008 (23 percent) and 2009 (6.5 percent).

⁷⁰ The gap increases quickly from 2.2 times in 2002, reduces by 2.0 times in 2004, again increases rapidly to 2.3 times in 2006 and 2.7 times in 2008 as the wage of manager group has gone up at higher growth and the average wage is higher with unskill labor.

Income of labour on agriculture and forestry has not increased. Labour in agriculture and forestry sector has the lowest income and has the tendency of falling behind with other industries, which are on the increase⁷¹ (except fishery that has good income and high growth rate). Social industries (such as education, health care and social activities...) has lower growth rate than production, processing and construction.

5.3. Unemployment

5.3.1. Scope and Composition of Unemployment

In 2007, shortly after joining WTO, the number of unemployment was 1.030.346, decreasing by 155 people as compared to that of 2006. However, this number has increased dramatically in subsequent years. In 2008, it went up by 59.000 people. In 2009, there were 1.509.596 people unemployed with added 420.000 from 2008. Job losers in the late 2008 and 2009 are mainly from exporting garments, footwear, and handicrafts enterprises. During 2007-2009, the total number of unemployment has increased by 160,000 people per year, equivalent to 13.6 percent per annum, reflecting the volatility in the economy, especially during financial crisis.

In comparison with the first two years of post WTO accession (2007-2008, prior to financial crisis) and the past two years prior to WTO accession (2005-2006), the overall situation has been improved, the unemployment rate has remained 2.8 percent per annum, much lower than that of previous years of 5.5 percent per annum. It shows that as the world economy develops soundly, integration has a positive impact on creating jobs and reducing unemployment rate.

Notably, the benefits of integration have not had spill-over effect on rural labours. Therefore, the number of unemployment in rural areas still jumped up in the first year of WTO accession even the overall situation has been improved. The reasons include job has been mostly created in the urban areas in existing enterprises; therefore the overall unemployment has been improved due to sharply decrease of unemployment in urban areas. Newly launched projects, which are in the initial construction stage, have created jobs only for construction industry, but not for other industries and services as well as having negative impacts on farmers whose land have been taken. Another reason may be the difficulty of rural labour in finding a job in the urban areas because of poor skills. Those are the reasons explaining high and increasing unemployment rate in rural areas in 2007.

⁷¹ Till 2006, the income level of the highest-paid industries (mining and exploitation) is 2.4 times compared to that of the agriculture-forestry-fishery sector. In the post-WTO period, the gap has increased to 2.9 times.

Table 34: Unemployment, 2001-2009

Year	Whole country		Rural		Urban		% female	% rural
	Overall	Female	Overall	Female	Overall	Female		
Unemployment (people)								
2001	1,107,437	649,568	602,069	379,623	505,368	269,945	58.66	54.37
2002	871,038	473,006	295,914	155,092	575,124	317,914	54.30	33.97
2003	949,008	546,571	378,378	208,775	570,630	337,796	57.59	39.87
2004	926,423	516,579	351,840	191,621	574,583	324,958	55.76	37.98
2005	929,693	484,643	360,618	176,234	569,075	308,409	52.13	38.79
2006	1,030,501	493,831	440,262	195,707	590,239	298,124	47.92	42.72
2007	1,030,346	484,003	506,626	232,225	523,720	251,778	46.97	49.17
2008	1,089,576	605,495	513,678	307,507	575,898	297,988	55.57	47.14
2009	1,509,596	690,483	877,531	390,838	632,065	299,645	45.74	58.13
Average growth rate (%)								
2001-2006	2.56	2.83	5.28	4.12	0.81	2.04		
2005-2006	5.47	-2.23	11.86	1.06	1.35	-4.22		
2007-2008	2.83	10.73	8.02	25.35	-1.22	-0.02		
2007-2009	13.57	11.82	25.85	25.93	2.31	0.17		

Source: GSO, Population Census 2009.

By the end of 2008, the job losers in the processing sector have returned to agriculture sector and the tendency becomes more popular in 2009. Although it may be a temporary situation, the labour intensity in agriculture has created other social issues, such as unemployment and poverty.

The first year joining WTO has positive impacts on women when female unemployment reduced by nearly 10,000 people. However, in the two following years of 2008-2009, the number of female unemployment has increased dramatically, much more than the overall unemployment, up to 121 thousand people in 2008 and nearly 85,000 in 2009. It has resulted from the high level of female labour in manufacturing exported enterprises, which were influenced strongly by the financial crisis.

Similar to other countries, in Vietnam, young group accounts for high proportion in unemployment.⁷² This is a very tough issue, especially for those people uneducated in rural areas.

The share of unemployment in all age groups in urban areas is higher than that of the rural areas (except for the group of above 50 years old – that of the urban areas is 8.7 percentage point lower than that of the rural areas), showing that urban unemployment is one of the concerned

⁷² In 2009, out of over 1.5 million unemployment, the young unemployment (15-29 years old) has accounted for covered nearly a half (49.3 percent) as compared to the share of 37.5 percent of the total labor force.

There was over one third of unemployment graduating from secondary school, indicating the importance of linkage between education and employment. In Vietnam, the recent trend has demonstrated that the higher level of education, the more chance people could find suitable jobs, especially for bachelors.⁷³

5.3.2. Unemployment Rate

The overall unemployment rate in Vietnam is on the increase, especially after integration, reaching 2.9 percent in 2009⁷⁴. The rural unemployment rate has increased sharply, from 1.5 percent in 2006 to 2.2 percent in 2009, which can be the big challenge for job creation in the rural areas in the coming periods.

The female unemployment rate has increased significantly, from 2.2 percent in 2006 to 2.9 percent in 2009.

5.4. Poverty and Vulnerability

5.4.1. Progress of Poverty Reduction

Poverty alleviation has remained quite good and the living standard of people has been improved. According to the statistics, the average income per capita has increased from 416 USD in 2001 to 1,064 USD in 2009, Vietnam's economic development has been directed to the poor⁷⁵. As a result, the poverty rate in Vietnam has reduced from 17.2 percent in 2006 to 11.3 percent in 2009⁷⁶,

⁷³ According to Vietnam's Development Report 2007 of donors (2006), during the serious shortage time of skilled labors in Vietnam, the longer time for finding a job of educated young labors does not reflect the lack of job opportunities. A series of surveys showed that unemployment exists simultaneously with a wide range of job opportunities. One fifth of the interviewees on investment environment in 2005 states that the shortage of qualified workers has been the main obstacle and another one fifth believes that this is a significant obstacles. Lack of skills is a serious weakness in electronic industry. Result from the labor force survey by MOLISA shows that domestic firms also face similar challenges, especially the shortage of skillful craftsmen. Similarity, a study on foreign-invested enterprises reported that during 2001-2003, the labor replacing ratio is over 43 percent, the highest ratio is seen in textile and footwear.

⁷⁴ This is entirely consistent with the prediction of negative impacts of joining WTO and reflected the fluctuations of labor market in 2009 when a large number of workers in industrial zones or export processing zones lost their jobs.

⁷⁵ The Government has spent much efforts towards poverty alleviation. Job creation programs, poverty reduction programs, infrastructure programs for the poor have been created since 1996. Besides, some other programs has also had a direct impacts on employment, such as universalisation of primary education and the encouragement of SMEs development. In particularly, since 2008, the implementation of Resolution No. 30a/2008/NQ-CP dated 27/12/2008 on *Supporting program of fast and sustainable poverty alleviation* has reduced the average poverty rate of 61 poor districts from 47 percent in 2008 to 41.4 percent in 2009. Some provinces have basically moved out of poverty under the national standard and raised their new poverty level up to 2 to 3 times higher than that of the country.

⁷⁶ Data by MOLISA. There is small gap with data by GSO but in the same trend.

reaching the planned figure set out by the National Assembly and Government, of which North East 16.6 percent, North West 24.8 percent, Red River Delta 6.5 percent, Central North 18.1 percent, Central Coastal 12 percent, Central Highlands 13.3 percent, South East 3.6 percent, Mekong Delta 8.7 percent.

Table 35: Poverty Reduction in 2001-2009

	<i>Year</i>	<i>Total households</i>	<i>Poor households</i>	<i>Poverty rate (%)</i>
Prior to WTO accession	2001	16,764,928	2,330,461	13.9
	2002	17,002,762	1,940,655	11.4
	2003	17,510,749	1,540,572	8.8
	2004	17,735,994	1,213,770	6.8
	2005	17,767,666	927,994	5.2
	2005	17,476,468	3,899,000	22.3
Post WTO accession	2006	18,241,167	3,141,129	17.2
	2007	18,475,930	2,737,688	14.8
	2008	18,598,052	2,436,345	13.1
	2009	18,873,749	2,132,734	11.3

Source: MOLISA.

This achievement has resulted from the implementation of poverty alleviation strategy with a series of programs, such as job creation, infrastructure construction, health care, education, vocational training, housing and land, credit for the poor... The fact shows that the gap of development among regions in Vietnam – an undesired effect of international economic integration – has been adjusted through the transfer of Government budget as well as supplementary expenditure for poor provinces.

5.4.2. Vulnerability

Vulnerability has been on the increase. In spite of new opportunities created through WTO accession, the income gap among groups has been widening. Currently, there are three poor groups (covering 60 percent of total poor in Vietnam): (i) The poor in coastal areas, the Red River Delta and Mekong River Delta; (ii) The poor in mountainous areas (including Northern and Central Highlands); and (iii) The poor in urban areas and migrant labours⁷⁷. In the international economic

⁷⁷ The majority in the first group is farmers. The process of urbanisation, land sales and other reasons have exacerbated the shortage of land. One of challenges is the effect of natural disasters and the difficulties in accessing basic social services. Therefore, non-agricultural employment is one of main solutions. The second group have little access to resources, such as forest, irrigating system, credit, technology, healthcare and education. Women, children and ethnic minorities cover the majority in this group. In 2004, the poverty rate of ethnic minorities is 61 percent. Especially, only 4 percent of ethnic minorities has possessed restrooms and 19 percent accessed to pure water. For the remaining, it is 36 percent and 63 percent, respectively. Most of the third group has the low level of education and technical, working in

integration period of 2007-2009, the poor has particularly become vulnerable due to their low levels of education and the weak adaptability to new technology. They were often in the first lists of “redundant workers and being required to change jobs” because of the adoption of new technologies.

Specifically, the new poor group can be appeared from economic shocks, scarcity and limitation of resource (land), losing good job (for workers in equitised companies and exporting industries with the high rate of technology innovation). The number of households in rural areas, especially in ethnic minority groups, still accounts for a large proportion of the poor. Most of the poor possess low skills and lack of resources, therefore, they need to sell their land and move to urban and suburb areas, where they cannot access to fundamental social services and be the victims of crime and environmental degradation becomes uncontrollable. This is one of the new challenges for hunger eradication and poverty alleviation in Vietnam.

Additionally, the poor encounter more difficulties in dealing with risks because they lack of defensive capabilities (most of them have no chance to participate in the social safety network). This situation is similar to that of the HIV/AIDS infected group (in which women and children mainly in the exposed groups) and the international trafficking victims.

The continued economic modernisation is often associated with infrastructure development in urban areas. In one hand, it can provide long-term benefits. In the other hand, it makes people who lose their land for infrastructure become more vulnerable because they are unable to join the labour market.

5.5. Industrial Relationship

Disputes and strikes have tended to increase significantly since 2006, and sharply in 2007 and 2008, mostly in foreign-invested enterprises (accounting for 54 percent the total strikes in 2000 and reaching to 81 percent in 2008)⁷⁸. Numbers of strike are mostly in the provinces with the high growth of industrialisation, industrial parks and developed enterprises. They also happens in key economic zone in the South (in 2008: Dong Nai-23.2 percent, Ho Chi Minh City-23 percent, Binh Duong-17.6percent), in labour intensive enterprises, particularly in textile companies (accounting for 40 percent in 2008). In 2008, there are 720 strikes, 4.7 times higher than that of 2005 and 10

low-paid sectors, and being unable to access public social services in urban areas (Institute of Labour Science and Social Affairs (ILSSA) 2007).

⁷⁸ Source: Data by MOLISA.

times higher than that of 2000, in the whole country.⁷⁹ However in 2009, the number of strikes reduced strongly to only 216 cases.⁸⁰

In the integration process, there have been many challenges in setting up sound relationships to protect the benefits of both employers and employees.⁸¹ The new legal framework has formed slowly. The collective agreements have not kept pace with the rapid change in the labour market. The unions meet a lot of difficulties in ensuring the rights of workers, particularly with the agreement of wages, salaries and working conditions. The mechanism of wage negotiation, with two parties at enterprise and sector level, and third parties at macro level has not been formed (despite the decision of the Government to establish a Tripartite Committee of Industrial Relations under MOLISA).

5.6. New Legal Framework of Labour Standards

Globalisation has brought about power to international customers and challenges to the roles of unions and national regulatory framework, including the demand for new international legal framework (such as the terms of labour standards in bilateral agreements). A series of new legal framework has appeared at the global level with the specific regulations of labour standards.⁸²

⁷⁹ The main reason is that disputes often ignore the negotiation and discussion, coming straight to strikes. Currently, Vietnam still has an advantage of labor-intensive with low skill, which appears to be an attractive place for investment in clothing, footwear, furniture, electronics, fish processing industries. With this feature, the industries have recently witnessed issues in labor relation. The initial cause of conflicts and strikes is the improper implementation of agreements with workers by employers. They even violate the labor regulation in delaying the payment of wages (more than 80 percent the strikes to demand higher wages or wage paid on time), and increasing the working hours beyond the provisions of law. These strikes have recently occurred quite often. Although their purpose is to protect the legitimate rights of workers, they happen spontaneous and inconsistent with the procedures and legal process, making the labor relation becomes complex, unstable, and having negative impact on the investment environment.

⁸⁰ There have been many reasons for the sharp decrease in strikes as compared to those of 2008: (i) the impact of economic crisis has led to the reduction of production and even close-down; (ii) the activity of unions has positive changes; (iii) firms have gained a lot of experience over the previous spontaneous strikes.

⁸¹ Challenges in labor relationship include: (i) The partnership based on communication, discussion, consultancy and negotiation between employers and employees has not been conventional, especially in the private sector (ii) No collective agreements at association and sector level, (iii) Lack of willingness to negotiate, waiting for the state agencies to resolve conflicts, (iv) The participation of partners in bilateral, tripartite relationships of labor market, (v) The Labor Relation Commission has been established but the location, roles, functions, duties, and organisation has not yet been proper; and (vi) limited awareness, focusing on “fighting” (preventing and resolving strikes), ignoring building sound relations with collective agreements.

⁸² According to the ILO (2004: 16).

5.6.1. The Necessity of Complying with International Standards

In addition to the implementation of WTO commitments, Vietnam must comply with the technical barriers set by developed countries, such as the standards of hygiene, food safety and labour standards.⁸³

5.6.2. Public Framework

In the international economic integration, one of the requirements is the approval of International Labour Organization's (ILO) conventions of labour standards. The level of commitments in Vietnam is still very low (Table 36).

5.6.3. Private Frameworks

The private framework includes sets of labour standards, such as basic contents of Corporate Social Responsibility (CSR), the agreements between trans-national corporations (TNC) with global labour unions, and etc.

⁸³ As an developing country with low income and being considered as non-market economy within 12 years since applying to join WTO, the implementation of those standards is not easy. There are various examples, including anti-dumping investigations, returning of seafood containers due to the poor hygiene and safety; unaccepted textile products due to violation of labor standards. In these industries, workers may lose their jobs and cause social issues.

Table 36: The ILO Approved Conventions

Nation	Convention of freedom of association and collective labour agreement		Removal of means of exploitation and force		Removal of discrimination in employment and profession		Removal of child labour	
	C. 87 ^a	C. 98 ^b	C. 29 ^c	C. 105 ^d	C. 100 ^e	C. 111 ^f	C. 138 ^g	C. 182 ^h
Bangladesh	x	x	x	x	x	x		x
Cambodia	x	x	x	x	x	x	x	x
China					x	x	x	x
India	x	x	x	x	x	x	x	x
Indonesia	x	x	x	x	x	x	x	x
Japan	x	x	x		x		x	x
North Korea					x	x	x	x
Laos			x				x	x
Malaysia		x	x		x		x	x
Mongolia	x	x	x	x	x	x	x	x
Myanmar	x		x					
Pakistan	x	x	x	x	x	x		x
Philippines	x	x	x	x	x	x	x	x
Singapore		x	x		x		x	x
Sri-Lanka	x	x	x	x	x	x	x	x
Thailand			x	x	x		X	x
Vietnam					x	x	X	x

Source: International Labour Organization (2006).

Note:

^a Convention of freedom of association and protection of rights to establishing organisations (1948).

^b Convention of rights to arrangement and signing collective labour contract (1949).

^c Convention against forcing labour (1930).

^d Convention of removal of forcing labour (1957).

^e Convention of equal employment (1951).

^f Convention of protecting discrimination against employment and profession (1958).

^g Convention of minimum working age (1973).

^h Convention of forms of bad jobs for child labour (1999).

Box 3: Implementing the Corporate Social Responsibility

New Rules of a New game for Exporters

In the integration process, Vietnamese enterprises are increasingly required to comply with labour regulations by foreign partners. These requests, for the purpose of adopting CSR, are often expressed as a Code of Conducts (CoCs), including 10 basic terms related to labour rules in working station to make details on the requirement of CSR in international trade, such as child labours, forcing labours, anti-discrimination, health and safety, working time, rest, remuneration, rights to joint unions and collective labour agreements.

With regards to positive impacts, the CoCs are mainly proposed by TNC and/or foreign retailers, based on the voluntary of two parties, relying on the regulatory framework of the host countries, therefore for newly established enterprises, who are able to meet the technological requirements and labour organisations, it leads to the certain results of economic, environmental and social aspects. Currently, the CoCs are only *applied in export-manufacturing companies*, under the requirements of specific trading partners.

However, there still exist many controversial disputes on the real purposes of CoCs. Some argued that the implementation of CSR has been adopted for different purposes by different social groups, such as the protection of domestic products, political goals and other economic targets, which may have negative impacts for developing countries. In other words, CSR is the linkage between environmental and labour issues (as well as corruption, HIV/ AIDS, etc.) with international trade.

Moreover, once enterprise is committed to a CoC, it means that firm (supplier or outsourcer) has adopted two things: *Firstly*, it commits to implement all the requirements in CoCs (even with certificates); and *Secondly*, the committed enterprise is set under the supervision, assessment and monitoring of buyers (for CoC group 1) or the third party (for CoC group 2)

The problem is that some provisions of CoCs are contrast to the law of Vietnam, such as the freedom of association (SA 8000); therefore, if the firms commit to CoCs, they will violate Vietnam's regulation. Besides, getting certificates are costly and firms having a lot of trading partners need to get various certificates because trading partners do not adopt the CoCs of others.

Therefore, understanding the advantages, disadvantages as well as the traps in the implementation of trading partners' demands is one of challenges of all enterprises.

Source: ILSSA (2003); ILSSA and World Bank (2003).

6. IMPACTS ON THE ECONOMIC INSTITUTIONS

Joining WTO has imposed significant impacts on economic institutions in Vietnam, reflecting in (i) continuous development and improvement of the *legal framework*, (ii) enhanced *organisational structures* in implementing and governing economic activities; and (iii) continuous formulation and improvement of the *policy implementation arrangements*, including administrative procedures and process, implementation instruments... to promote a fairly competitive business environment and ensure that the government would give only minimally necessary interventions to address the market failures.

6.1. Legal Framework Improvement

Joining WTO has imposed positive impacts on the legal framework in Vietnam. One of the directions for improving the legal framework through new issuance or adjustment of the current legal document is to fulfil the commitments made before joining WTO, as well as, creating the conditions for Vietnam to be a market economy.

The strongest efforts on legal framework improvement is to institutionalise the commitments taken by the government for global integration, creating a sound competitive and transparent environment for market development, to reduce the interventions into markets made by the Government through price controlling, resources division, ownership, property protection and fighting against monopoly.

6.1.1. Positive Impacts

6.1.1.1. Business Environment and Competition

To locally legalise the WTO commitments and to build a market economy, before joining WTO and for 2007-2009 period, a series of legal documents have been issued, resulting in improving the transparency in business environment, reducing time, efforts and transaction costs born upon a business by administrative operations. For example, the Decree, guiding on implementation of the Law on Enterprises 2005⁸⁴ defines in details the list of industries to be

⁸⁴ Decree No. 109/2007/ND-CP, Guiding the transforming SOEs with 100 percent of state ownership into shareholding companies Decree No. 139/2007/ND-CP, Guiding the implementation of some articles in the Law on Enterprises, Decree No. 109/2008/ND-CP Regulating sale and handover of enterprises with 100 percent state ownership;

forbidden or allowed to do business with limits or conditionality, the list of districts and communes where incentives are given to investors⁸⁵. According to this Decree the requirements for operational permit raised by many ministries/government agencies to enterprises before has been removed and investors become clearer in selecting areas, industries and locations for investment.

One of the provisions making high contribution to address lots of difficulties to legal entities, especially foreign investors, is the regulation on the rights to capital subscription and purchasing shares.

Thank to the clear regulation on business entry, the establishment of a business becomes easier, reflected in the evaluation of International Financial Corporation (IFC) on business entry indicators, which has been deteriorated from 99 of 155 ranked countries in 2005 to 104 of 175 ranked in 2006, but improved to be 91 of 178 countries in 2007, and after that to 92 of 181 countries in 2008 and 93 of 183 country in 2009.⁸⁶

The regulation on business exit has also been improved with the issuance of the Decree 114/2008/NĐ-CP, Guiding the implementation of some articles of the Law on bankruptcy 2004 to the businesses in insurance, security and other financial subsectors and the Decree 05/2010/ND-CP, Guiding the implementation of some articles of the Law on bankruptcy 2004 to the businesses in banking sector.

The business environment has become more soundly competitive and fair between SOEs and non- SOEs and between the domestic and foreign enterprises. Private and FDI enterprises has got more freedom thank to the clear and fair provisions on business entry and exit and business operations⁸⁷.

The government has issued various new or amended legal documents, like the Decree on BOT, BT and BOO⁸⁸, the Decree on Construction and Investment management, the amended Decree to guide the implementation of the Law on Enterprises, to attract domestic and foreign investment into infrastructure and business development to create a competitive business environment to reduce the monopoly owned by the big groups of state businesses as so far.

⁸⁵ See the Law on Enterprises 2005, Decree No. 139/2007/ND-CP, the Investment Law and Decree No. 108/2006/ND-CP.

⁸⁶ IFC, Doing business in Vietnam, 2008, 2009, 2010 and Doing business 2006, 2007.

⁸⁷ Law on Enterprises, Law on State Bank of Vietnam, Law on Credit institutions, Investment Law, Law on Bankruptcy, Ordinance on Economic Contracts, Decree No. 23/2007/ND-CP *Guiding the implementation of the Commercial Law...*

⁸⁸ Decree No. 78/2007/ND-CP Regulation on Investment in BOT, BT, BOO; Decree No. 108/2009/ND-CP Regulation on Investment in BOT, BT, BOO, replacing the Decree No. 78/2007/ND-CP. Circular No. 03/2009/TT-BKH Guidance on selection of investors in the projects with land acquisition.

The issuance of the Law on Procurement 2005 and continuously amended Decrees on guiding the implementation of the Law⁸⁹, according to which widely competitive bidding is the principle for all packages of public procurement (except some special cases the single source procurement can be applied) has reflected the efforts made the government of Vietnam to improving transparency and fairness in this area.

The high economic growth and big inflows of FDI to Vietnam for the first two years of joining WTO have been partly as the results of the improved institutional framework.

6.1.1.2. Markets Development

For the period 2007-2009, the legal framework has continued to be improved.

For commodity market, some barriers to goods trade have been removed. To protect consumers and to control imitation and clone of goods and irrational pricing, the draft Law on consumers' interest protection has been in preparation process to be submitted to the National Assembly in May 2010 for approval in October 2010. The Law would create the legal framework for protecting the interests of consumers in Vietnam. Before the Law issuance, a number of consumers protection related legal documents have been also issued in 2007 and 2008⁹⁰, creating the initial foundation for consumers' interest protection.

Thank to the improvement of the legal framework⁹¹ towards reducing monopoly, promoting the fair competition between economic sectors and the commitment to market opening, the insurance service market in Vietnam has been developed quite strongly for the past years with more active participation of private domestic and foreign investment sector.

To fulfil the commitments made when joining WTO in telecommunication sector, the Law on Telecommunication and Law on Posting have been drafting to be approved by the National Assembly in the Seventh session of the NATIONAL ASSEMBLY 12 in the mid-2010. The draft Law on Telecommunication has been prepared following the direction to create a fair business environment for both state-own and private investors in telecommunication development areas to mitigate the risks which may be suffered by public investors and improve the investment efficiency. With the improved legal framework the post and telecommunication markets have been quite

⁸⁹ Decree No. 111/2006/ND-CP, after that Decree No. 58/2008/ND-CP and the latest Decree No. 85/2009/ND-CP.

⁹⁰ Including: Law on Technical standards and specifications, Decree No. 127/2007/ND-CP *Guiding implementation of the Law on Technical Standards and Specifications*; Decree No. 167/2009/ND-CP Amending some articles of the Decree No. 127/2007/ND-CP issued on 1st August 2007, Decree No. 132/2008/ND-CP *Elaborating implementation of some articles of the Law on Product Quality*.

⁹¹ Including: Law on Insurance 2006, Decree No. 45/2007/ND-CP *Guiding implementation of the Law on Insurance Business* and Decree No. 41/2009/ND-CP issued on 5th May 2009 *Regulating administrative punishment in insurance business*.

strongly developed for the past time, moving from a monopoly market to a competitive market, enhancing new technology R&D, diversifying services, improving service quality and reducing production costs.

The legal framework for development of other markets, like education market, health care service market, construction market... have also been continuously improved⁹², attracting the participation of non-state sectors in delivering public services and enhancing the service quality accreditation. The issuance of the Law on Advertisement has been also a very important event, helping to enhance the development of goods and services markets.

The legal framework in banking and financial sector has been also adjusted and improved. The Decree No. 59/2009/ND-CP, on organisational structure and operations of commercial banks, has created the more fairly competitive business environment for state-own and private commercial banks, including domestic and foreign private commercial banks. The decree has stipulated clearly the provisions on establishment and operation of commercial banks, bank management, governance principles in banking sector, bank inspecting... One of the advancement relating to the regulation on bank management, stipulated in the Decree, is the provision on composition of Boards of stakeholders.⁹³

For the past three years, the legal framework on security has continued to be improved⁹⁴, making the security market an increasingly important capital channels for investment in Vietnam despite its young status.

The real estate market has become more active, partly due to the cleared regulation on land, housing and real estate.⁹⁵ The Land Law 2003, expected to be amended in 2010, has recognised the land use and transfer rights of private sector and the role of land use right in the economy. The Decree on land acquisition, compensation and resettlement has continuously amended. Recently, the Decree No. 69/2009/ND-CP⁹⁶ has added various new provisions on land pricing, land acquisition, compensation and resettlement, making the resettlement policies of Vietnam more fit to the international safeguards policies.

⁹² Law 44/2009/QH12, Law on amending and supplementing some articles of the Law on Education 2005, Law on Health Insurance 25/2008/QH 12, Law No- 34/2009/QH12, on amending and supplementing the article 126 of the Housing Law and article 121 of the Land Law...

⁹³ Article 16 of the Decree stipulates that: "At least ½ of the total number of the Board of Management must be independent members and the persons who are not from the enterprise management and at least two of them are independent. The Chairman of the Board of Management can be independent member. Individuals and their relatives or the representatives of the shareholders shouldn't be higher than 1/3 of the total number of the Board of Management (this is applied to joint-stock commercial banks only)".

⁹⁴ Including: Law on Securities, Decree No. 14/2007/ND-CP, Guiding the implementation of the Law on Securities, Decree No. 36/2007/ND-CP on administrative punishment in security areas and security market.

⁹⁵ Amended Housing Law 2009 and Law on Real Estate Business No 63, 2006.

⁹⁶ Decree No. 69/2009/ND-CP *Regulating land acquisition, compensation and resettlement*.

The Labour Code has been amended since 2007 with the issuance after that of a number of related legal documents, such as the Decrees on guiding the implementation of the Labour Code with regard to employment issue⁹⁷, in the area of regional minimal salary⁹⁸... According to the Labour Code, the salaries applied in private and state-owned enterprises and international organisations have been based on the negotiation between the employers and employees, provided that it is higher than the minimal salary and free labour mobility has been ensured.

To ease the labour mobility, the Law on Social Unemployment Insurance has been issued since 2008 with a number of by-laws issued after that. The Decree No. 127/2008/ND-CP defines the types of labour contracts and employments where workers are eligible to unemployment insurance, the workers' rights on unemployment insurance, the basic eligibility to file for unemployment insurance benefits, rate and duration of being qualified for unemployment compensation benefit, contribution to insurance and the provisions on unemployment insurance applied to the workers during job transfer period. It is clearly that the Law on Social Unemployment Insurance has facilitated labour mobility in Vietnam. The indicator measuring the difficulty in labour recruitment in 2007 has been strongly improved to the one in 2005 (at 18 from 51 in the range of 1-100).⁹⁹

6.1.1.3. Ownership and Control of the Government over Production Factors

Ownership and control of the government to the key production factors, as the one of the criteria for being recognised a market economy by the WTO, reflects the level and speed of SOEs equitisation, improvement of the legal framework towards ensuring and protecting private land use right, land ownership and property. The efforts made by Vietnam to be recognised as a market economy by the WTO have contributed to improvement of the legal framework on land and property ownership.

The Law on amending and supplementing some articles of the Law on Intellectual Property rights 2009 has added a new administrative punishment form to intellectual property violation, which imposed damages to authors and property owners. To meet the standards concerning the trade-related aspects of intellectual property rights (TRIPS agreement), the MOST has cooperated with other agencies in revising and improving the legal framework on intellectual property rights.¹⁰⁰

⁹⁷ Circular No. 39/2009/TT-BLDTBXH issued on 18th November 2009.

⁹⁸ Decree No. 28/2010/ND-CP issued on 25th March 2010, Decree No. 107/2010/ND-CP issued on 29th October 2010, Decree No. 108/2010/ND-CP issued on 29th October 2010.

⁹⁹ Source: World Bank and IFC (2006a, 2008).

¹⁰⁰ The draft Decrees have been prepared, including the draft Decree amending some articles of the Decree No. 103/2006/ND-CP *Guiding implementation of the Law on property rights in industry property area* and draft Decrees have been prepared, including the draft decree amending some articles of the Decree No. 105/2006/ND-CP *Guiding implementation of the Law on property rights in property rights protection and state management*.

According to the IFC the investors protection index has been 2.7 for all three years, 2007-2009, significantly increased compared to the one in 2006 (2.0). The time for intellectual property rights registration has been reduced from 67 days in 2006, 2007 to 57 days in 2008, 2009.¹⁰¹

The concept of the people' right on land defined in the Land Law may lead to the poor clarity in land ownership and various problems in identifying the rights on land, therefore, the Amended Land Law has been drafting to make the provisions on land ownership and land use rights more clear to protect the interests of all related stakeholders and the whole society.

6.1.2. Control over Resources Allocation and Pricing by the Government

Since joining the WTO, to fulfil the commitments to be a market economy, Vietnam has made big efforts to reduce the control over resources allocation and pricing by the government. The state management has been delegated and decentralised strongly to give a chance to people at grassroots level to participate in public resources allocation at local level. These delegation and decentralisation policies have been reflected in most of the newly issued or amended laws, decrees, decisions, like the Law on State Budget 2002.¹⁰²

Market-based pricing principle has been gradually applied to many types of public goods and services, like electricity, coal, water supply, petrol. To reduce the government's interventions into business activities, the banking interest rates have become floating since 14th April 2010.

To strengthen the role of monetary policies in state management, the Law on State Bank of Vietnam has been being amended to be submitted to the National Assembly by the end of 2010. The intended amendment includes the provisions on basic floating interest rate and market- based interest rate setting. The SBV will define and declare the refinancing interest and other regulated interests to run monetary policies. The draft Law on State Bank of Vietnam defines more clearly the responsibilities and mandates of the National Assembly, the Government and SBV in implementing the national monetary policies. The National Assembly will decide the indicative inflation rate and orientations for annual monetary policies. SBV will propose the inflation rate projections to submit to the government for submitting to the National Assembly for approval of the annual national monetary policy governing objectives and policy choices.

¹⁰¹ IFC, Doing business in Vietnam, 2008, 2009, 2010 and Doing business 2006, 2007.

¹⁰² Law on State Budget 2002, Law on Enterprises 2005, Common Investment Law 2005, Law on Procurement, Land Law 2003, Law on Construction.

6.1.3. Remaining Problems

6.1.3.1. Quality of Some Legal Documents

Despite the big efforts given by the government to new issuance and amendment of the current legal documents, the quality of some documents has been still not high, requiring regular amendment. According to the evaluation of some international organisation, the regulatory quality index has not been high. According to the World Bank Institute this index has been declined from -0.49 (in 2004) to -0.57 (2005) and -0.58 (2006). However, it has been significantly improved in 2007 (-0.43), but again deteriorated in 2008 (-0.53).¹⁰³

Many legal documents have not been comprehensive, unclear, which have created many problems to enforcement; some legal documents have suffered too many amendments for a short period, making lots of difficulties to law implementers. For example, for only four years (2006 to 2009), the decree, guiding the implementation of the Law on Procurement, has been amended three times. The threshold for single source procurement has been raised from 1 billion VND (according to the Decree No. 58/2008/ND-CP) to 5 billion VND (Decree No. 85/2009/ND-CP).

The Decree No. 139/2007/ND-CP, guiding the implementation of the Law on Enterprises 2005, has helped addressing many obstacles and improving the transparency in business environment, but still suffered lots of constraints, therefore, this decree has been in the process of revising for further amendment. The Law on Securities has shown many problems only three years after effectiveness.

Some legal documents are quite general, causing inconsistent understanding and interpretation of laws, which may lead to arbitrary application of laws with low accountability. Sometimes, the poor clarity in laws has been the reason for corruption, taking the leaks of the legal framework for private interests.

Many legal documents have not been relevant to the fast changing practical environment despite regular revision and amendment, like the regulation on minimal salary. In public administration agencies, public services delivering institutions and SOEs, salaries have still been based on the salary scales defined by the government, which has not been adaptable to the market changes. The salary of the government civil servants and government officials has been slowly updated to the practical environment and dependent strongly on the available resources from the state budget. In addition to that, the minimal salary has not been given necessarily adequate flexibility. The gaps between the salaries in public and private sectors have been high. The low salary in public sector has sometimes led clients to a merry dance or corruption by government officials and civil servants. Another negative impact of that is brain drain from public to private sector.

¹⁰³ Source: Kaufman et al (2009).

Some areas have been regulated by many different legal documents at the same time, causing difficulties to the laws implementers and effectiveness. This problem has been suffered in contract area. Along with the Civil Code 2005 (for civil contracts), and Ordinance on Economic contracts 1989 (for economic contracts), the existence of many other laws/decrees, like Marine Law, Trade Law, Law on credit institutions, Law on Insurance Business, Law on Aviation..., have concerned the contract area at the same time, causing the different understanding and interpretation in applying laws, creating risks to entrepreneurs.¹⁰⁴

One of the key reasons to the problems in regulatory quality is limited capacity of the policy makers and laws drafters. Another reason is lack of wide public consultation on the drafts. Although the Law on Issuing legal documents 2008 requires the disclosure of the draft to publics for wide consultation at least 60 days before sending to the competent appraising agencies, however, this requirement has been fulfilled adequately by the drafting agencies for limited number of laws, ordinances, and decrees legal with publics.

Moreover, the disclosing legal document drafts to the public was often made when the draft was finished, but not after introducing the law idea to get public consultation on *the law concepts* (to agree on the necessity for issuance, key directions for drafting and assessment of regulatory impacts which can be imposed on the society by the proposed legal documents). Therefore, the negative comments (objecting the issuance of the proposed legal documents) from the public can be too late the stop drafting those legal documents, causing wastes of time and human and financial resources, spent to the drafts. The disclosure of drafts to publics has been done even sometimes with big delays; so that the public have too short time for study and making comments and the responses from publics to the drafts may be ignored because they come after the deadline.

6.1.3.2. *Divestiture of State Ownership*

The SOEs equitisation process has been slower than required. After many years of equitisation, by the end of 2009 only 3,800 state-owned corporations and their units have been transformed into shareholding companies and 300 SOEs into one-member limited liability companies.¹⁰⁵

According to the Law on Enterprises 2005, by the 1st July 2010, all SOEs must be transformed into shareholding or one-member limited liability companies. This task is quite difficult. There have been still hot discussions on what types of management should be applied to state-owned groups of businesses, although the Decree No. 101/2009/ND-CP on piloting

¹⁰⁴ Source: Nguyen Am Hieu (1999).

¹⁰⁵ Source: ATP Vietnam (2009a).

establishment, organisation, operations and management of state- owned groups of businesses has been issued in November 2009, five years after piloting.

6.1.3.3. Government Control over Resources Allocation and Pricing

To ensure good market functioning, the measures to reduce monopoly and market capturing should be introduced. At present, the government has not paid adequate attention to controlling the pricing based on privileges and monopoly status by businesses.

6.2. Regulatory Executing Agencies

6.2.1. Positive Impacts

To ensure the socio-economic development policies, reflected in legal documents, enforceable in practice, the enforcement structures should be continuously improved. After joining WTO, the government has required the national and local agencies to revise their state management functions and mandates¹⁰⁶ to improve the state management performance to meet the requirements raised from the international integration and economic reform. During the period 2007-2008, the functions and mandates of all ministries and other government agencies at both national and local levels have been revised and amended towards stronger decentralisation and higher accountability. The functions of the government and public administration agencies at all levels have been changed from direct interventions into indirect management, using laws and macroeconomic instruments. Many ministries and government agencies have been merged, reducing the number of the government agencies from 38 to 30 (18 ministries, 4 ministerial agencies and 8 agencies belonging to the government).

The public administration reform for 2007, 2008 has been done with separation of administrative functions of state management agencies and business administration functions of SOEs to reduce the unnecessary interventions done by the government agencies, which are not relevant to corporate governance and may cause negative impacts on the society. After separation the public service delivery functions out from ministries and government agencies, some new institutions have been established to take the responsibilities for regulating the price and quality control... in public service delivery areas.

¹⁰⁶ Decree No. 178/2007/ND-CP dated 3rd December 2007 *Stipulating functions, obligations, rights and organizational structure of ministries and line agencies*; Decree No. 13/2008/ND-CP dated 4th February 2008 *Stipulation organisational structure of functional agencies under the Provincial People Committee*, and Decree No. 14/2008/ND-CP dated 4th February 2008 *Stipulation organisational structure of functional agencies under the District People Committee*.

Because business administration functions have been separated from state management functions, ministries and government agencies have no longer had the functions of managing the state assets and business operation of the SOEs under their management. Instead of it, the General Corporation of State capital investment and business (SCIC) has been established with the functions of overseeing the performance of all enterprises and state general corporations, who use state resources and public investment.

Justice reform plays extremely important role in improving governance effectiveness and rule of laws, protecting the legal interests of the people and the State. For the past time, the structure of courts, people procuracy, investigators, case hearing institutions, justice aids has been amended for improvement. Some economic, labour, administrative courts as the subsidiaries of the Supreme People Court and provincial courts have been established to ensure professional, strict and fair hearing. According to the Strategy for Justice Reform to 2020, the functions of courts have strongly delegated and the independent competence- based establishment of courts, which are dependent on administrative system of the government to improve the accountability of court system.

6.2.2. Remaining Problems

Despite of the progress in legal framework and laws enforcement organisational structures improvement in Vietnam, regulatory enforcement has not been improved much. According to the World Bank Institute, the rule of laws index of Vietnam has been very low and increased from -0.53 in 2004, to -0.51 in 2005 and -0.41 in 2006. However, it has been reduced to -0.50 in 2007 and improved significantly in 2008, but has not been recovered to the level of 2006 (-0.43)¹⁰⁷.

There have been some reasons causing this problem. Firstly, the law information and communication has not been done widely, the punishing instruments have been in shortage, or if yes, still too weak to give motivations for law enforcement. The accountability has not been high.

Too general provisions in some legal documents have also imposed negative impacts on transparency and equality in state management. According to the World Bank Institute, accountability index of Vietnam has been low and continuously declined for 2004-2008 period, from -1.31 (2004) to -1.43 (2005), - 1.58 (2006), -1.61 (2007) and -1.62 (2008).¹⁰⁸

Usually, the generalisation in laws has led to the needs for issuance of under- law legal documents by the government and ministries/agencies. These by-laws have been issued with delays and poor coordination, causing inconsistencies or overlaps with some other laws and legal documents, which has imposed very negative impacts on laws enforcement. The rights for business

¹⁰⁷ Source: Kaufman et al (2009).

¹⁰⁸ Source: Kaufman et al (2009).

freedom may suffer limitation because of inconsistency between the local regulation and the national one. The existence of many unnecessary “daughter permits” set by many ministries/agencies/localities to businesses has shown the partial interests, giving high priority to private interests when drafting and issuing some legal documents.

Legal information has not been disseminated precisely, on time, and updated. No any physical and spiritual incentive/punishment has been applied to good/wrong and comprehensive/inadequate information provision to mobilise the participation of all economic sectors in IEC on legal framework. Law propaganda and dissemination has been done ineffectively and without effective consulting and legal service support system to help protecting the legal interests and rights of citizen, organisations and enterprises.

Because of low effective IEC on legal framework, many people have not understood precisely and sufficiently about the role and implications of laws in regulation of socio- economic transactions. Even many civil servants have not had adequate understanding about the role and implications of laws, so they have not high attention to law study and using legal advice and consultancy in their works.

Weak courts system of Vietnam has been also the one of the key reasons to low rule of laws. Conflicts settlement and court and arbitrator verdict enforcement in Vietnam has been considered low by Vietnamese enterprises, which is better than infrastructure and property right protection indexes only¹⁰⁹. To foreign investors, this area is even worst, with the comments from 90 percent of the foreign investors responding to the business survey 2009. The proposal on competence-based establishment of court system which is independent from the public administrative system as proposed in the Justice reform strategy to 2020 has been still suffered obstacles from the needs for a comprehensive reform of the whole state management structures.

There have been many difficulties for improving rule of laws in Vietnam because of the shortage of qualified lawyers and judges. Moreover, in many cases of economic conflict settlement the law ruling and enforcing procedures have been new, which have not been piloted or have not existed before, causing difficulties in projecting the results.

Although the trade and business development policies have been changed towards more liberalisation and removing discrimination between state and non-state sectors, in practice, there have been still many trade barriers to domestic private and FDI enterprises. The barriers in custom procedures, banking credit and administrative procedures... have made difficulties to ensure fair business environment. The legal framework on land and secured transactions, suffered problems the most, have created more difficulties to domestic and foreign enterprises to get mortgage loans from commercial banks.

¹⁰⁹ Business forum 2009, p 5.

Poor rule of laws has been also resulted from the problems in corruption control. According to IFC, the corruption index of Vietnam has been very low to the one of other countries and the improvement in 2008 (-0.76) and 2007 (-0.68) has been low to the year before joining WTO (in 2006 it is -0.76).

6.3. Law Enforcement Arrangements

6.3.1. Positive Impacts

The joining WTO has imposed big impacts on the legal framework improvement to be more relevant to a market economy. The law enforcement has also been raised somehow.¹¹⁰ The most noticeable improvements in law enforcement have been resulted from the Program 30 on simplification of administrative procedures for the period 2007-2012.¹¹¹ In the gradually improved legal framework, the efforts on simplification of administrative procedures have helped to improve the performance of public administrative agencies, reducing time and costs to enterprises and citizen in accessing to public administrative services, preventing bureaucraticism, harassment and corruption by government officials. The target set by the Program 30 is to reduce the administrative procedures in business cycle by 30 percent. For the first phase, more than 1,000 administrative procedures have been removed. The second phase will focus on taxation, custom, labour and business registration areas. About 54 percent of the enterprises responded in the 2009 business survey organised by the Business Forum Secretariat has confirmed the improvement in administrative procedures.¹¹²

6.3.2. Remaining Problems

Despite the big efforts made in simplifying administrative procedures for the 2007-2009 period, number of procedures and time for business entry has stayed unchanged at the levels of 11 procedures and 50 days for the past three years: 2007, 2008, 2009¹¹³. In the 2009 business survey organised by the Business Forum Secretariat the efficiency of administrative service delivery has been also considered the one of five areas with lowest scores (2,09 scores).

¹¹⁰ 22 percent of the enterprises responded in the 2009 business survey organised by the Business Forum Secretariat has confirmed the improvement in the areas of ruling of laws;

¹¹¹ Decision No. 30/QĐ-TTg issued on 10th January 2007 on Approval of the administrative procedures simplification for the period 2007-2010.

¹¹² Source: Report of the Business Forum 2009.

¹¹³ Source: World Bank and IFC (2008, 2009, 2010).

PART THREE

OVERALL ASSESSMENTS AND RECOMMENDATIONS

1. OVERALL ASSESSMENTS

Vietnam's international economic integration process in the past three years is not long enough to fully assess the impacts of international economic integration on every aspect. Moreover, only a short time after Vietnam's accession to the WTO, the world economy experienced a downturn, which has made Vietnam's development opportunities false appearances.

However, the facts after three year accessing the WTO is a clear manifestation of the comments and conclusion in the Decree number 08-NQ/TW of the X Session of the 4th Central Party Meeting on "A number of key vision and policy for a sustainable and fast economic development when Vietnam is a member of the WTO" in line with the Government's Decree No. 16/2007/NQ-CP.

1.1. Main Achievements

Basically, the integration process and WTO accession has brought about outcomes as expected by the Government and many economic researchers. This process has realised many opportunities specified in the Decree number 08-NQ/TW. The most important impacts of the international economic integration after three year WTO accession includes enhancement of credibility to Vietnam's economic development prospectus; promote economic development; expand market; increase exports; FDI attraction; effective improvement of resources allocation; exploration of huge potentials of the country; economic growth, job creation, income increase, poverty alleviation; improvement of competitiveness; management skills of some organisation have been upgraded; market economic institution continues to be improved; consumers have diversified choice in terms of high quality, highly competitive goods and services; better access to input material sources for domestic businesses.

Certainly, the practical change of these variables may be different compared with the forecast due to the complex impacts of both the internal and external dynamics of the economy. Developments of a number of macro economic indicators have even exceeded the forecast or not yet foreseen (such as import turn-over increase rate; scale of direct and indirect capital flow to Vietnam; the outburst of financial and banking activities, etc...).

1.2 Main Challenges

Joining WTO showed clearer restriction and weak points on immanent structure of economy. Those are weak points on growth quality, economic structure shift, institution capacity, human resources quality, infrastructure capacity. Growth quality has not been high, most depends on investment, and low effect puts pressure on State budget and threatens stability of macroeconomics. Signal for investment has been incorrect due to protection, real estate 'bubble' and extreme appreciation of Securities market (end of 2006-2007). One problem which is able to pay attention is economy in recent years, consumption increases faster than increasing rate of GDP, therefore, domestic saving rate in comparison with GDP stops short, even there are reduction trend. Economy has to depend more on external capital and has not been selected suitably at any time. State investment has made up big density while investment effect has not been improved considerably. Economic structure shift has been slow and has not upheld all comparative advantage.

Slow growth quality and depriving preparation on macroeconomics management field make economy can be injury when intensify integration. In fixed moderation, we self create difficulties by long-sighted which can maintain high growing (affectless like this). Instability of macroeconomics increasing in 2008 and economy growing slow down considerably in 2 years 2008-2009 is a lesson has to pay a heavy price in managing economy.

With regards to institution capacity: There were zealous evolutions on institution. But this thing has been the most inadequate. There has had many works have to do to complete legal framework for suiting for integration commitment and market economy standards. Low role, meaning of law because must to wait for decree, instruction documents; caused law lacks effect, deployment of implementation is slow and easy for contradiction. There has been fairly far distance between fact and requirement on specialisation, obviousness and explanation capacity of the state system while motive power system (selection, appreciation, assignment, salary and bonus) for civil servant has had many deficiencies. Coordination among ministries, branches has not been close, consistent and timely. Institution for developing production factor market (financial market, land market and labour market) has been in period of needing basic adjustments. This process happen complex because displacement on production factor market is very sensitive on society and has many aspects relating to an important subject in economy which is the SOE sector. Especially, legal framework, financial supervisory institution and capital rotation, especially indirect investment has lacked and has been weak, this problem can cause increasing macroeconomics unstable risk.

With regards to the human resource: The gap of human resource skills is an obstacle to the active international economic integration process as well as fast, high-quality growth and sustainable development. Enhancement of human resource quality is related to all social groups: from the policy makers, government officials to businesses and labourers in general. At the same time, total education system, training has shown not to be able to meet the requirements of the modern society.

Regarding infrastructure capacity: The weak infrastructure system has created a lot of damages to the business production activities and social life as well as catching the opportunities that the international economic integration could bring about. The necessary resource for infrastructure development is significant. In order to have the best choice with minimum opportunity cost, a long-term vision, highly intellectual master plan and effective Public – Private Partnership (PPP) is to be counted in mobilising various resources.

Weak points on institution, infrastructure and human resources, especially in rural areas have restricted the implementation of investment capital and ability of receiving capital, especially FDI. These are three ‘bottlenecks’ that obstruct rapid and sustainable national development, preventing realisation of new opportunities.

Competitiveness ability in all three grades of nation, enterprise and product has been weak due to factors in both inheritance of enterprise and business, services and supporting industry environment. Essentially industry has been preliminary treatment, processing with low VA and most has depended on import input. In spite of financial market, banking activities and real estate market are rather eventful, it is transformed little into real economy. In 2007-2009, finance, banking and insurance sectors were small, made up less than 2.0 percent GDP. Labouring capacity in agriculture has been very low due to many reasons, in which, the most important reason is that labour has not moved to industry and services though beginning appearance of lacking labour of average skill in these trades; agriculture has depended on extensive farming and crop plants, domestic animals with low VA. Export has not salvaged all new opportunities it has been restricted by disadvantages of economic immanent structure, so species is poor, low for changing, missing breakthrough, mostly depending on raw goods; so it is easy for being hurt in front of displacement from outside like shocks of price or new trade barriers. Basically processing industry has had nature of assembly, processing with low VA.

1.3. Main Reasons

There are reasons explaining for not taking best opportunities, not overcoming challenges posed by international economic integration. Vietnam has not been pro-active in progressing international economic integration and have not estimated all complex effects of international economic integration. Action Plan of the Government has not combined into campaign and economy – society development plan, so it has had nature of formalism, has not had full resources and institution for enforcing, supervising. There has not been a united leading body which has full right and task for directing all operation of international economic integration. Regulating among ministries and trades has not been close, united, suitable, flexible and opportune; there have been many inadequacies, confusion, some time there has not been effect. Therefore, activities of international economic integration have not associated and completed penetration among phases of

selecting partner, domestic negotiating and consulting, enforcing the commitment, domestic reforming accompanying with following, appropriating, adjusting the policy.

In each phase of international economic integration process, there have been many shortcomings and inadequacies. The first, selecting integration partner has not based on clear and specific norm according to prior sequence relating to politics, economy, society and environment.

The second, content of negotiating activities on international economic integration has not based on appropriating effect which can occur to select the optimal method; has not carried out deeply and widely to consult related objects as enterprise, researcher and people about problems relating to them.

The third, integration schedule has not been prepared thoroughly and has not been effective; with competition of legal framework, we have just only concentrated on adjustment phase to suit for integration commitment but have not created condition to salvage new opportunities as well as there have not been comprehensive support methods to reduce risk and passive effects. In cases, we have been ahead of schedule or have cut down less than even commitment; while a part of manufacturers and enterprises have not been opportune for preparing, adjusting and adapting, so they would have been disadvantageous. It has not salvaged WTO terms to protect domestic weak productions, while still continuing face antidumping lawsuits and support. Bodies, organisations and direct related persons have not understood deeply about WTO commitments. Popularising commitments and effects of agreements of free trade area has been limited.

Internal reformations have been forced, have not been unify and gone ahead to create condition for people and enterprises to prepare. There have been many works which have not done to create express and advantageous environment for business and production. Some problems relating to fiscal, currency, exchange rate policy, trade policy and combination among these policies has not been settled consistently and absolutely. Warning risk of macroeconomics insecurity due to shortcoming piled up in public investment, finance supervision and inflation treatment in previous years has not been paid attention seriously. Risk signals have been covered by rapid growth period till 2007.

Enterprises have not been aware of all passive effects of international economic integration, have not salvaged the time before reducing protection measures to improve competition ability, reduce unexpected effects. They have not exploited all opportunities for investment, approaching advanced technology, expanding and approaching export market.

The forth, despite periodic supervising and appropriating international economic integration process have been deployed, it has not been paid attention suitably of ministries and trades, in cases it has had nature of formalism. Petitions of appropriation reports have not been used in adjusting policy to receive better effect.

2. SOME LESSONS LEARNT

The actual development of the country during the period from 2007-2009 has left remarkable milestones and drawn a number of important lessons.

Firstly, the combination of integration commitments, its advantages and WTO accession to promote the establishment, and refinement of the socialist – oriented market economy status is the most important element to create trust and development potentials and Vietnam’s economic reform, which contributes to enhance internal strength and investment (especially FDI), to develop business, expand foreign market and better explore the domestic market.

In fact, shift in economic institution has greatly contributed to in-depth and effective integration to the regional and world economy. The supplementary relation between Reform, especially in terms of economic institution, and the accession and implementation of WTO commitments has become tightened. Thanks to that, the position on the world arena is significantly enhanced. This is the vivid manifestation for the active and positive integration viewpoint is assured by practical actions on the basis of social consensus.

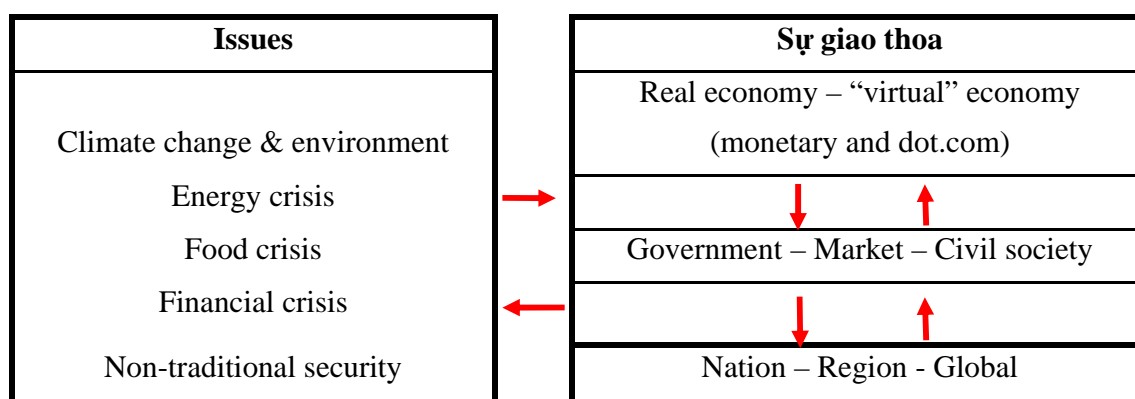
Economic integration and WTO accession is not only the implementation of commitments and corresponding institutional reforms. Integration also aims to realise the country’s stand and the world dynamics, through which the country’s development orientation is identified more properly. The world has had substantial changes as compared to the 1990s. This is an outstanding progress in terms of technology, information outburst and increase of trade in goods and services linked with the easier shifting of production factors (capital, labour), the formation of global and regional production network, the emerging role of newly arisen economies, especially China, India, etc... The imbalance in terms of finance, trade between centres and development areas of the world happens more occasionally. Risks and inconsistencies increase. The world has been facing with dot.com crisis, energy crisis, food crisis, financial crisis even when the first decade of XXI century is not yet over. The environmental changes have been creating undetectable impacts for the livelihood of humans.

The current financial crisis is the crisis in terms of financial institution and structure, both in terms of economic relations between monetary economy (“virtual economy”) and real economy, and this has never been previously. The main reason lies in the abundant settlement due to global macro economic instabilities and “financial innovations” with the new attractive tools in the context of freer capital mobility. However, the national financial surveillance is limited and there is still lack of global surveillance.¹¹⁴

¹¹⁴ Macro economic imbalance and global settlement abundance is due to large surplus experienced by many East Asia and exporters of gas, while the U.S. experiences serious trade and budget deficit. An example of “financial innovation” is the equitisation to shares the real estate mortgage lending, while a large proportion is “subprime” lending, together with

The financial crisis has seriously put forward a consideration and development theory of the financial market linked with globalisation and ‘financial creation’. On that basis, there will be comprehensive reforms of the legal framework, surveillance mechanism and risk management standards for the financial system, both at national, regional and global level. More specifically, the financial crisis and newly arisen issues from a changing world requires that each country and the world in general should have proper vision for a new development model. At least, this model must take into account: (1) the traditional relation among the Government – market – society; (2) linkage at national – regional – global level; (3) the relativity between “visual” and actual economics; and (4) the interference of relations and such in relation with new global issues such as crisis risk, climate change and non-traditional security (Figure 10).

Figure 10: Dimensions/Conceptual Aspects about a New Development Model



Secondly, the comparative advantage (non-dynamic) of the country is best expressed upon deep integration. More importantly, the dynamic comparative advantage is only present thanks to competition, utilisation of economies of scale and FDI on the basis of recovering weaknesses in institution, infrastructure, human resource and proper bilateral, regional and global connectivity.

Vietnam has many competitive products based on the non-dynamic comparative advantage. Though there are no sharp increase, exports of many agricultural produce and high labour intensive processing industry (such as textile) actually have opportunity for strong growth. A number of products with higher added value also have better positions in Vietnam’s exports.

derivatives. Subprime lending is a common lending mode, especially in the U.S. According to the booklet issued by U.S. Treasury in 2001: “The subprime borrowers usually possess a weak credit history such as overdue payment and serious issues as court sue and bankruptcy. They have low settlement ability when credit indicators, loan over income ratio or other indicators are considered, etc.... “. There is no official document regulating in detailed about subprime borrowers. However, in the U.S., majority of the borrowers have credit indicator lower than 620, which accounts for 25 percent of the U.S. population.

This lesson bears policy meaning and deep business management. The strategy of the country and businesses is the combination of best utilisation of “the current”, to promote export of traditional items with product and market diversification, high competition capacity, which is not based on price through competition and effective FDI attraction. Only by that means, we will gradually participate effectively in the value chain and regional production (East Asia) and global network.

Aside from domestic restructure, addressing the “bottle necks”, the strategy much depends on the implementation of WTO accession commitments, regional connectivity level, policy and relation with big partners; wherein WTO commitments will be the basis for regional and bilateral relations.

Implementation of WTO accession commitments is not only the “obligation”. More importantly, it is the implementation of the core principles to ensure that the economy operates effectively and establishes international credibility and business community and investors. With the wide scope of regulation (basic principles, trade in goods, services; supplementary agreements, etc...), WTO is also the basis and starting point for continuing liberalisation, regional and bilateral linkage at a higher level.

The close trade and investment relation with East Asia (and APEC economies) and the establishment of production network in East Asia as well as recently significant regional changes have showed the importance of integration. At the same time, for East Asia linkage, the implementation of the objective to establish ASEAN Economic Community in 2015 as the “pillar” for East Asia linkage and other linkages should be placed much attention.

Aside from that, it should be acknowledged that the long-term development and the industrialisation process of Vietnam will not attain successes if bilateral relations with key partners (such as the EU, US, Russia, Japan, China and India). The partners’ relationship is diversified, and can overpass the economic, trade, investment and technology transfer framework. The world developments have been facilitating our country in providing commitments and benefits sharing in different aspects with many regions and developing countries.

However, the signing of bilateral FTA agreements between Vietnam and other countries in the coming time should be seriously considered. Firstly, we do not have many resources in negotiation and implementation of these agreements. Secondly, FTA agreements basically are protective in nature for the signing parties, as the result, there may arise the risk for trade diversion and investment, especially in the services sector. Thirdly, the partnership relation is usually the change in concession of different parties, while in many cases, what we are committed to is much more important and meaningful than what we receive. Additionally, if the partnership strategy is reasonable, through FTAs, we can reserve the preferences for partners who are not necessarily the best in this aspect. By doing so, we are eliminating the participation of better partners (for example

in education). Finally, non-participation in FTA does not limit Vietnam to have comprehensive relation as well as investment agreements with big players.

China –ASEAN FTA has created more and more impacts within the region as well as for Vietnam's economy. Firstly, this FTA has opened the market and investment attraction opportunities for Vietnam and ASEAN countries. Secondly, it also facilitates other big countries to promote FTA with ASEAN. However, the competitiveness of Chinese made products is very high as compared with all exports from Vietnam. As the result, ACFTA has a negative impact on Vietnam's exports to a third country as well as within Vietnam. In addition to that, since Vietnam is less attractive than China in terms of market quantity, skills and know-how, there is a risk that Vietnam could only utilise the non-dynamic comparative advantage, i.e. cheap labour. This is clearly the disadvantage for Vietnam in the long run.

Therefore, in parallel with ACFTA, Vietnam should have policy to attract multinational companies and transnational corporations (TNCs) to Vietnam. The presence of "leading" corporation will attract satellite corporations to Vietnam to develop supplementary industries. TNCs together with the development of supplementary industries will increase attractiveness and competitiveness of Vietnam's economy. However, this would be difficult to come into reality if Vietnam does not reform the education and training system in a systematic manner.

Finally, in the Asia region, the economic connectivity via global production is very close. ASEAN member countries usually belong to the labour distribution chain of the TNCs mainly from Japan, Korea, and Chinese Taipei. As a following country with low development level, it will be very difficult for Vietnam to participate in production stages with highly added values in the global production network of these TNCs. Moreover, when TNCs have established their production base in a country, they will have to spend a large amount of sunk costs, which hampers them from moving the plants to other countries such as Vietnam. Therefore, in order to participate in production stages with highly added values, the attraction of TNCs without production base in Asia region or those wishing to expand their production networks to Asia region should be paid attention to. The presence of these TNCs will be subject to competition from TNCs who are already present in Asia. This will, in turn, facilitate these TNCs to transfer technology to Vietnam to enhance the competitiveness.

Thirdly, if there is a lack of active preparation and relevant policies, the deeper integration may go along with macro-economic instabilities and greater social inequality.

WTO accession and greater integration may bring about great advantages for the country. However, the economy may be vulnerable upon external shocks, especially when there is lack of policies/measures to actively address these.

In fact, the bad consequences may be due to the direct or indirect of integration and the WTO accession (as mentioned in the Decree No. 08-NQ/TW) is not sufficiently accounted for in the

policy orientation, selection and coordination. These facts have led to an increase in macro-economic instabilities and financial risks, especially in the first three quarters of 2008. Since the fourth quarter of 2008, the economy is faced with negative impact of the financial crisis and global economic down-turn and investment decline. Behind these figures are low economic growth, unemployment and job loss.

Groups of social interests have become more diversified together with rich-poor gap and inequality in terms of income and property. Group of poor, low skilled are not only subject to the disadvantages and less accessibility to basic services, but also vulnerable before external and internal shocks, including shock in terms of policy. They are in need of regular and immediate support. The labourers have expressed their voice in a more direct and clear manner. The pressure of social groups onto policies and policy implementation is also different. As a result, policies should be based on thorough analysis, review and evidence.

Experiences in the past three years show that the formulation and implementation of policies should take into consideration the following issues:

This process is vulnerable to mistakes if there is a lack of connection with reality. Information collection, analysis, sharing and market and social response are of importance.

Even a good policy may still have unexpected impacts, especially when there is a need for stable economy or implementation of supporting policies for certain business production and social groups. The important thing is that there should be supporting solution to easily vulnerable groups while over passing monopoly groups.

Macro-economic policies (such as monetary, fiscal, exchange rate) should have close coordination in terms of “quantity”, implementation timeframe and all micro-economic policies, if necessary, to avoid market expectations in a negative way. Micro-economic intervention in separate markets should be carried out in a short time and soon withdrawn (since these are usually the measures creating distortion to resources allocation).

Effectiveness and efficiency of policy adjustment and change is much subject to two way information relationship with the market and the public. Information transparency and explanation ability is the key to public credibility and social consensus.

2. SOME RECOMMENDATIONS

Though the economic context in 2010 is much more optimistic than that of early 2009, Vietnam is still facing with many challenges. Economic recovery prospectus is brighter, however, should still be monitored for proper response. Many achievements are not yet stable; there are still many complicated and sensitive issues to be addressed, which require Government’s capacity in

reforming economic and social institution as well as enhancing the country's capacity of acknowledging and responding.

As mentioned in Decree No. 08-NQ/TW of the Central Party Committee's 4th Meeting – Session X, international economic integration and WTO accession brings about both challenges and opportunities. The most important thing is to continue the renovation process along side with active integration – an essential condition for development – to create fast and sustainable development. With such spirit, the below recommendations focus on 5 key groups of policy.

2.1. Overall Policy Group

2.1.1. Improvement of Implementation of International Integration Policies

It is necessary to develop an international economic integration strategy to guide the negotiations of free trade agreements and other international integration commitments. Reviewing, strengthening and refining comprehensively implementation mechanisms and monitoring procedure of decrees and relevant regulations on international integration (such as Decree No. 08-NQ/TW, Decree No. 16/2007/NQ-CP). Integrating such guidelines into Socio-economic Development Strategy 2011-2015 and promptly addressing emerging issues during the international integration process. These most important issues which should be addressed and identified include identification of implementation mechanism and impact indicators to be monitored. The conditions to ensure the implementation, especially financial resources should be clearly regulated. These not only improve the implementation efficiency but also contribute to the assessment of potential risks in the implementation process.

Reviewing the current roadmap of international integration and carrying out necessary adjustments to allow industries and businesses which either have potential but not have enough time and other resources to build up the competitive capacity or have not competitive advantage to change their production direction. Developing technical barriers and adopting a system of available technical barriers to protect domestic producers and consumers.

Mobilise the participation of the private sector, professional associations and socio-political associations and people in implementing guidelines of the international integration strategy.

2.1.2. Improvement of Growth Quality

There should be policy measures to improve the growth quality, investment efficiency, to encourage domestic savings, attract investment from all sources to the infrastructure development.

Complete and implement the Renovation project and push forward the economic structure shift for the period 2011-2020 to enhance productivity, quality and efficiency of the economy.

Implement programs on agriculture, rural and farmers development.

2.1.3. Improvement of FDI Policy

In terms of FDI, a number of essential solutions should be implemented in order to improve the quality of FDI such as: conceptual change, new mindset on FDI attraction and usage: Link the attraction strategy with monitoring the implementation; propose proper policies to eliminate unexpected projects and encourage necessary ones, focus on quality (sectors, investment partners, technology skill, level of using natural resources and scarce resources, two way linkage with domestic businesses, diversified impacts, environmental friendliness, etc...), hold high social responsibility of investors; provide FDI encouraging policy to create jobs, investment to rural areas and big industrial centres. On that basis, set up reasonable criteria to assess FDI projects and projects from other sources. The approval of all projects should be based on these criteria.

Enhance investment promotion, especially foreign investment. Formulate mobilisation projects to attract investment of multinational corporations, key partners such as EU member states, the U.S., Japan, etc.; to promote negotiation of bilateral investment agreements between Vietnam and key partners. Set up and issue national key investment portfolio and call for FDI for period 2011-2015 and the following years. Set up detailed information network on projects.

Formulate outbound investment policy to take on the advantages, partners' relationship and to expand market.

2.1.4. Continuation of Comprehensive Measures on Maintaining Macroeconomic Stability and Developing the Financial Market

Continue to implement macro-economic stability policies in a timely, flexible and reasonable manner; pay attention to the consistency of monetary policy and fiscal policy as well as effectively ensure critical macro-economic relationship. Select appropriate development objectives for each stage based on accurate analysis, forecast and scientific evidence. Decision to renovate the statistic indicator system in early 2010 is an important step along with timely and scientific analysis in order to effectively use in the policy making. There should be coordination in terms of proposal, explanation of policy adjustment and consistent and close implementation of the policies among authorised agencies.

Trade deficit and Balance of Payments stabilisation should be solved in the direction to facilitate the development of supporting industries, enhancement of quality of products, competitiveness of the economy to increase the added values for the exports.

Continue to stabilise the financial system and market. The development of the commercial bank system and the financial market will be vital for the monetary policy to be effectively

implemented. In order to do so, financial stability should be maintained. Therefore, with the financial development and level of openness of the current capital flows, Vietnam should carefully consider measures to deal with each type of capital flows, especially the short-term flows always have big changes in terms of direction and scale as there is any signals of the economic development potentials.

2.2. Sectoral and Business Policy

2.2.1. Continuation of Improvement of Sectoral Competitiveness

There should be programs to enhance competitiveness for all the sectors in the economy, especially sectors having limited competitiveness. For all the key export sectors, there should be policies to gradually shift from outsourcing to self producing exports. There should be policies to increase the added value in all sectors by enhancing human resources, technology, accessing to better technology, long-term cooperation with key partners in respective sectors, and product diversification.

2.2.2. Development of Key Industries

There should be development policies for manufacturing industries that Vietnam has potentials and advantages, especially agricultural products. Paying attention to develop supporting industries in order to avoid much dependence on the imported materials and shocks caused by increased material prices in the world market. This will also help to build up a larger foreign reserve. Promoting the development of business services for such sectors (finance, credit, science, technology) processed agricultural products; having encouraging investment policies into such sectors.

2.2.3. Active Expansion of Market, Enhancement of International Linkages

Through propaganda and information dissemination, Vietnam should encourage domestic businesses to actively explore the domestic market; make better use of new opportunities from the international economic integration in order to penetrate and explore the foreign markets. Maximise linkages with foreign invested enterprises and deeply participate in the regional production network.

2.3. Social Policies

2.3.1. Rapid Improvement of Human Resource

Focusing on developing human resources to meet the development requirements, especially professional training and vocational training with high quality and skills to attract big investment projects in high technology industries and having high added values. There should be special policies to promote vocational training for the rural areas with priority given to farmers without land to push up labour structure shift, as well as to improve their income. Aim to support vocation training for group of low-skilled labourers; migrated, poor labourers and low-skilled young people.

2.3.2. Continuation of Labour Market Development

Continue to focus on developing the labour market, especially the rural area by proactive job creation policies. Arrange, organise the informal sector to improve job quality in this region; encourage job creation capacity and decent employment in the FDI and private sector.

2.3.3. Promotion of Hunger Eradication and Poverty Reduction Program

Fasten carrying out targeted programs, projects, policies and regulations to support the production and stabilise the livelihood of the poor, of people living in the poor area, and in the disaster-affected areas and minority. Implementing the sustainable poverty eradication programs to ensure the poor being able to enjoy the outcomes of the economic growth. Reduce the required contribution from the agricultural producers. Having effective measures to ensure the better livelihood for those whose land were acquired by the Government.

2.3.4. Development and Adoption of a Flexible and Effective Social Safety Net

Develop a people-based, flexible, multi-layer and effective social safety net. Diversifying and developing efficiently social welfare programs for low-income people and negatively impacted people. Raising the employment security, ensuring the basic human right in the living areas and at the workplace.

Protecting the vulnerable groups of labourers, especially those who lost their land, migrants, female labourers, poor, and handicapped people. Facilitate the labourers to access to the social safety net.

Improve the effectiveness of buffer fund for labourers who lost the jobs in the state sector. Have training and re-training policies for labourers who are redundant, labourers who lost land, and/or lost jobs to re-enter the labour market.

2.4. Institutional Policies

2.4.1. Continuation of Improving the Legal Framework to Implement International Integration Commitments

Continue to formulate, refine the legal and policy framework to fully implement international commitments in line with the proposed road map. In revising, supplementing current legal documents, Vietnam should ensure consistency, efficiency to maintain investment environment for current businesses and new investors.

Regularly, timely revise, adjust and eliminate irrelevant regulations to the international commitments in order to fully implement obligations in bilateral, regional and multilateral treaties that Vietnam is a member of; at the same time, consider deregulation of investment and business conditions in certain sectors which Vietnam has no opening commitments or commits at higher level than current legal regulations but are necessary for development and compatible with Vietnam's future investment strategy (such as education and training, etc...)

Closely monitor the promulgation and application of licenses and business conditions. In some cases, application of investment and business condition for several sectors that are not beneficial for the country's development, such as exploration sectors using rare natural resources, real estate business, polluted sectors, etc... in order to meet the objectives and development orientation. However, the application should be based up the reasonable, objective and fair causes which are compatible with international commitments in investment.

2.4.2. Continuation of Developing Markets, Creating Favourable Business Environment

Continue to refine the institution to develop factor market, create favourable business environment. Continue to refine the legal system, especially legal framework on asset and land property.

Fasten administrative reform and improve the legal framework. Enhance transparency of the legal system, policy, planning, development strategy of each sector, industries, products and markets. Increase the coordination among relevant Ministries and agencies. Enhance capacity and professionalism of the Government. Enhance the responsibility of the leaders as well as officials by way of strengthening the auditing, monitoring, assessing mechanism within the Government agencies.

2.4.3. Continuation of Improving Law Making Process

Continue to refine the legal promulgating process. Having regular and periodical programs and plans for reviewing regulations and laws. Establish research agencies to draft the legal

framework. Improve the quality of participation of people into policy making and legal documents by having public consultation with relevant parties from the policy formulation stage in order to have consensus and basic policy concepts. If the policy concepts are not agreed on, the drafting should be stopped. This will help avoid waste of resources for drafting and the situation wherein draft law is not promulgated due to lack of consensus or promulgated but has no positive impacts for the social development.

Quality and effective implementation of the legal documents should be enhanced. Improve the legal penalty scheme and administrative penalty applied for violations. Attention should be further paid to monitoring the policy implementation. Regulation monitoring and assessment system should be strengthened by clearly identifying responsibilities of monitoring and assessing in different aspects for different agencies. Measures for the implementation of such regulations should also be clarified. Regulation and law dissemination for the public and government agencies should be improved.

2.5. Other Policies

Transparency of information, especially those for policy analysis and businesses to make their business plans should be enhanced. This will help people to attain accurate assessment on macro-economic context. Information exchange and usage mechanism should be regulated in order to improve further coordination among government agencies.

Establish reviewing mechanism with the responsibility of: forecasting analysis; policy study/research; accept feedback, cost and benefit analysis of big projects; policy impact assessment, etc... The principle of policy reviewing agency/mechanism is (i) to be independent in their assessments; (ii) to have overall vision about the economy; (iii) and to ensure a transparent consultation process. In the current context, a new policy reviewing organisation under the Government or the Prime Minister could be established. Or, this can be done by enhancing the role, function and coordination in policy review for current institution and research organisation of the Government and the Party.

Enhance reviewing and assessing the integration commitments; timely realise difficulties, obstacles in implementing and proposing appropriate measures.

Enhance policy analysis capacity and forecast for Ministries, agencies and adopt this capacity in further policy consultation.

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APPENDIX 1: REVIEW OF WTO COMMITMENT IMPLEMENTATION ON GOODS

Table AP1.1: Review of the Tariff Reduction Schedule for Agricultural Products

HS code	Description	Bound (%)	Final bound (%)	Implementation (year)	Committed bond as of 1 st Jan 2009 (%)	Applied as of 1 st Jan 2009 (%)	Progress compared to commitment
0102	Live bovine animals (excluding breeding animals)	5			5.0	5	On sched.
0103	Live swine (excluding breeding animals)	5			5.0	5	On sched.
0104	Live sheep and goats (excluding breeding animals)	5			5.0	5	On sched.
0105	Live poultry (excluding breeding animals)	10			10.0	5	Faster than sched.
0201	Meat of bovine animals, fresh or chilled	20	14	2012	17.6	15	Faster than sched.
0202	Meat of bovine animals, frozen	20	14	2012	17.6	15	Faster than sched.
0203	Meat of swine, fresh or chilled	30	25	2012	28.0	24	Faster than sched.
0203	Meat of swine, frozen	30	15	2012	24.0	24	On sched.
0204	Meat of sheep or goats, fresh, chilled or frozen				0.0	8	Faster than sched.
0207	Meat and edible offal, of the poultry of heading 01.05, fresh, chilled or frozen	40			40.0	15	Faster than sched.
0210	Meat and edible meat offal of swine, salted, in brine, dried or smoked; edible flours and meals of meat or meat offal	20	10	2012	16.0	16	On sched.
0210	Meat and edible meat offal of bovine animals, salted, in brine, dried or smoked; edible flours and meals of meat or meat offal	20	15	2010	16.7	16	Faster than sched.
0401	Milk and cream, not concentrated nor containing added sugar or other sweetening matter	20	18	2009	18.0	15	Faster than sched.
0403	Buttermilk, curdled milk and cream, yogurt, kephir and other fermented or acidified milk and cream, whether or not concentrated or containing added sugar or other sweetening matter or flavoured or containing added fruit, nuts or cocoa	30	25	2012	28.0	6.3	Faster than sched.
0406	Cheese and curd	10			10.0	10	On sched.
0407	Birds' eggs, in shell, fresh, preserved or cooked	80			80.1	30	Faster than sched.
0408	Birds' eggs, not in shell, and egg yolks, fresh, dried, cooked by steaming or by boiling in water, moulded, frozen or otherwise preserved, whether or not containing added sugar or other sweetening matter	20			20.0	20	On sched.
0504	Guts, bladders and stomachs of animals (other than fish), whole and pieces thereof, fresh, chilled frozen, salted, in brine, dried or smoked	5	3	2009	3	3	On sched.
0507	Ivory, tortoise-shell, whalebone and whalebone hair, horns, antlers, hooves, nails, claws and beaks, unworked or simply prepared but not	5	3	2009	3	3	On sched.

HS code	Description	Bound (%)	Final bound (%)	Implementation (year)	Committed bond as of 1 st Jan 2009 (%)	Applied as of 1 st Jan 2009 (%)	Progress compared to commitment
	cut to shape; powder and waste of these products						
0701	Potatoes, fresh or chilled, other than seed	20			20.0	16	Faster than sched.
0702	Tomatoes, fresh or chilled	20			20.0	20	On sched.
0703	Onions, shallots, garlic, leeks and other alliacious vegetables, fresh or chilled, other than seed	30	20	2010	23.3	19	Faster than sched.
0704	Cabbages, cauliflowers, kohlrabi, kale and similar edible brassicas, fresh or chilled	20			20.0	20	On sched.
0705	Lettuce (<i>Lactuca sativa</i>) and chicory (<i>Cichorium</i> spp.), fresh or chilled	20			20.0	20	On sched.
0706	Carrot	20	17	2010	18.0	18	On sched.
0707	Cucumbers and gherkins, fresh or chilled	20			20.0	20	On sched.
0708	Leguminous vegetables, shelled or unshelled, fresh or chilled	30	20	2010	23.3	22	Faster than sched.
0709	Other vegetables, fresh or chilled	15			15.0	14.4	Faster than sched.
0710	Potatoes (uncooked or cooked by steaming or boiling in water), frozen	20	10	2012	16.0	16	On sched.
0710	Leguminous vegetables, shelled or unshelled	25	17	2010	19.7	18.4	Faster than sched.
0712	Dried vegetables, whole, cut, sliced, broken or in powder, but not further prepared	30			30.0	30	On sched.
0713	Dried leguminous vegetables, shelled, whether or not skinned or split, not for sowing	25	20	2010	21.7	23	Lower than sched.
0801	Shelled cashew nuts	40	25	2012	34.0	34	On sched.
0805	Citrus fruit, fresh or dried	40	20	2012	32.0	32	On sched.
0805	Mandarins (including tangerines and satsumas); clementines, wilkings and similar citrus hybrids	40	30	2010	33.3	32	Faster than sched.
0807	Melons (including watermelons) and papaws (papayas), fresh	40	30	2010	33.3	33	Faster than sched.
0901	Coffee, roasted	40	30	2011	35.0	35	On sched.
0902	Tea, whether or not flavoured	40			40.0	40	On sched.
0903	Maté	30			30.0	30	On sched.
0904	Pepper of the genus <i>Piper</i> ; dried or crushed or ground fruits of the genus <i>Capsicum</i> or of the genus <i>Pimenta</i>	30	20	2010	23.3	23	Faster than sched.
1005	Popcorn	30			30.0	30	On sched.
1006	Rice	40			40.0	40	On sched.
1601	Sausages and similar products, of meat, meat offal or blood; food preparations based on these products	40	22	2012	32.8	32	Faster than sched.
1701	Cane sugar	100	85	2010	90.0	25	Faster than sched.

HS code	Description	Bound (%)	Final bound (%)	Implementation (year)	Committed bond as of 1 st Jan 2009 (%)	Applied as of 1 st Jan 2009 (%)	Progress compared to commitment
1701	Beet sugar	100			100.1	25	Faster than sched.
1701	Refined sugar	100	85	2012	94.0	40	Faster than sched.
2002	Tomatoes prepared or preserved otherwise than by vinegar or acetic acid, whole or in pieces	40	30	2012	36.0	32	Faster than sched.
2002	Tomatoes prepared or preserved otherwise than by vinegar or acetic acid, other	40	20	2012	32.0	32	On sched.
2003	Mushrooms and truffles, prepared or preserved otherwise than by vinegar or acetic acid	40			40.0	40	On sched.
2004	Potatoes	35	13	2013	28	27	Faster than sched.

Source: Calculated by authors, using information of NCIEC (2006b); Decision No. 39/2006/QD-BTC dated 28th Jul 2006 on Promulgating the export tax table and the preferential import tariff table; Circular No. 216/2009/TT-BTC dated 12th November 2009 on Stipulating tax rates of the export tax table and the preferential tariff table on applicable lines, Decision No. 123/2008/QD-BTC dated 26th December 2008 on Adjusting export tax rates, preferential tariff rates for some types of products in the export tax table and the preferential tariff table; Decision No. 106/2007/QD-BTC dated 20th December 2007 on Promulgating the export tax table and the preferential tariff table; and Decision No. 1474/QD-BTC dated 15th Jun 2009 on Correcting Decision No. 106/2007/QD-BTC dated 20th December 2007.

Table API.2: Review of the Tariff Reduction Schedule for Processed Wood Products

HS code	Description	Bound (%)	Final bound (%)	Implementation (year)	Committed bond as of 1 st Jan 2009 (%)	Applied as of 1 st Jan 2009 (%)	Progress compared to commitment
4405	Wood wool; wood flour	5	No commit	-	5	1	Faster than sched.
4409	Wood (including strips and friezes for parquet flooring, not assembled) continuously shaped (tongued, grooved, rebated, chamfered, V-jointed, beaded, moulded, rounded or the like) along any of its edges, ends or faces, whether or not planed, sanded or end-jointed	5	No commit	-	5	3	Faster than sched.
4410	Particle board and similar board (for example, oriented strand board and waferboard) of wood or other ligneous materials, whether or not agglomerated with resins or other organic binding substances	10	9	2008	8	8	On sched.
4411	Fibreboard of wood or other ligneous materials, whether or not bonded with resins or other organic substances	10	8,5	2008	8,5	8	Faster than sched.
4412	Plywood, veneered panels and similar laminated wood	10	9	2008	8	8	On sched.
4414	Wooden frames for paintings, photographs, mirrors or similar objects	40	25	2012	34	34	On sched.
4415	Packing cases, boxes, crates, drums and similar packings, of wood; cable-drums of wood; pallets, box pallets and other load boards, of wood pallet collars of wood	30	20	2010	23,33	23	Faster than sched.

HS code	Description	Bound (%)	Final bound (%)	Implementation (year)	Committed bond as of 1 st Jan 2009 (%)	Applied as of 1 st Jan 2009 (%)	Progress compared to commitment
4416	Casks, barrels, vats, tubs and other coopers' products and parts thereof, of wood including staves	30	20	2010	23,33	23	Faster than sched.
4417	Tools, tool bodies, tool handles, broom or brush bodies and handles, of wood	30	20	2010	23,33	23	Faster than sched.
4418	Builders' joinery and carpentry of wood, including cellular wood panels, assembled parquet panels, shingles and shakes, others	5	3	2008	3	3	On sched.
4419	Tableware and kitchenware, of wood	40	25	2012	34	34	On sched.
4420	Wood marquetry and inlaid wood; caskets and cases for jewellery or cutlery, and similar articles, of wood; statuettes and other ornaments of wood; wooden articles of furniture not falling in Chapter 94	40	20	2010	26,67	26	Faster than sched.
4421	Other articles of wood	40	25	2010-2012	30,5	30,5	On sched.
9403	Other furniture and parts thereof	35	25	2012	31	27	Faster than sched.

Source: Calculated by authors, using information of NCIEC (2006b); Decision No. 39/2006/QD-BTC dated 28th Jul 2006 on Promulgating the export tax table and the preferential import tariff table; Circular No. 216/2009/TT-BTC dated 12th November 2009 on Stipulating tax rates of the export tax table and the preferential tariff table on applicable lines, Decision No. 123/2008/QD-BTC dated 26th December 2008 on Adjusting export tax rates, preferential tariff rates for some types of products in the export tax Table and the preferential tariff table; Decision No. 106/2007/QD-BTC dated 20th December 2007 on Promulgating the export tax table and the preferential tariff table;

And Decision No. 1474/QD-BTC dated 15th Jun 2009 on Correcting Decision No. 106/2007/QD-BTC dated 20th December 2007.

Table AP1.3: Review of the Tariff Reduction Schedule for Marine and Aquatic Products

HS	Description	Bound (%)	Final bound (%)	Implementation (year)	Committed bond as of 1 st Jan 2009 (%)	Applied as of 1 st Jan 2009 (%)	Progress compared to commitment
0301	Live fish	28.8	19.4	2009	21.7	21.4	Faster than sched.
0302	Fish, fresh or chilled, excluding fish fillets and other fish meat of heading 03.04	30	17.08	2010	23.2	22	Faster than sched.
0303	Fish, frozen, excluding fish fillets and other fish meat of heading 03.04	30	15	2011	22.9	21	Faster than sched.
0304	Fish fillets and other fish meat (whether or not minced), fresh, chilled or frozen	30	15	2011	22.5	22.0	Faster than sched.
0305	Fish, dried, salted or in brine; smoked fish, whether or not cooked before or during the smoking process; flours, meals and pellets of fish, fit for human consumption	30	20	2011	24.9	23.2	Faster than sched.
0306	Crustaceans, whether in shell or not, live, fresh, chilled, frozen, dried, salted or in brine; crustaceans, in shell, cooked by steaming or by boiling in water, whether or not chilled, frozen, dried, salted or in brine; flours, meals and pellets of crustaceans, fit for human consumption	30.0	17.3	2010.6	23.0	21.9	Faster than sched.
0307	Molluscs, whether in shell or not, live, fresh, chilled, frozen, dried, salted or in brine; aquatic invertebrates other than crustaceans and molluscs, live, fresh, chilled, frozen, dried, salted or in brine; flours, meals and pellets of aquatic invertebrates other than crustaceans, fit for human consumption	30.0	16.6	2010.6	22.7	21.7	Faster than sched.
1604	Prepared or preserved fish; caviar and caviar substitutes prepared from fish eggs	40	32.5	2010.0	36.7	33.0	Faster than sched.
1605	Crustaceans, molluscs and other aquatic invertebrates, prepared or preserved	40.0	32.1	2010	34.7	33.0	Faster than sched.

Source: Calculated by authors, using information of NCIEC (2006b); Decision No. 39/2006/QD-BTC dated 28th Jul 2006 on Promulgating the export tax Table and the preferential import tariff table; Circular No. 216/2009/TT-BTC dated 12th November 2009 on Stipulating tax rates of the export tax table and The preferential tariff table on applicable lines, Decision No. 123/2008/QD-BTC dated 26th December 2008 on Adjusting export tax rates, preferential tariff rates for some types of products in the export tax table and the preferential tariff table; Decision No. 106/2007/QD-BTC dated 20th December 2007 on Promulgating the export tax table and the preferential tariff table; And Decision No. 1474/QD-BTC dated 15th Jun 2009 on Correcting Decision No. 106/2007/QD-BTC dated 20th December 2007.

Table AP1.4: Review of the Tariff Reduction Schedule for Manufactured Products

HS	Description	Bound (%)	Final bound (%)	Imple-mentation (year)	Committed bond as of 1 st Jan 2009 (%)	Applied as of 1 st Jan 2009 (%)	Progress compared to commitment
2101	Instant coffee	50	40	2010	43	43	Faster than sched.
2102	Bread yeasts	20	10	2012	16	16	On sched.
2103	Soya sauce	45	31	2011	38	37	Faster than sched.
2105	Ice cream and other edible ice, whether or not containing cocoa.	45	20	2012	35	35	On sched.
2106	Autolysed yeast preparations	26	17	2010	19	20	Slower than sched.
2201	Mineral waters and aerated waters	50	35	2012	44	44	On sched.
2202	Sparkling mineral waters and aerated waters, flavoured	40	30	2011	35	33	Faster than sched.
2203	Stout and porter	65	35	2012	53	53	On sched.
2204	Sparkling wine	65	51	2012	59	59	Faster than sched.
2205	Of an alcoholic strength by volume not exceeding 15% vol	65	55	2012	61	59	Faster than sched.
2206	Cider and perry	65	55	2012	61	59	Faster than sched.
2208	Brandy of an alcoholic strength by volume not exceeding 46% vol	65	45	2013	58	55	Faster than sched.
2402	Beedies	150	128	2010	138	138	On sched.
2523	For white cement	39	32	2011	35	29	Faster than sched.
2709	Condensate	15	10	2009	10	0	Faster than sched.
2917	Diethyl orthophthalates	10	5	2012	8	1	Faster than sched.
2922	Anthranilic acid and its salts	13	7	2012	11	5	Faster than sched.
2924	Meprobamate (INN)	11	5	2012	9	2	Faster than sched.
2929	Isocyanates	10	5	2012	8	5	Faster than sched.
2941	Ampicillin and its salts	10	5	2010	7	0	Faster than sched.
3003	Containing amoxicillin (INN) or its salts	10	8	2009	8	8	On sched.
	Containing penicillin G or its salts (excluding penicillin G benzathin)	10	7	2010	8	4	Faster than sched.
3004	Covered or impregnated with pharmaceutical substances	10	8	2009	8	7	Faster than sched.
3006	Barium sulfate (for taking orally)	10	8	2009	8	8	On sched.
3208	Paint & varnish from synth etc polymers nonaq, etc	28	19	2012	24	21	Faster than sched.
3209	Varnishes (including lacquers), exceeding 1000C heat-resistance	26	17	2012	22	14	Faster than sched.
	Paints & varnishes nesoi, water pigments for leather, exceeding 1000C heat-resistance	25	16	2011	21	14	Faster than sched.
3210	Perfumes and toilet waters	30	18	2012	25	25	Faster than sched.
3303	Manicure or pedicure preparations	33	19	2012	27	27	Faster than sched.
3304	Anti-mycosis shampoos	29	17	2013	25	25	Slower than sched.

HS	Description	Bound (%)	Final bound (%)	Imple-mentation (year)	Committed bond as of 1 st Jan 2009 (%)	Applied as of 1 st Jan 2009 (%)	Progress compared to commitment
3306	Prophylactic pastes and powders	30	17	2012	25	25	Faster than sched.
3307	Personal deodorants and antiperspirants	40	18	2013	32	32	Faster than sched.
3401	Soap chips	36	21	2012	30	31	Slower than sched.
3402	Sulphated fatty alcohols	13	8	2009	9	9	Slower than sched.
3403	Lubricating preps, anti-rust & treating textiles etc	11	8	2010	9	7	Faster than sched.
3405	Polishes, creams and similar preparations for footwear or leather	30	18	2012	25	24	Faster than sched.
3406	Candles, tapers, and the like	30	20	2012	26	26	On sched.
3604	Firecrackers	30	20	2010	23	23	Faster than sched.
3606	Liquid or liquefied-gas fuels in containers of a kind used for filling or refilling cigarette or similar lighters	30	20	2010	23	23	Faster than sched.
3701	Photo plates & film, flat, sensitised, unexposed	18	7	2012	13	14	Slower than sched.
3702	In bands of 16 mm or more in width and 120 m or more in length	20	7	2012	15	11	Faster than sched.
3703	Of a width of less than 1,000 mm	20	7	2012	15	14	Faster than sched.
3704	Other plates and film	20	7	2012	15	14	Faster than sched.
3705	Photo plates & still film, exposed & developed	20	7	2012	15	14	Faster than sched.
3809	Of a kind used in the textile or like industries	10	7	2010	8	2	Faster than sched.
3824	Prepared additives for cements, mortars or concretes	13	8	2010	10	9	Faster than sched.
3825	Municipal waste	30	20	2010	23	23	Faster than sched.
3903	In powder form	10	7	2010	8	6	Faster than sched.
3904	PVC homopolymers, suspension type	15	7	2013	12	3	Faster than sched.
3905	In aqueous dispersion	15	7	2012	11	6	Faster than sched.
3906	In aqueous dispersion	10	7	2011	8	6	Faster than sched.
3917	Porous tubes suitable for agricultural watering	20	17	2010	18	17	Faster than sched.
3918	Tiles	40	27	2011	34	33	Faster than sched.
3919	Tapes used in the manufacture of telephonic or electric wires	18	15	2010	16	17	Slower than sched.
3920	Plates, sheets, film etc no ad, non-cel etc, plast	14	7	2014	12	9	Faster than sched.
3922	Flushing water closets (lavatory pans) and urinals	42	23	2013	35	34	Faster than sched.
3923	Containers (boxes, bags etc), closures etc, plast	28	13	2012	20	20	Slower than sched.
3924	Tableware and kitchenware	40	22	2014	35	34	Faster than sched.
3925	Doors, windows and their frames and thresholds for doors	40	25	2011	32	32	Faster than sched.
3926	Colostomy, ileostomy and urine bags	27	13	2013	21	19	Faster than sched.
4011	New pneumatic tires, of rubber of a kind used on bicycles	43	30	2012	37	35	Faster than sched.

HS	Description	Bound (%)	Final bound (%)	Imple-mentation (year)	Committed bond as of 1 st Jan 2009 (%)	Applied as of 1 st Jan 2009 (%)	Progress compared to commitment
4012	Solid tyres exceeding 250 mm in external diameter, of a width exceeding 450 mm, for use on vehicles of heading 87.09	29	17	2010	22	35	Slower than sched.
4013	Suitable for fitting to tyres of width not exceeding 450 mm	42	30	2012	37	35	Faster than sched.
4014	Sheath contraceptives	10	5	2010	7	6	Faster than sched.
4016	Boat or dock fenders, whether or not inflatable	31	21	2010	25	18	Faster than sched.
4107	Grain splits	10	5	2012	8	8	On sched.
4113	Of swine	10	5	2012	8	8	On sched.
4201	Saddlery and harness for any animal (including traces, leads, knee pads, muzzles, saddle cloths, saddle bags, dog coats)	30	20	2010	23	23	Faster than sched.
4202	School satchels	40	25	2011	33	30	Faster than sched.
4203	Articles of apparel	40	25	2012	34	34	On sched.
4303	Clothing accessories	40	23	2012	33	30	Faster than sched.
4304	Artificial fur	38	25	2012	33	33	On sched.
4601	Mats and matting	30	20	2012	26	24	Faster than sched.
4602	Of rattan	30	20	2012	26	26	On sched.
4801	Weighing not more than 55 g/ m2	35	20	2012	29	29	On sched.
4802	For printing banknotes; used in the manufacture of gypsum boards and computer cards or paper	36	22	2012	30	18	Faster than sched.
4803	Cellulose wadding not further worked than being coloured or marbled throughout the mass	40	20	2012	32	32	On sched.
4804	Kraft paper & paperboard, uncoat nesoi, rolls etc	23	17	2011	20	17	Faster than sched.
4805	Joss paper	16	10	2012	13	11	Faster than sched.
4810	Paper and paperboard, coated or surface-coloured for used in manufacture of computer cards or paper	10	5	2010	7	6	Faster than sched.
4811	Paper and paperboard, coated or covered with aluminium foils on the inner side and bearing marks or words	10	6	2010	7	11	Slower than sched.
4813	In the form of booklets or tubes	30	20	2012	26	26	On sched.
4814	"Ingrain" paper	34	24	2010	28	28	Slower than sched.
4817	Envelopes	35	25	2010	28	28	Faster than sched.
4818	Toilet paper	33	20	2012	28	27	Faster than sched.
4819	Cartons, boxes and cases, of corrugated paper or paperboard	29	19	2012	24	24	Faster than sched.
4820	Registers, account books, note books, order books, receipt books, letter pads, memorandum pads, diaries and similar articles	35	25	2010	28	28	Faster than sched.
4821	Labels that form part of packing for jewellery or for small objects of personal adornment or for articles of personal use	30	20	2012	26	26	On sched.

HS	Description	Bound (%)	Final bound (%)	Imple-mentation (year)	Committed bond as of 1 st Jan 2009 (%)	Applied as of 1 st Jan 2009 (%)	Progress compared to commitment
4823	Trays, dishes, plates, cups and the like, of paper or paperboard	30	20	2012	26	22	Faster than sched.
4909	Printed or illustrated postcards; printed cards bearing personal greetings, messages or announcements, whether or not illustrat	35	20	2012	29	29	On sched.
4910	Calendars of any kind, printed, including calendar blocks	35	20	2012	29	29	On sched.
4911	Other wall pictures and diagrams for instructional purposes; pictures, designs and photographs for incorporation into boo	30	20	2012	26	22	Faster than sched.
6401	Footwear incorporating a protective metal toe-cap	40	30	2012	36	36	On sched.
6402	Ski-boots, cross-country ski footwear and snowboard boots	40	30	2012	36	36	On sched.
6403	Ski-boots, cross-country ski footwear and snowboard boots	40	30	2012	36	36	On sched.
6404	Sports footwear; tennis shoes, basketball shoes, gym shoes, training shoes and the like	40	30	2012	36	36	On sched.
6405	Footwear nesoi	40	30	2011	35	35	Faster than sched.
6406	Parts of footwear: insoles etc; gaitors etc, parts of metal	10	5	2009	5	5	On sched.
6504	Hats and other headgear, plaited or made by assembling strips of any material, whether or not lined or trimmed	40	25	2012	34	34	On sched.
6505	Hair-nets	40	25	2012	34	34	On sched.
6506	Headgear nesoi, whether or not lined or trimmed of rubber or of plastics	40	25	2012	34	34	On sched.
6601	Garden or similar umbrellas	40	25	2012	34	34	On sched.
6602	Walking-sticks, seat-sticks, whips, riding-crops and the like.	40	25	2012	34	34	On sched.
6603	For articles of heading 66.01	30	25	2010	27	26	Faster than sched.
6702	Artificial flowers, foliage & fruit, parts & articles of other materials	40	28	2011	34	33	Faster than sched.
6704	Complete wigs	30	25	2010	27	26	Faster than sched.
6801	Setts, curbstones and flagstones, of natural stone (except slate). Tiles, cubes and similar articles, whether or not rectangular (including square), the largest surface area of which is capabl	25	20	2010	22	21	Faster than sched.
6802	Bricks, paving slabs, floor tiles and similar construction goods	25	20	2010	22	21	Faster than sched.
6815	Building bricks	40	35	2009	35	35	On sched.
6904	Roofing tiles	50	45	2010	47	46	Faster than sched.
6905	Ceramic pipes, conduits, guttering and pipe fittings	40	35	2010	37	36	Faster than sched.
6908	Floor, hearth or wall tiles	50	39	2012	46	44	Faster than sched.
6910	Ceramic sinks, washbasins, water closet bowls etc	45	35	2011	40	40	Faster than sched.
6911	Tableware and kitchenware	50	35	2012	44	44	On sched.
6913	Statuettes and other ornamental ceramic articles	40	30	2011	35	33	Faster than sched.

HS	Description	Bound (%)	Final bound (%)	Imple-mentation (year)	Committed bond as of 1 st Jan 2009 (%)	Applied as of 1 st Jan 2009 (%)	Progress compared to commitment
6914	Ceramic articles nesoi	40	30	2010	33	33	Faster than sched.
7002	Glass in balls (not micros), rods or tubes, unwork for vacuum tubes	26	21	2009	21	25	Slower than sched.
7003	Optical glass, not optically worked	40	35	2009	36	26	Faster than sched.
7004	Optical glass, not optically worked	37	32	2010	33	23	Faster than sched.
7007	Suitable for earth moving machinery	25	20	2010	21	17	Faster than sched.
7008	Multiple-walled insulating units of glass	30	25	2009	25	25	On sched.
7009	Glass mirrors, framed or not, inc rearview mirrors unframed	35	27	2011	31	31	On sched.
7011	Television tubes	18	15	2009	14	8	Faster than sched.
7013	Glassware for table, kitchen, toilet etc use nesoi	46	35	2011	41	44	Slower than sched.
7016	Glass paving blocks etc, glass cubes, lead window etc	45	35	2011	40	40	Faster than sched.
7018	Glass eyes	28	21	2010	23	18	Faster than sched.
7020	For acrylic manufacture	17	5	2009	10	6	Faster than sched.
7117	Bangles	30	25	2009	25	25	On sched.
7118	Gold coin, whether or not legal tender, or silver coin, being legal tender	30	25	2012	28	28	On sched.
7207	Of rectangular (including square) cross-section, the width measuring less than twice the thickness	20	10	2014	17	4	Faster than sched.
7210	Of a thickness of 4.75 mm or more but not exceeding 125 mm	16	11	2013	14	8	Faster than sched.
7214	Containing by weight less than 0.6% of carbon	39	24	2014	35	0	Faster than sched.
7215	Of free-cutting steel, not further worked than cold-formed or cold-finished	36	23	2014	32	0	Faster than sched.
7315	Chain & parts, of iron or steel	31	23	2010	26	22	Faster than sched.
7321	Stoves, ranges etc, nonel domestic & parts, iron & steel for solid fuel	30	21	2011	26	22	Faster than sched.
7322	Radiators, air heaters etc, nonel & parts, iron & steel of cast iron	30	24	2010	26	26	Faster than sched.
7323	Iron or steel wool; pot scourers and scouring or polishing pads, gloves and the like	30	25	2010	27	25	Faster than sched.
7324	Sanitary ware & parts, iron or steel	37	25	2010	29	28	Faster than sched.
7326	Articles of iron or steel, nesoi	20	15	2010	17	13	Faster than sched.
7418	Pot scourers and scouring or polishing pads, gloves and the like	32	26	2012	30	32	Slower than sched.
7610	Doors, windows and their frames and thresholds for doors	18	15	2010	16	13	Faster than sched.
7615	Pot scourers and scouring or polishing pads, gloves and the like	35	28	2011	31	29	Faster than sched.
8204	Hand operated spanners & wrenches etc, b met parts non-	25	20	2010	22	21	Faster than sched.

HS	Description	Bound (%)	Final bound (%)	Imple-mentation (year)	Committed bond as of 1 st Jan 2009 (%)	Applied as of 1 st Jan 2009 (%)	Progress compared to commitment
	adjustable						
8205	Drilling, threading or tapping tools	25	20	2010	22	18	Faster than sched.
8206	Tools of two or more of the headings 82.02 to 82.05, put up in sets for retail sale	25	20	2010	22	20	Faster than sched.
8212	Razors	30	20	2010	23	23	Faster than sched.
8213	Scissors, tailors' shears and similar shears, and blades therefor	30	25	2012	28	28	On sched.
8214	Paper knives, letter openers, erasing knives, pencil sharpeners and blades therefor	30	25	2012	28	28	On sched.
8215	Sets of assorted articles containing at least one article plated with precious metal	30	25	2012	28	28	On sched.
8301	Padlocks, locks & keys & parts, of base metal	30	25	2011	27	28	Slower than sched.
8302	Hinges	30	21	2011	25	23	Faster than sched.
8303	Armoured or reinforced safes, strong-boxes and doors and safe deposit lockers for strong-rooms, cash or deed boxes and the like	30	25	2012	28	28	On sched.
8304	Filing cabinets and card-index cabinets	30	25	2012	28	28	On sched.
8305	Fittings for loose-leaf binders or files	30	25	2012	28	28	On sched.
8306	Bells, gongs and the like	30	25	2012	28	28	On sched.
8308	Hooks, eyes and eyelets	30	27	2012	29	28	Faster than sched.
8311	Wire, rods etc for soldering etc & met spray, bmpt in rolls	30	25	2012	28	28	On sched.
8407	Spark-ignition recip or rotary int comb piston engine of an output exceeding 22.38 kW (30 HP)	37	31	2011	33	19	Faster than sched.
8408	Compression-ignition internal comb piston engines of a power not exceeding 22.38 kW	32	24	2013	29	23	Faster than sched.
8409	Carburettors and parts thereof	25	21	2011	23	18	Faster than sched.
8413	Electrically operated	22	14	2011	18	7	Faster than sched.
8414	Sealed units for air conditioning units	26	17	2010	20	14	Faster than sched.
8415	Air conditioning machines (temp & hum change), pts of an output not exceeding 21.10 kW	34	24	2012	30	6	Faster than sched.
8418	Scale ice-maker units	25	16	2011	20	17	Faster than sched.
8419	Evaporators	12	9	2009	8	0	Faster than sched.
8421	Filtering machinery and apparatus for domestic use	17	11	2011	13	13	Faster than sched.
8422	Machines, dishwash, clean etc cont & fill, pak etc electrically operated	30	18	2011	24	21	Faster than sched.
8423	Parts of weighing machinery	21	13	2010	14	17	Slower than sched.

HS	Description	Bound (%)	Final bound (%)	Imple-mentation (year)	Committed bond as of 1 st Jan 2009 (%)	Applied as of 1 st Jan 2009 (%)	Progress compared to commitment
8424	Hand operated household sprayers of capacity not exceeding 3 l	10	7	2009	7	1	Faster than sched.
8450	Machines, each of a dry linen capacity exceeding 10 kg	38	25	2011	31	16	Faster than sched.
8451	Machinery (not laundry) for cleaning, drying etc	13	9	2010	10	6	Faster than sched.
8452	Automatic units	17	13	2009	12	10	Faster than sched.
8470	Electronic calculators capable of operation without an external source of electric power and pocket-size data recording, repr	5	0	2010	2	1	Faster than sched.
8471	Palmtop	10	0	2012	6	5	Faster than sched.
8473	Parts etc for typewriters & other office machines computer accessories parts etc for typewriters & other office machines computer accessories suitable for use of machines with heading 84.71	9	0	2012	5	3	Faster than sched.
8481	Taps, cocks, valves etc for pipes, tanks etc, pts of iron or steel alloys	13	7	2010	8	7	Faster than sched.
8483	Transmission shafts, bearings, gears etc, parts for earth moving machinery	30	22	2012	26	15	Faster than sched.
8501	Electric motors and generators (no sets) of an output exceeding 75 kVA but not exceeding 375 kVA	29	21	2011	25	19	Faster than sched.
8502	Electric generating sets and rotary converters of an output not exceeding 75 kVA	30	18	2012	24	22	Faster than sched.
8504	Electric transform, static converters & induct, pts of a high side voltage of 66,000 volts or more	29	20	2011	25	20	Faster than sched.
8506	Primary cells & batteries, parts	26	20	2011	23	22	Faster than sched.
8509	Vacuum cleaners, including dry and wet vacuum cleaners	39	24	2012	33	15	Faster than sched.
8510	Shavers	30	20	2012	26	26	On sched.
8512	Electric light etc equip, windshield wipers etc, parts for motor cars, assembled	30	24	2010	26	25	Faster than sched.
8513	Portable elec lamps function by own energy source	30	20	2012	26	26	On sched.
8516	Electric instantaneous water heaters	38	23	2011	29	29	Slower than sched.
8517	Printed circuit boards, assembled	10	0	2012	6	14	Slower than sched.
8518	Box assembly speakers	21	11	2012	17	15	Faster than sched.
8521	Video recording or reproducing apparatus for special use in cinematographic, television, broadcasting	37	26	2010	31	27	Faster than sched.
8527	Reception apparatus for radiotelephony etc for radio-telephony or radio-telegraphy	33	23	2011	29	34	Slower than sched.

HS	Description	Bound (%)	Final bound (%)	Imple-mentation (year)	Committed bond as of 1 st Jan 2009 (%)	Applied as of 1 st Jan 2009 (%)	Progress compared to commitment
8529	Telescopic, rabbit and dipole antennae for television or radio receivers	23	12	2011	17	13	Faster than sched.
8532	Fixed capacitors designed for use in 50/60 Hz circuits and having a reactive power handling capacity of not less than 0.5 kva	6	0	2010	3	2	Faster than sched.
8533	Surface mounted	5	0	2010	2	1	Faster than sched.
8536	Lightning arrestors	24	17	2011	21	19	Faster than sched.
8537	Switchboards	18	11	2010	14	13	Faster than sched.
8538	Parts including printed circuit assemblies of telephone plugs; connection and contact elements for wires and cables; wafe	12	9	2010	10	10	Faster than sched.
8539	Electric filament or discharge lamps, parts	28	19	2011	24	19	Faster than sched.
8544	Insulated cables fitted with connectors, for a voltage exceeding 66,000 V	18	8	2012	14	7	Faster than sched.
8703	Ambulances (endnote 8)	85	59	2014	78	83	Slower than sched.
8704	Refrigerated vans (endnote 8)	53	41	2011	48	15	Faster than sched.
8705	Fire fighting vehicles	10	5	2009	5	0	Faster than sched.
8706	Chassis fitted with engines, for the motor vehicles of subheading 8702.10	37	27	2013	34	10	Faster than sched.
8707	Bodies (including cabs), for motor vehicles of subheading 8704.10	36	25	2013	32	21	Faster than sched.
8708	For vehicles of headings 87.02 and 87.04 (except subheading 8704.10)	28	23	2013	26	18	Faster than sched.
8711	Motor scooters	98	72	2012	88	87	Faster than sched.
8712	Other bicycles (including children's bicycles in the normal form of adult bicycles)	80	45	2012	66	66	On sched.
8714	Parts & access for cycles & invalid carriages for motorcycles of subheading 8711.10, 8711.20 or 8711.90	50	41	2010	44	44	Faster than sched.
8716	Carts and wagons, sack trucks, hand trolleys and similar hand-propelled vehicles of a kind used in factories or workshops (25	20	2010	22	21	Faster than sched.
9006	Instant print cameras	30	25	2010	27	22	Faster than sched.
9017	Pattern generating apparatus of a kind used for producing masks or reticles from photoresist coated substrates	5	0	2010	2	1	Faster than sched.
9028	Kilowatt hour meters	30	25	2010	27	26	Faster than sched.
9032	Electrically operated	30	20	2012	26	26	On sched.
9101	Wrist watches, battery powered with opto-electronic display only	30	19	2011	24	23	Faster than sched.
9102	Wrist watches, battery powered, with opto-electronic display only	30	19	2010	23	23	Faster than sched.

HS	Description	Bound (%)	Final bound (%)	Imple-mentation (year)	Committed bond as of 1 st Jan 2009 (%)	Applied as of 1 st Jan 2009 (%)	Progress compared to commitment
9103	Clocks with watch movements electrically operated	30	20	2010	23	23	Faster than sched.
9105	Clocks electrically operated	35	25	2010	28	28	Faster than sched.
9108	watch movements, complete & assembled with mechanical display only or with a device to which a mechanical display can be incorporated	30	20	2010	23	23	Faster than sched.
9109	Alarm clock movements, complete & assembled	35	22	2011	29	28	Faster than sched.
9110	Complete movements of clock, unassembled or partly assembled (movement sets)	25	20	2010	22	21	Faster than sched.
9111	Cases of precious metal or of metal clad with precious metal	25	20	2010	22	21	Faster than sched.
9112	Cases	25	20	2010	22	21	Faster than sched.
9113	Watch straps, watch bands and watch bracelets, pts of precious metal or of metal clad with precious metal	30	20	2010	23	23	Faster than sched.
9303	Hunting shotguns	40	30	2012	36	36	On sched.
9304	Air guns, not exceeding 7 kg	40	30	2012	36	36	On sched.
9401	Seats of a kind used for aircraft	35	23	2012	30	26	Faster than sched.
9402	Dentists' chairs	30	0	2012	18	18	On sched.
9403	Metal furniture of a kind used in offices	35	24	2012	31	29	Faster than sched.
9404	Mattress supports	30	23	2012	27	28	Slower than sched.
9405	Lamps & lighting fittings & parts etc nesoi of oil-burning type other than oil lamps	33	24	2011	29	26	Faster than sched.
9406	Greenhouses fitted with mechanical or thermal equipment	30	16	2012	25	24	Faster than sched.
9504	Video games of a kind used with a television receiver	35	23	2011	30	28	Faster than sched.
9505	Christmas crackers and sparklers	40	25	2012	34	34	On sched.
9601	Worked rhinoceros horn	35	25	2010	28	28	Faster than sched.
9602	Worked Vegetable or Mineral Carving Materials; Moulded Articles	35	20	2012	29	29	On sched.
9603	Brushes	30	25	2010	27	26	Faster than sched.
9604	Hand sieves and hand riddles of metal	30	25	2010	27	26	Faster than sched.
9605	Travel sets for personal toilet,etc for personal toilet	30	25	2010	27	26	Faster than sched.
9606	Press-fasteners, snap-fasteners and press-studs and parts therefor	30	25	2010	27	26	Faster than sched.
9607	Fitted with chain scoops of base metal	30	22	2010	24	23	Faster than sched.
9608	Ball point pens	30	25	2010	27	26	Faster than sched.
9609	Black pencils	30	25	2010	27	26	Faster than sched.
9610	School slates	35	25	2010	28	28	Faster than sched.
9611	Date, sealing or numbering stamps, and the like (including	35	25	2010	28	28	Faster than sched.

HS	Description	Bound (%)	Final bound (%)	Implementation (year)	Committed bond as of 1 st Jan 2009 (%)	Applied as of 1 st Jan 2009 (%)	Progress compared to commitment
	devices for printing or embossing labels), designed for operating in						
9615	Hair slides and the like	30	20	2010	23	23	Faster than sched.
9616	Sprays	33	25	2012	30	30	On sched.
9617	Vacuum flasks and other vacuum vessels	35	28	2011	31	31	Faster than sched.
9618	Tailors' dummies and other lay figures; automata and other animated displays used for shop window dressing	30	25	2012	28	28	On sched.

Source: Calculated by authors, using information of NCIEC (2006b); Decision No. 39/2006/QD-BTC dated 28th Jul 2006 on Promulgating the export tax table and the preferential import tariff table; Circular No. 216/2009/TT-BTC dated 12th November 2009 on Stipulating tax rates of the export tax table and the preferential tariff table on applicable lines, Decision No. 123/2008/QD-BTC dated 26th December 2008 on Adjusting export tax rates, preferential tariff rates for some types of products in the export tax table and the preferential tariff table; Decision No. 106/2007/QD-BTC dated 20th December 2007 on Promulgating the export tax table and the preferential tariff table; and Decision No. 1474/QD-BTC dated 15th Jun 2009 on Correcting Decision No. 106/2007/QD-BTC dated 20th December 2007.

APPENDIX 2: REVIEW OF IMPLEMENTATION OF WTO ACCESSION COMMITMENTS FOR SERVICE SECTOR

Table AP2.1. Review of Implementation of WTO Commitment for Distribution Service

	<i>WTO commitment</i>	<i>Legal documents issued after accession</i>
Products to be allowed to distribute	Foreign-invested companies engaging in distribution services are not permitted to distribute some products in Vietnam. These products are divided into two groups: products not permitted for long term; and products not permitted for The former group includes Cigarettes and cigars, books, newspapers and magazines, video records on whatever medium, precious metals and stones, pharmaceutical products and drugs, explosives, processed oil and crude oil, rice, cane and beet sugar. The latter includes cement and cement clinkers; tyres (excluding tyres of airplanes); papers; tractors; motor vehicles; cars and motorcycles; iron and steel; audiovisual devices; wines and spirits; and fertilizers. However, after 2010, this list of products will be removed and foreign-invested companies will be allowed to distribute all products made in Vietnam and imported into Vietnam (except products not permitted for long term).	<u>No gap in implementation</u> Decree No. 23/2007/ND-CP dated 12 th February 2007; Circular No. 09/2007/TT-BTM dated 17 th Jul 2007; Decision No. 10/2007/QĐ-BTM dated 21 st May 2007.
Online distribution and other e-commerce forms (Mode 1)	Vietnam does not allow online sales or sales via any other e-commerce form, except for individual needs or e-commerce of legal software for individual needs and for commercial purpose.	
Foreign capital contribution	Foreign service providers are allowed to set up a joint venture with capital contribution not exceeding 49% right after accession in 2007. As of 1 st January 2008, the 49% capital limitation shall be abolished. As of 1 st January 2009, 100% foreign invested enterprises are allowed.	<u>No gap in implementation</u> Decree No. 23/2007/ND-CP dated 12 th February 2007; Circular No. 09/2007/TT-BTM dated 17 th Jul 2007; Decision No. 10/2007/QĐ-BTM dated 21 st May 2007.
Economic Needs Test (ENT)	The establishment of outlets for retail services (beyond the first one) by foreign service providers shall be allowed on the basis of an Economic Needs Test (ENT). Approval criteria include, but not limited to, a number of service providers operating in a certain geographical area, stability of market and geographical scope.	<u>No gap in implementation</u> Decree No. 23/2007/NĐ-CP dated 12 February 2007; Circular No. 09/2007/TT-BTM dated 17 th Jul 2007; Decision No. 10/2007/QĐ-BTM dated 21 st May 2007.

Source: Overview by authors based on information from NCIEC (2006b).

Table AP2.2: Review of Implementation of WTO Commitment for Banking Services

<i>WTO commitment</i>		<i>Legal documents issued after accession</i>
Com- mer- cial pre- sence	Foreign credit institutions are only permitted to establish commercial presence in Vietnam in the following forms: representative office, branch of foreign commercial bank, commercial joint venture bank with foreign capital contribution not exceeding 50% of chartered capital, and, beginning on 1 st Apr 2007, 100% foreign-owned banks are permitted.	Decree No. 22/2006/NĐ-CP: Article 3 on organisation form: no gap in implementation. Circular No.03/2007/TT-NHNN: Article 53 on proportion, form of contribution to chartered capital.
Condi- tion for estab- lish- ment	(a) The conditions for the establishment of a branch of a foreign commercial bank in Vietnam: The parent bank has total assets of more than 20 billion USD at the end of the year prior to application. (b) The conditions for the establishment of a joint venture bank or a 100% foreign-owned bank: The parent bank has total assets of more than 10 billion USD at the end of the year prior to application.	Decree No. 22/2006/ND-CP: Article 8, items 2 and 3 on conditions for establishment: no gap in implementation. Circular No. 03/2007/TT-NHNN: Article 5 on conditions for establishment: no gap in implementation. According to this Circular, in order to get a license to establish 100% foreign invested bank, foreign banks need to meet quite strict requirements, among which the prerequisite is that the state bank (or supervising body) of the country of origin need to commit on cooperation of managing, supervising operation and exchanging information with the State Bank of Vietnam (Article 5, item 5.1, point d).
Lim- ita- tion of depo- sit accep- tance	During five years from the date of accession, Vietnam may limit the right of a foreign bank branch to accept deposits in Vietnamese Dong from Vietnamese natural persons with which the bank does not have a credit relationship to a ratio of the branch's paid-in capital.	The State Bank of Vietnam issued Note No. 1210/NHNN-CNH dated on 07/02/2007 for branches of foreign banks in Vietnam on acceptance of deposits in Vietnamese Dong. According to this Note, branches of foreign banks in Vietnam are allowed to accept deposits in Vietnamese Dong from Vietnamese natural persons with which the bank does not have a credit relationship to a ratio of the branch's paid-in capital according to the schedule below: - 1 st January 2007: 650% of legal paid-in capital; - 1 st January 2008: 800% of legal paid-in capital; - 1 st January 2009: 900% of legal paid-in capital; - 1 st January 2010: 1,000% of legal-paid-in capital; - 1 st January 2011: Full national treatment.
Room for sha- re's	Share's acquisition: (ii) For capital contribution in the form of buying share, total of shares held by foreign natural persons and legal	Decree No. 69/2007/ND-CP: Article 4 on principle of share's acquisition by foreign investors: no gap in implementation. Circular No. 07/2007/TT-NHNN dated 29 th

acqui- sition	entities in a Vietnamese joint stock commercial bank does not exceed 30% its chartered capital, except otherwise regulated by Vietnamese law or a Vietnamese authorised agency.	November 2007 guiding implementation of Decree No. 69
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Source: Overview by authors based on information from NCIEC (2006b).

Table AP2.3: Review of Implementation of WTO Commitments for Securities Services

	<i>WTO commitment</i>	<i>Legal documents issued after accession</i>
<i>Foreign capital contribution</i>	Upon accession, foreign securities service suppliers shall be permitted to establish representative offices and joint ventures with Vietnamese partners in which foreign capital contribution not exceeding 49%. After 5 years from the date of accession, securities service suppliers with 100% foreign-invested capital shall be permitted. For services from C(i) to C(l), after 5 years from the date of accession, branches of foreign securities services suppliers shall be permitted.	<u>No gap in implementation</u> Decision 55/2009/QĐ-TTg dated 15/4/2009 on room for foreign investors' participation in Vietnam's stock market: Article 3. Foreign securities organisations are allowed to establish securities company, company of fund management in Vietnam as follows: 1. Only foreign securities organisations are allowed to buy share for setting up securities company. Foreign capital contribution is limited to 49% of chartered capital of securities company. 2. Only foreign securities organisations which work on securities investment fund management, and foreign insurance companies are allowed to buy shares to set up fund management company. Foreign capital contribution is limited to 49% of chartered capital of fund management company.

Source: Overview of authors based on information from NCIEC (2006b).

Table AP2.4: Review of Implementation of WTO Commitments for Post and Telecom Services

	<i>WTO commitment</i>	<i>Legal documents issued after accession</i>
TELECOM		
Foreign capital contribution	<i>Non facilities-based services:</i> Upon accession joint ventures with telecommunications service suppliers duly licensed in Vietnam will be allowed. Foreign capital contribution shall not exceed 51% of legal capital of the joint ventures. Three years after accession: joint venture will be allowed without limitation on choice of partner. Foreign capital contribution shall not exceed 65% of legal	<u>No gap in implementation</u> Telecom Law issued on 23/11/2009: - Article 18, item 2 Decree No.121/2008/NĐ-CP dated 3/12/2008 on investment in telecom and post sectors: -Article 8 (<i>Facilities-based services</i>) -Article 9 (<i>Non facilities-based</i>

	<i>WTO commitment</i>	<i>Legal documents issued after accession</i>
	capital of the joint ventures. <i>Facilities-based services:</i> Upon accession, joint venture with telecommunications service suppliers duly licensed in Vietnam will be allowed. Foreign capital contribution shall not exceed 49% of legal capital of the joint ventures. 51% gives management control of the joint venture.	services)
Telecom Reference Paper	Telecom Reference Paper includes principles in 6 fields: ensure competition, interconnection, universal services, transparency of criteria of licensing procedure, independent regulator, distribution and use of scarce resource. Competition ensuring principles require member countries prevent dominant service providers from implementation of cross-subsidisation distorting competition and abusing information control. One of the most important obligations related to network interconnection is that interconnection needs to be made on the basis of indiscrimination, transparency, reasonability and interconnection fee needs to be on the cost basis. Principles related to independent regulator require this agency to be objective, independent from, and not related to, any service provider.	<u>No gap in implementation</u> Telecom law issued on 23/11/2009: - Article 19 (competition in telecom services) - Article 20 (telecom universal services) - Article 34-41 (licensing) - Article 42 (telecom interconnection) - Article 48 (distribution of telecom resource) - Article 53-55 (telecom service fee)
POST		
Foreign capital contribution regulation for Express delivery services	Foreign ownership in joint ventures may be limited to 51% within the first five years after accession. After five years from the date of accession, 100% foreign-invested enterprises shall be permitted.	<u>No gap in implementation</u> Decree No. 121/2008/ND-CP dated 3 rd December 2008 on investment in post and telecom sectors: Article 11, item 2 (foreign capital contribution). - Domestic and foreign investors are allowed to jointly invest for providing delivery services with foreign capital contribution not exceeding 51% and abide by the international agreements of which Vietnam is member. - Foreign investors are allowed to set up joint venture with domestic investors with foreign capital contribution not exceeding 51%, or set up 100% foreign invested enterprises as of 11 th January 2012.

Source: Overview of authors based on information from NCIEC (2006b).

**APPENDIX 3: REVIEW OF IMPLEMENTATION OF TARIFF REDUCTION SCHEDULE UNDER ASEAN-CHINA COMPREHENSIVE
ECONOMIC CO-OPERATION AGREEMENT**

Table AP3.1: Review of the Tariff Reduction Schedule for Agricultural Products

<i>HS code</i>	<i>Description</i>	<i>Tariff as of 1st Jul 2003 (%)</i>	<i>Final Committed tariff as of 1st Jan 2008 (%)</i>	<i>Applied tariff from 1st Jan 2008 (%)</i>	<i>Progress compared to commitment</i>
0102	Live bovine animals (excluding breeding animals)	5	0,0	0	On sched.
0103	Live swine (excluding breeding animals)	5	0,0	0	On sched.
0104	Live sheep and goats (excluding breeding animals)	5	0,0	0	On sched.
0105	Live poultry (excluding breeding animals)	5	5,0	5	On sched.
0201	Meat of bovine animals, fresh or chilled	20	0,0	0	On sched.
0202	Meat of bovine animals, frozen	20	0,0	0	On sched.
0203	Meat of swine, fresh or chilled	30	0,0	0	On sched.
0203	Meat of swine, frozen	30	0,0	0	On sched.
0204	Meat of sheep or goats, fresh, chilled or frozen	20	0,0	0	On sched.
0207	Meat and edible offal, of the poultry of heading 01.05, fresh, chilled or frozen	20	0,0	15	On sched.
0210	Meat and edible meat offal of swine, salted, in brine, dried or smoked; edible flours and meals of meat or meat offal	20	0,0	0	On sched.
0210	Meat and edible meat offal of bovine animals, salted, in brine, dried or smoked; edible flours and meals of meat or meat offal	20	0,0	0	On sched.
0401	Milk and cream, not concentrated nor containing added sugar or other sweetening matter	20	0,0	0	On sched.
0403	Buttermilk, curdled milk and cream, yogurt, kephir and other fermented or acidified milk and cream, whether or not concentrated or containing added sugar or other sweetening matter or flavoured or containing added fruit, nuts or cocoa	30	0,0	0	On sched.
0406	Cheese and curd	10	0,0	0	On sched.
0407	Birds' eggs, in shell, fresh, preserved or cooked	20	0,0	0	On sched.
0408	Birds' eggs, not in shell, and egg yolks, fresh, dried, cooked by steaming or by boiling in water, moulded, frozen or otherwise preserved, whether or not containing added sugar or other sweetening matter	20	0,0	0	On sched.
0701	Potatoes, fresh or chilled, other than seed	30	0,0	0	On sched.
0702	Tomatoes, fresh or chilled	30	0,0	0	On sched.
0703	Onions, shallots, garlic, leeks and other alliacious vegetables, fresh or chilled, other than seed	30	0,0	0	On sched.

HS code	Description	Tariff as of 1 st Jul 2003 (%)	Final Committed tariff as of 1 st Jan 2008 (%)	Applied tariff from 1 st Jan 2008 (%)	Progress compared to commitment
0704	Cabbages, cauliflowers, kohlrabi, kale and similar edible brassicas, fresh or chilled	30	0,0	0	On sched.
0705	Lettuce (<i>Lactuca sativa</i>) and chicory (<i>Cichorium spp.</i>), fresh or chilled	30	0,0	0	On sched.
0706	Carrot	30	0,0	0	On sched.
0707	Cucumbers and gherkins, fresh or chilled	30	0,0	0	On sched.
0708	Leguminous vegetables, shelled or unshelled, fresh or chilled	30	0,0	0	On sched.
0709	Other vegetables, fresh or chilled	30	0,0	0	On sched.
0710	Potatoes (uncooked or cooked by steaming or boiling in water), frozen	30	0,0	0	On sched.
0710	Leguminous vegetables, shelled or unshelled	30	0,0	0	On sched.
0712	Dried vegetables, whole, cut, sliced, broken or in powder, but not further prepared	30	0,0	0	On sched.
0713	Dried leguminous vegetables, shelled, whether or not skinned or split, not for sowing	30	0,0	0	On sched.
0801	Shelled cashew nuts	40	0,0	0	On sched.
0805	Citrus fruit, fresh or dried	40	0,0	0	On sched.
0805	Mandarins (including tangerines and satsumas); clementines, wilkings and similar citrus hybrids	40	0,0	0	On sched.
0807	Melons (including watermelons) and papaws (papayas), fresh	40	0,0	0	On sched.

Source: Authors' calculation using information of NCIEC (2006a); Decree No. 21/2002/ND-CP Promulgating the list of commodities and tax rates by Vietnam to implement ASEAN CEPT Agreement for 2002 dated 28th February 2002; Framework Agreement on Comprehensive Economic Cooperation between ASEAN and People's Republic of China; Decision No. 111/2008/QĐ-BTC Dated 1st December 2008 Promulgating the Vietnam's table of preferential tariffs to implement ASEAN-China FTA for the period 2009-2011.

Table AP3.2: Review of the Tariff Reduction Schedule for Marine and Aquatic Products

HS	Description	Tariff as of 1 st Jul 2003 (%)	Final Committed tariff as of 1 st Jan 2008 (%)	Applied tariff from 1 st Jan 2008 (%)	Progress compared to commitment
0301	Live fish	30	0	0	On sched.
0302	Fish, fresh or chilled, excluding fish fillets and other fish meat of heading 03.04	30	0	0	On sched.
0303	Fish, frozen, excluding fish fillets and other fish meat of heading 03.04	30	0	0	On sched.
0304	Fish fillets and other fish meat (whether or not minced), fresh, chilled or frozen	30	0	0	On sched.
0305	Fish, dried, salted or in brine; smoked fish, whether or not cooked before or during the smoking process; flours, meals and pellets of fish, fit for human consumption	30	0	0	On sched.
0306	Crustaceans, whether in shell or not, live, fresh, chilled, frozen, dried, salted or in brine; crustaceans, in shell, cooked by steaming or by boiling in water, whether or not chilled, frozen, dried, salted or in brine; flours, meals and pellets of crustaceans, fit for human consumption	30	0	0	On sched.
0307	Molluscs, whether in shell or not, live, fresh, chilled, frozen, dried, salted or in brine; aquatic invertebrates other than crustaceans and molluscs, live, fresh, chilled, frozen, dried, salted or in brine; flours, meals and pellets of aquatic invertebrates other than crustaceans, fit for human consumption	30	0	0	On sched.
1604	Prepared or preserved fish; caviar and caviar substitutes prepared from fish eggs	50	25	25	On sched.
1605	Crustaceans, molluscs and other aquatic invertebrates, prepared or preserved	50	25	25	On sched.

Source: Authors' calculation using information of NCIEC (2006a); Decree No. 21/2002/ND-CP Promulgating the list of commodities and tax rates by Vietnam to implement ASEAN CEPT Agreement for 2002 dated 28th February 2002; Framework Agreement on Comprehensive Economic Cooperation between ASEAN and People's Republic of China; Decision No. 111/2008/QĐ-BTC Dated 1st December 2008 Promulgating the Vietnam's table of preferential tariffs to implement ASEAN-China FTA for the period 2009-2011.

Table AP3.3: Review of the Tariff Reduction Schedule for Manufactured Products

HS	Description	Tariff as of 1 st Jul 2003 (%)	Final Committed tariff as of 1 st Jan 2008 (%)	Applied tariff from 1 st Jan 2008 (%)	Progress compared to commitment
0901	Coffee, whether or not roasted or decaffeinated; coffee husks and skins; coffee substitutes containing coffee in any proportion	35	25	25	On sched.
0902	Tea, whether or not flavoured	35	25	25	On sched.
0903	Maté	35	25	25	On sched.
0904	Pepper of the genus Piper; dried or crushed or ground fruits of the genus Capsicum or of the genus Pimenta	35	25	17	Faster than sched.
0905	Vanilla	35	25	15	Faster than sched.
0906	Cinnamon and cinnamon-tree flowers	35	25	15	Faster than sched.
0907	Cloves (whole fruit, cloves and stems)	35	25	15	Faster than sched.
0908	Nutmeg, mace and cardamoms	35	25	15	Faster than sched.
0909	Seeds of anise, badian, fennel, coriander, cumin or caraway; juniper berries	35	25	15	Faster than sched.
0910	Ginger, saffron, turmeric (curcuma), thyme, bay leaves, curry and other spices	35	25	15	Faster than sched.
1001	Wheat and meslin	10	8	5	Faster than sched.
1002	Rye	10	8	3	Faster than sched.
1003	Barley	10	8	3	Faster than sched.
1004	Oats	10	8	3	Faster than sched.
1005	Maize (corn)	25	17	25	Slower than sched.
1006	Rice	25	17	20	Slower than sched.
1007	Grain sorghum	25	17	5	Faster than sched.
1008	Buckwheat, millet and canary seed; other cereals	25	17	5	Faster than sched.
1101	Wheat or meslin flour	35	25	15	Faster than sched.
1102	Cereal flours other than of wheat or meslin	35	25	15	Faster than sched.
1103	Cereal groats, meal and pellets	35	25	15	Faster than sched.
1104	Cereal grains otherwise worked (for example, hulled, rolled, flaked, pearled, sliced or kibbled), except rice of heading 10.06; germ of cereals, whole, rolled, flaked or ground	35	25	15	Faster than sched.
1105	Flour, meal, powder, flakes, granules and pellets of potatoes	35	25	17	Faster than sched.
1106	Flour, meal and powder of the dried leguminous vegetables of heading 07.13, of sago or of roots or tubers of heading 07.14 or of the products of Chapter 8	35	25	17	Faster than sched.
1107	Malt, whether or not roasted	10	8	5	Faster than sched.

HS	Description	Tariff as of 1 st Jul 2003 (%)	Final Committed tariff as of 1 st Jan 2008 (%)	Applied tariff from 1 st Jan 2008 (%)	Progress compared to commitment
1108	Starches; inulin	35	25	15	Faster than sched.
1109	Wheat gluten, whether or not dried	10	8	8	On sched.
1201	Soya beans, whether or not broken, other than for sowing	35	25	5	Faster than sched.
1201	Soya beans suitable for sowing	10	8	0	Faster than sched.
1202	Ground-nuts, not roasted or otherwise cooked, whether or not shelled or broken, other than for sowing	35	25	8	Faster than sched.
	Ground-nuts suitable for sowing	10	8	0	Faster than sched.
1203	Copra	35	25	8	Faster than sched.
1204	Linseed, whether or not broken	35	25	8	Faster than sched.
1205	Rape or colza seeds, whether or not broken	35	25	8	Faster than sched.
1206	Sunflower seeds, whether or not broken, other than for sowing	35	25	8	Faster than sched.
1206	Sunflower seeds suitable for sowing	35	25	10	Faster than sched.
1207	Other oil seeds and oleaginous fruits, whether or not broken	10	8		Faster than sched.
1208	Flours and meals of oil seeds or oleaginous fruits, other than those of mustard	35	25	8	Faster than sched.
1209	Seeds, fruit and spores, of a kind used for sowing	35	25	17	Faster than sched.
1210	Hop cones, fresh or dried, whether or not ground, powdered or in the form of pellets; lupulin	10	8	0	Faster than sched.
1211	Plants and parts of plants (including seeds and fruit), of a kind used primarily in perfumery, in pharmacy, or for insecticidal, fungicidal or similar purposes, fresh or dried, whether or not cut, crushed or powdered	10	8	5	Faster than sched.
1212	Locust beans, seaweeds and other algae, sugar beet and sugar cane, fresh, chilled, frozen or dried, whether or not ground; fruit stones and kernels and other vegetable products (including unroasted chicory roots of the variety <i>Cichorium intybus sativum</i>) of a kind used primarily for human consumption, not elsewhere specified or included				On sched.
1213	Cereal straw and husks, unprepared, whether or not chopped, ground, pressed or in the form of pellets	25	17	8	Faster than sched.
1214	Swedes, mangolds, fodder roots, hay, lucerne (alfalfa), clover, sainfoin, forage kale, lupines, vetches and similar forage products, whether or not in the form of pellets	25	17	1	Faster than sched.
1301	Lac, natural gums, resins, gum-resins and oleoresins (for example balsams)	10	8	5	Faster than sched.
1302	Vegetable saps and extracts; pectic substances, pectinates and pectates; agar-agar and other mucilages and thickeners, whether or not modified, derived from vegetable products	10	8	5	Faster than sched.
1401	Vegetable materials of a kind used primarily for plaiting (for example, bamboos, rattans, reeds, rushes, osier, raffia, cleaned, bleached or dyed cereal straw, and lime bark)	10	8	5	Faster than sched.

HS	Description	Tariff as of 1 st Jul 2003 (%)	Final Committed tariff as of 1 st Jan 2008 (%)	Applied tariff from 1 st Jan 2008 (%)	Progress compared to commitment
1402	Vegetable materials of a kind used primarily as stuffing or as padding (for example, kapok, vegetable hair and eel-grass), whether or not put up as a layer with or without supporting material	10	8	5	Faster than sched.
1403	Vegetable materials of a kind used primarily in brooms or in brushes (for example, broomcorn, piassava, couch-grass and istle) whether or not in hanks or bundles	10	8	5	Faster than sched.
1404	Vegetable products not elsewhere specified or included	10	8	5	Faster than sched.
1501	Pig fat (including lard) and poultry fat, other than that of heading 02.09 or 15.03	25	17	10	Faster than sched.
1502	Fats of bovine animals, sheep or goats, other than those of heading 15.03	25	17	10	Faster than sched.
1503	Lard stearin, lard oil, oleostearin, oleo-oil and tallow oil, not emulsified or mixed or otherwise prepared	25	17	10	Faster than sched.
1504	Fats and oils and their fractions, of fish or marine mammals, whether or not refined but not chemically modified	25	17	8	Faster than sched.
1505	Wool grease and fatty substances derived therefrom (including lanolin)	25	17	10	Faster than sched.
1506	Other animal fats and oils and their fractions, whether or not refined, but not chemically modified	25	17	10	Faster than sched.
1507	Soya-bean oil and its fractions, whether or not refined, but not chemically modified	35	25	25	On sched.
1508	Ground-nut oil and its fractions, whether or not refined, but not chemically modified	35	25	25	On sched.
1509	Olive oil and its fractions, whether or not refined but not chemically modified	35	25	20	Faster than sched.
1510	Other oils and their fractions, obtained solely from olives, whether or not refined, but not chemically modified, including blends of these oils or fractions with oils or fractions of heading 15.09	35	25	20	Faster than sched.
1511	Palm oil and its fractions, whether or not refined, but not chemically modified	35	25	20	Faster than sched.
1512	Sunflower-seed, safflower or cotton-seed oil and fractions thereof, whether or not refined, but not chemically modified	35	25	20	Faster than sched.
1513	Coconut (copra), palm kernel or babassu oil and fractions thereof, whether or not refined, but not chemically modified	35	25	25	On sched.
1514	Rape, colza or mustard oil and fractions thereof, whether or not refined, but not chemically modified	35	25	20	Faster than sched.
1515	Other fixed vegetable fats and oils (including jojoba oil) and their fractions, whether or not refined, but not chemically modified	35	25	25	On sched.
1516	Animal or vegetable fats and oils and their fractions, partly or wholly hydrogenated inter-esterified, re-esterified or elaidinised, whether or not refined, but not further prepared	35	25	25	On sched.
1517	Margarine, edible mixtures or preparations of animal or vegetable fat or oils or of fractions of different fats or oils of this Chapter, other than edible fats or oils or their fractions of heading 15.16	35	25	25	On sched.
1518	Animal or vegetable fats and oils and their fractions, boiled, oxidised, dehydrated, sulphurised, blown, polymerised by heat in vacuum or in inert gas or otherwise chemically modified, excluding those of	25	17	5	Faster than sched.

<i>HS</i>	<i>Description</i>	<i>Tariff as of 1st Jul 2003 (%)</i>	<i>Final Committed tariff as of 1st Jan 2008 (%)</i>	<i>Applied tariff from 1st Jan 2008 (%)</i>	<i>Progress compared to commitment</i>
	heading 15.16; inedible mixtures or preparations of animal or vegetable fats or oils or of fractions of different fats or oils of this Chapter, not elsewhere specified or included				
1520	Glycerol, crude; glycerol waters and glycerol lyes	25	17	3	Faster than sched.
1521	Vegetable waxes (other than triglycerides), beeswax, other insect waxes and spermaceti, whether or not refined or coloured	25	17	3	Faster than sched.
1522	Degras; residues resulting from the treatment of fatty substances or animal or vegetable waxes	25	17	3	Faster than sched.
1601	Sausages and similar products, of meat, meat offal or blood; food preparations based on these products	35	25		Faster than sched.
1602	Other prepared or preserved meat, meat offal or blood	35	25	25	On sched.
1603	Extracts and juices of meat, fish or crustaceans, molluscs or other aquatic invertebrates	35	25	25	On sched.
1604	Prepared or preserved fish; caviar and caviar substitutes prepared from fish eggs	35	25	25	On sched.
1605	Crustaceans, molluscs and other aquatic invertebrates, prepared or preserved	35	25	25	On sched.
1701	Cane or beet sugar and chemically pure sucrose, in solid form	35	25		Faster than sched.
1702	Other sugars, including chemically pure lactose, maltose, glucose and fructose, in solid form; sugar syrups not containing added flavouring or colouring matter; artificial honey, whether or not mixed with natural honey; caramel	25	17	8	Faster than sched.
1703	Molasses resulting from the extraction or refining of sugar	25	17	8	Faster than sched.
1704	Sugar confectionery (including white chocolate), not containing cocoa	35	25	25	On sched.
1801	Cocoa beans, whole or broken, raw or roasted	15	15	8	Faster than sched.
1802	Cocoa shells, husks, skins and other cocoa waste	15	15	8	Faster than sched.
1803	Cocoa paste, whether or not defatted	25	17	8	Faster than sched.
1804	Cocoa butter, fat and oil	25	17	8	Faster than sched.
1805	Cocoa powder, not containing added sugar or other sweetening matter	35	25	15	Faster than sched.
1806	Chocolate and other food preparations containing cocoa	35	25	25	On sched.
1901	Malt extract; food preparations of flour, groats, meal, starch or malt extract, not containing cocoa or containing less than 40 % by weight of cocoa calculated on a totally defatted basis, not elsewhere specified or included; food preparations of goods of headings 04.01 to 04.04, not containing cocoa or containing less than 5 % by weight of cocoa calculated on a totally defatted basis, not elsewhere specified or included	35	25	25	On sched.
1902	Pasta, whether or not cooked or stuffed (with meat or other substances) or otherwise prepared, such as spaghetti, macaroni, noodles, lasagne, gnocchi, ravioli, cannelloni; couscous, whether or not prepared	35	25	25	On sched.

HS	Description	Tariff as of 1 st Jul 2003 (%)	Final Committed tariff as of 1 st Jan 2008 (%)	Applied tariff from 1 st Jan 2008 (%)	Progress compared to commitment
1903	Tapioca and substitutes therefor prepared from starch, in the form of flakes, grains, pearls, siftings or in similar forms	35	25	25	On sched.
1904	Prepared foods obtained by the swelling or roasting of cereals or cereal products (for example, corn flakes); cereals (other than maize (corn)) in grain form or in the form of flakes or other worked grains (except flour, groats and meal), pre-cooked, or otherwise prepared, not elsewhere specified or included	35	25	25	On sched.
1905	Bread, pastry, cakes, biscuits and other bakers' wares, whether or not containing cocoa; communion wafers, empty cachets of a kind suitable for pharmaceutical use, sealing wafers, rice paper and similar products	35	25	25	On sched.
1905	- Crispbread	10	8	25	Slower than sched.
2001	Vegetables, fruit, nuts and other edible parts of plants, prepared or preserved by vinegar or acetic acid	35	25	25	On sched.
2002	Tomatoes prepared or preserved otherwise than by vinegar or acetic acid	35	25	25	On sched.
2003	Mushrooms and truffles, prepared or preserved otherwise than by vinegar or acetic acid	35	25	25	On sched.
2004	Other vegetables prepared or preserved otherwise than by vinegar or acetic acid, frozen, other than products of heading 20.06	35	25	25	On sched.
2005	Other vegetables prepared or preserved otherwise than by vinegar or acetic acid, not frozen, other than products of heading 20.06	35	25	25	On sched.
2006	Vegetables, fruit, nuts, fruit-peel and other parts of plants, preserved by sugar (drained, glacé or crystallised)	35	25	25	On sched.
2007	Jams, fruit jellies, marmalades, fruit or nut purée and fruit or nut pastes, obtained by cooking, whether or not containing added sugar or other sweetening matter	35	25	25	On sched.
2008	Fruit, nuts and other edible parts of plants, otherwise prepared or preserved, whether or not containing added sugar or other sweetening matter or spirit, not elsewhere specified or included	35	25	25	On sched.
2009	Fruit juices (including grape must) and vegetable juices, unfermented and not containing added spirit, whether or not containing added sugar or other sweetening matter	35	25	25	On sched.
2101	Extracts, essences and concentrates, of coffee, tea or maté and preparations with a basis of these products or with a basis of coffee, tea or maté; roasted chicory and other roasted coffee substitutes, and extracts, essences and concentrates thereof	35	25	25	On sched.
2102	Yeasts (active or inactive); other single-cell micro-organisms, dead (but not including vaccines of heading 30.02); prepared baking powders	15	15	15	On sched.
2103	Sauces and preparations therefor; mixed condiments and mixed seasonings; mustard flour and meal	35	25	25	On sched.

HS	Description	Tariff as of 1 st Jul 2003 (%)	Final Committed tariff as of 1 st Jan 2008 (%)	Applied tariff from 1 st Jan 2008 (%)	Progress compared to commitment
	and prepared mustard				
2104	Soups and broths and preparations therefor; homogenised composite food preparations	35	25	20	Faster than sched.
2105	Ice cream and other edible ice, whether or not containing cocoa	35	25	25	On sched.
2106	Food preparations not elsewhere specified or included	35	25	17	Faster than sched.
2201	Waters, including natural or artificial mineral waters and aerated waters, not containing added sugar or other sweetening matter nor flavoured; ice and snow	35	25	25	On sched.
2202	Waters, including mineral waters and aerated waters, containing added sugar or other sweetening matter or flavoured, and other non-alcoholic beverages, not including fruit or vegetable juices of heading 20.09	35			
2203	Beer made from malt	35	25	25	On sched.
2204	Wine of fresh grapes, including fortified wines; grape must other than that of heading 20.09	35	25	25	On sched.
2205	Vermouth and other wines of fresh grapes flavoured with plants or aromatic substances	35	25	25	On sched.
2206	Other fermented beverages (for example, cider, perry, mead); mixtures of fermented beverages and mixtures of fermented beverages and non-alcoholic beverages, not elsewhere specified or included	35	25	25	On sched.
2207	Undenatured ethyl alcohol of an alcoholic strength by volume of 80% vol or higher; ethyl alcohol and other spirits, denatured, of any strength	35	25	25	On sched.
2208	Undenatured ethyl alcohol of an alcoholic strength by volume of less than 80% vol; spirits, liqueurs and other spirituous beverages	35	25	25	On sched.
2209	Vinegar and substitutes for vinegar obtained from acetic acid	35	25	20	Faster than sched.
2301	Flours, meals and pellets, of meat or meat offal, of fish or of crustaceans, molluscs or other aquatic invertebrates, unfit for human consumption; greaves	15	15	8	Faster than sched.
2302	Bran, sharps and other residues, whether or not in the form of pellets, derived from the sifting, milling or other working of cereals or of leguminous plants	15	15	8	Faster than sched.
2303	Residues of starch manufacture and similar residues, beet-pulp, bagasse and other waste of sugar manufacture, brewing or distilling dregs and waste, whether or not in the form of pellets	15	15	8	Faster than sched.
2304	Oil-cake and other solid residues, whether or not ground or in the form of pellets, resulting from the extraction of soya-bean oil	15	15	0	Faster than sched.
2305	Oil-cake and other solid residues, whether or not ground or in the form of pellets, resulting from the extraction of ground-nut oil	15	15	0	Faster than sched.
2306	Oil-cake and other solid residues, whether or not ground or in the form of pellets, resulting from the extraction of vegetable fats or oils, other than those of heading 23.04 or 23.05	15	15	0	Faster than sched.
2307	Wine lees; argol	15	15	8	Faster than sched.

HS	Description	Tariff as of 1 st Jul 2003 (%)	Final Committed tariff as of 1 st Jan 2008 (%)	Applied tariff from 1 st Jan 2008 (%)	Progress compared to commitment
2308	Vegetable materials and vegetable waste, vegetable residues and by-products, whether or not in the form of pellets, of a kind used in animal feeding, not elsewhere specified or included	15	15	8	Faster than sched.
2309	Preparations of a kind used in animal feeding	15	15	8	Faster than sched.
2401	Unmanufactured tobacco; tobacco refuse	35	25		Faster than sched.
2402	Cigars, cheroots, cigarillos and cigarettes, of tobacco or tobacco substitutes	35	25		Faster than sched.
2403	Other manufactured tobacco and manufactured tobacco substitutes; "homogenised" or "reconstituted" tobacco; tobacco extracts and essences	35	25		Faster than sched.
2501	Salt (including table salt and denatured salt) and pure sodium chloride, whether or not in aqueous solution or containing added anti-caking or free-flowing agents; sea water	25	17		Faster than sched.
2502	Unroasted iron pyrites	10	8	0	Faster than sched.
2503	Sulphur of all kinds, other than sublimed sulphur, precipitated sulphur and colloidal sulphur	10	8	0	Faster than sched.
2504	Natural graphite	10	8	5	Faster than sched.
2505	Natural sands of all kinds, whether or not coloured, other than metal-bearing sands of Chapter 26	10	8	5	Faster than sched.
2506	Quartz (other than natural sands); quartzite, whether or not roughly trimmed or merely cut, by sawing or otherwise, into blocks or slabs or a rectangular (including square) shape	15	15	5	Faster than sched.
2507	Kaolin and other kaolinic clays, whether or not calcined	10	8	3	Faster than sched.
2508	Other clays (not including expanded clays of heading 68.06), andalusite, kyanite and sillimanite, whether or not calcined; mullite; chamotte or dinas earths	10	8	3	Faster than sched.
2509	Chalk	10	8	3	Faster than sched.
2510	Natural calcium phosphates, natural aluminium calcium phosphates and phosphatic chalk	10	8	3	Faster than sched.
2511	Natural barium sulphate (barytes); natural barium carbonate (witherite), whether or not calcined, other than barium oxide of heading 28.16	10	8	3	Faster than sched.
2512	Siliceous fossil meals (for example, kieselguhr, tripolite and diatomite) and similar siliceous earths, whether or not calcined, of an apparent specific gravity of 1 or less	10	8	3	Faster than sched.
2513	Pumice stone; emery; natural corundum, natural garnet and other natural abrasives, whether or not heat-treated	10	8	3	Faster than sched.
2514	Slate, whether or not roughly trimmed or merely cut, by sawing or otherwise, into blocks or slabs of a rectangular (including square) shape	10	8	3	Faster than sched.
2515	Marble, travertine, ecaussine and other calcareous monumental or building stone of an apparent specific gravity of 2.5 or more, and alabaster, whether or not roughly trimmed or merely cut, by sawing or otherwise, into blocks or slabs of a rectangular (including square) shape	10	8	3	Faster than sched.
2516	Granite, porphyry, basalt, sandstone and other monumental or building stone, whether or not	10	8	8	On sched.

HS	Description	Tariff as of 1 st Jul 2003 (%)	Final Committed tariff as of 1 st Jan 2008 (%)	Applied tariff from 1 st Jan 2008 (%)	Progress compared to commitment
	roughly trimmed or merely cut, by sawing or otherwise, into blocks or slabs of a rectangular (including square) shape				
2517	Pebbles, gravel, broken or crushed stone, of a kind commonly used for concrete aggregates, for road metalling or for railway or other ballast, shingle and flint, whether or not heat-treated; macadam of slag, dross or similar industrial waste	10	8	3	Faster than sched.
2518	Dolomite, whether or not calcined or sintered, including dolomite roughly trimmed or merely cut, by sawing or otherwise, into blocks or slabs of a rectangular (including square) shape; dolomite ramming mix	10	8	3	Faster than sched.
2519	Natural magnesium carbonate (magnesite); fused magnesia; dead-burned (sintered) magnesia, whether or not containing small quantities of other oxides added before sintering; other magnesium oxide, whether or not pure	10	8	3	Faster than sched.
2520	Gypsum; anhydrite; plasters (consisting of calcined gypsum or calcium sulphate) whether or not coloured, with or without small quantities of accelerators or retarders	10	8	3	Faster than sched.
2521	Limestone flux; limestone and other calcareous stone, of a kind used for the manufacture of lime or cement	10	8	8	On sched.
2522	Quicklime, slaked lime and hydraulic lime, other than calcium oxide and hydroxide of heading 28.25	10	8	5	Faster than sched.
2523	Portland cement, aluminous cement, slag cement, supersulphate cement and similar hydraulic cements, whether or not coloured or in the form of clinkers	30	20		Faster than sched.
2524	Asbestos	10	8	5	Faster than sched.
2525	Mica, including splittings; mica waste	10	8	5	Faster than sched.
2526	Natural steatite, whether or not roughly trimmed or merely cut, by sawing or otherwise, into blocks or slabs of a rectangular (including square) shape; talc	10	8	3	Faster than sched.
2527	Natural cryolite and chiolite ores	10	8		Faster than sched.
2528	Natural borates and concentrates thereof (whether or not calcined), but not including borates separated from natural brine; natural boric acid containing not more than 85% of H3BO3 calculated on the dry weight				
2529	Felspar, leucite, nepheline and nepheline syenite; fluorspar	10	8	5	Faster than sched.
2530	Mineral substances not elsewhere specified or included	10	8	3	Faster than sched.
2601	Iron ores and concentrates, including roasted iron pyrites	10	8	0	Faster than sched.
2602	Manganese ores and concentrates, including ferruginous manganese ores and concentrates with a manganese content of 20% or more, calculated on the dry weight	10	8	0	Faster than sched.

HS	Description	Tariff as of 1 st Jul 2003 (%)	Final Committed tariff as of 1 st Jan 2008 (%)	Applied tariff from 1 st Jan 2008 (%)	Progress compared to commitment
2603	Copper ores and concentrates	10	8	0	Faster than sched.
2604	Nickel ores and concentrates	10	8	0	Faster than sched.
2605	Cobalt ores and concentrates	10	8	0	Faster than sched.
2606	Aluminium ores and concentrates	10	8	0	Faster than sched.
2607	Lead ores and concentrates	10	8	0	Faster than sched.
2608	Zinc ores and concentrates	10	8	0	Faster than sched.
2609	Tin ores and concentrates	10	8	0	Faster than sched.
2610	Chromium ores and concentrates	10	8	0	Faster than sched.
2611	Tungsten ores and concentrates	10	8	0	Faster than sched.
2612	Uranium or thorium ores and concentrates	10	8	0	Faster than sched.
2613	Molybdenum ores and concentrates	10	8	0	Faster than sched.
2614	Titanium ores and concentrates	10	8	0	Faster than sched.
2615	Niobium, tantalum, vanadium or zirconium ores and concentrates	10	8	0	Faster than sched.
2616	Precious metal ores and concentrates	10	8	0	Faster than sched.
2617	Other ores and concentrates	10	8	0	Faster than sched.
2618	Granulated slag (slag sand) from the manufacture of iron or steel	10	8	8	On sched.
2619	Slag, dross (other than granulated slag), scalings and other waste from the manufacture of iron or steel	10	8	8	On sched.
2620	Ash and residues (other than from the manufacture of iron or steel), containing arsenic, metals or their compounds	10	8	8	On sched.
2621	Other slag and ash, including seaweed ash (kelp); ash and residues from the incineration of municipal waste	10	8	8	On sched.
2701	Coal; briquettes, ovoids and similar solid fuels manufactured from coal	10	8	5	Faster than sched.
2702	Lignite, whether or not agglomerated, excluding jet	10	8	5	Faster than sched.
2703	Peat (including peat litter), whether or not agglomerated	10	8	5	Faster than sched.
2704	Coke and semi-coke of coal, of lignite or of peat, whether or not agglomerated; retort carbon	10	8	5	Faster than sched.
2705	Coal gas, water gas, producer gas and similar gases, other than petroleum gases and other gaseous hydrocarbons	10	8	0	Faster than sched.
2706	Tar distilled from coal, from lignite or from peat, and other mineral tars, whether or not dehydrated or partially distilled, including reconstituted tars	10	8	0	Faster than sched.
2707	Oils and other products of the distillation of high temperature coal tar; similar products in which the weight of the aromatic constituents exceeds that of non-aromatic constituents	10	8	1	Faster than sched.

HS	Description	Tariff as of 1 st Jul 2003 (%)	Final Committed tariff as of 1 st Jan 2008 (%)	Applied tariff from 1 st Jan 2008 (%)	Progress compared to commitment
2708	Pitch and pitch coke, obtained from coal tar or from other mineral tars	10	8	0	Faster than sched.
2709	Petroleum oils and oils obtained from bituminous minerals, crude	15	15	10	Faster than sched.
2710	Petroleum oils and oils obtained from bituminous minerals, other than crude; preparations not elsewhere specified or included, containing by weight 70 % or more of petroleum oils or of oils obtained from bituminous minerals, these oils being the basic constituents of the preparations; waste oils				
2711	Petroleum gases and other gaseous hydrocarbons	35	25	5	Faster than sched.
2712	Petroleum jelly; paraffin wax, micro-crystalline petroleum wax, slack wax, ozokerite, lignite wax, peat wax, other mineral waxes, and similar products obtained by synthesis or by other processes, whether or not coloured	15	15	3	Faster than sched.
2713	Petroleum coke, petroleum bitumen and other residues of petroleum oils or of oils obtained from bituminous minerals	10	8	1	Faster than sched.
2714	Bitumen and asphalt, natural; bituminous or oil shale and tar sands; asphaltites and asphaltic rocks	10	8	1	Faster than sched.
2715	Bituminous mixtures based on natural asphalt, on natural bitumen, on petroleum bitumen, on mineral tar or on mineral tar pitch (for example, bituminous mastics, cut-backs)	10	8	1	Faster than sched.
2716	Electrical energy	10	8	1	Faster than sched.
2801	Fluorine, chlorine, bromine and iodine	15	15	3	Faster than sched.
2802	Sulphur, sublimed or precipitated; colloidal sulphur	15	15	0	Faster than sched.
2803	Carbon (carbon blacks and other forms of carbon not elsewhere specified or included)	15	15	8	Faster than sched.
2804	Hydrogen, rare gases and other non-metals	15	15	3	Faster than sched.
2805	Alkali or alkaline-earth metals; rare earth metals, scandium and yttrium, whether or not intermixed or interalloyed; mercury	15	15	0	Faster than sched.
2806	Hydrogen chloride (hydrochloric acid); chlorosulphuric acid	15	15	8	Faster than sched.
2807	Sulphuric acid; oleum	15	15	8	Faster than sched.
2808	Nitric acid; sulphonitric acids	15	15	1	Faster than sched.
2809	Diphosphorous pentaoxide; phosphoric acid; polyphosphoric acids, whether or not chemically defined	15	15	8	Faster than sched.
2810	Oxides of boron; boric acids	15	15	0	Faster than sched.
2811	Other inorganic acids and other inorganic oxygen compounds of non-metals	15	15	0	Faster than sched.
2812	Halides and halide oxides of non-metals	15	15	0	Faster than sched.
2813	Sulphides of non-metals; commercial phosphorus trisulphide	15	15	0	Faster than sched.
2814	Ammonia, anhydrous or in aqueous solution	15	15	5	Faster than sched.

HS	Description	Tariff as of 1 st Jul 2003 (%)	Final Committed tariff as of 1 st Jan 2008 (%)	Applied tariff from 1 st Jan 2008 (%)	Progress compared to commitment
2815	Sodium hydroxide (caustic soda); potassium hydroxide (caustic potash); peroxides of sodium or potassium	15	15	0	Faster than sched.
2816	Hydroxide and peroxide of magnesium; oxides, hydroxides and peroxides, of strontium or barium	15	15	5	Faster than sched.
2817	Zinc oxide; zinc peroxide	15	15	0	Faster than sched.
2818	Artificial corundum, whether or not chemically defined; aluminium oxide; aluminium hydroxide	15	15	3	Faster than sched.
2819	Chromium oxides and hydroxides	15	15	0	Faster than sched.
2820	Manganese oxides	15	15	0	Faster than sched.
2821	Iron oxides and hydroxides; earth colours containing 70% or more by weight of combined iron evaluated as Fe ₂ O ₃	15	15	0	Faster than sched.
2822	Cobalt oxides and hydroxides; commercial cobalt oxides	15	15	0	Faster than sched.
2823	Titanium oxides	15	15	0	Faster than sched.
2824	Lead oxides; red lead and orange lead	15	15	0	Faster than sched.
2825	Hydrazine and hydroxylamine and their inorganic salts; other inorganic bases; other metal oxides, hydroxides and peroxides	15	15	0	Faster than sched.
2826	Fluorides; fluoro-silicates, fluoroaluminates and other complex fluorine salts	15	15	0	Faster than sched.
2827	Chlorides, chloride oxides and chloride hydroxides; bromides and bromide oxides; iodides and iodide oxides	15	15	10	Faster than sched.
2828	Hypochlorites; commercial calcium hypochlorite; chlorites; hypobromites	15	15	0	Faster than sched.
2829	Chlorates and perchlorates; bromates and perbromates; iodates and periodates	15	15	0	Faster than sched.
2830	Sulphides; polysulphides, whether or not chemically defined	15	15	0	Faster than sched.
2831	Dithionites and sulfoxylates	15	15	0	Faster than sched.
2832	Sulphites; thiosulphates	15	15	0	Faster than sched.
2833	Sulphates; alums; peroxosulphates (persulphates)	15	15	8	Faster than sched.
2834	Nitrites; nitrates	15	15	0	Faster than sched.
2835	Phosphinates (hypophosphites), phosphonates (phosphites) and phosphates; polyphosphates, whether or not chemically defined	15	15	5	Faster than sched.
2836	Carbonates; peroxocarbonates (percarbonates); commercial ammonium carbonate containing ammonium carbamate	15	15	8	Faster than sched.
2837	Cyanides, cyanide oxides and complex cyanides	15	15	0	Faster than sched.
2838	Fulminates, cyanates and thiocyanates	15	15		Faster than sched.
2839	Silicates; commercial alkali metal silicates	15	15	3	Faster than sched.
2840	Borates; peroxoborates (perborates)	15	15	0	Faster than sched.

HS	Description	Tariff as of 1 st Jul 2003 (%)	Final Committed tariff as of 1 st Jan 2008 (%)	Applied tariff from 1 st Jan 2008 (%)	Progress compared to commitment
2841	Salts of oxometallic or peroxometallic acids	15	15	0	Faster than sched.
2842	Other salts of inorganic acids or peroxyacids (including aluminosilicates whether or not chemically defined), other than azides	15	15	0	Faster than sched.
2843	Colloidal precious metals; inorganic or organic compounds of precious metals, whether or not chemically defined; amalgams of precious metals	15	15	0	Faster than sched.
2844	Radioactive chemical elements and radioactive isotopes (including the fissile or fertile chemical elements and isotopes) and their compounds, mixtures and residues containing these products	15	15	0	Faster than sched.
2845	Isotopes other than those of heading 28.44; compounds, inorganic or organic; of such isotopes, whether or not chemically defined	15	15	0	Faster than sched.
2846	Compounds, inorganic or organic, of rare earth metals, of yttrium or of scandium, or of mixtures of these metals	15	15	0	Faster than sched.
2847	Hydrogen peroxide, whether or not solidified with urea	15	15	0	Faster than sched.
2848	Phosphides, whether or not chemically defined, excluding ferrophosphorus	15	15	0	Faster than sched.
2849	Carbides, whether or not chemically defined	15	15	0	Faster than sched.
2850	Hydrides, nitrides, azides, silicides and borides, whether or not chemically defined, other than compounds which are also carbides of heading 28.49	15	15	0	Faster than sched.
2851	Other inorganic compounds (including distilled or conductivity water and water of similar purity); liquid air (whether or not rare gases have been removed); compressed air; amalgams, other than amalgams of precious metals	15	15		
2852	compounds inorganic or organic of mercury	15	15	5	Faster than sched.
2901	Acyclic hydrocarbons	15	15	0	Faster than sched.
2902	Cyclic hydrocarbons	15	15	0	Faster than sched.
2903	Halogenated derivatives of hydrocarbons	15	15	5	Faster than sched.
2904	Sulphonated, nitrated or nitrosated derivatives of hydrocarbons, whether or not halogenated	15	15	3	Faster than sched.
2905	Acyclic alcohols and their halogenated, sulphonated, nitrated or nitrosated derivatives	15	15	0	Faster than sched.
2906	Cyclic alcohols and their halogenated, sulphonated, nitrated or nitrosated derivative	15	15	0	Faster than sched.
2907	Phenols; phenol-alcohols	15	15	0	Faster than sched.
2908	Halogenated, sulphonated, nitrated or nitrosated derivatives of phenols or phenol-alcohols	15	15	0	Faster than sched.
2909	Ethers, ether-alcoPhols, ether-phenols, ether-alcohol-phenols, alcohol peroxides, ether peroxides, ketone peroxides (whether or not chemically defined), and their halogenated, sulphonated, nitrated or nitrosated derivatives	15	15	0	Faster than sched.
2910	Epoxides, epoxyalcohols, epoxyphenols, and epoxyethers, with a three-membered ring, and their	15	15	0	Faster than sched.

HS	Description	Tariff as of 1 st Jul 2003 (%)	Final Committed tariff as of 1 st Jan 2008 (%)	Applied tariff from 1 st Jan 2008 (%)	Progress compared to commitment
2911	halogenated, sulphonated, nitrated or nitrosated derivatives Acetals and hemiacetals, whether or not with other oxygen function, and their halogenated, sulphonated, nitrated or nitrosated derivatives	15	15	0	Faster than sched.
2912	Aldehydes, whether or not with other oxygen function; cyclic polymers of aldehydes; paraformaldehyde	15	15	3	Faster than sched.
2913	Halogenated, sulphonated, nitrated or nitrosated derivatives of products of heading 29.12	15	15	0	Faster than sched.
2914	Ketones and quinones, whether or not with other oxygen function, and their halogenated, sulphonated, nitrated or nitrosated derivative	15	15	0	Faster than sched.
2915	Saturated acyclic monocarboxylic acids and their anhydrides, halides, peroxides and peroxyacids; their halogenated, sulphonated, nitrated or nitrosated derivatives	15	15	0	Faster than sched.
2916	Unsaturated acyclic monocarboxylic acids, cyclic monocarboxylic acids, their anhydrides, halides, peroxides and peroxyacids; their halogenated, sulphonated, nitrated or nitrosated derivatives	15	15	0	Faster than sched.
2917	Polycarboxylic acids, their anhydrides, halides, peroxides and peroxyacids; their halogenated, sulphonated, nitrated or nitrosated derivatives	15	15	10	Faster than sched.
2918	Carboxylic acids with additional oxygen function and their anhydrides, halides, peroxides and peroxyacids; their halogenated, sulphonated, nitrated or nitrosated derivatives	15	15	5	Faster than sched.
2919	Phosphoric esters and their salts, including lactophosphates; their halogenated, sulphonated, nitrated or nitrosated derivatives	15	15	3	Faster than sched.
2920	Esters of other inorganic acids of non-metals (excluding esters of hydrogen halides) and their salts; their halogenated, sulphonated, nitrated or nitrosated derivatives	15	15	0	Faster than sched.
2921	Amine-function compounds	15	15	0	Faster than sched.
2922	Oxygen-function amino-compounds	25	17	25	Slower than sched.
2923	Quaternary ammonium salts and hydroxides; lecithins and other phosphoaminolipids, whether or not chemically defined	15	15	3	Faster than sched.
2924	Carboxamide-function compounds; amide-function compounds of carbonic acid	15	15	15	On sched.
2925	Carboxyimide-function compounds (including saccharin and its salts) and imine-function compounds	15	15	8	Faster than sched.
2926	Nitrile-function compounds	15	15	0	Faster than sched.
2927	Diazo-, azo- or azoxy-compounds	15	15	0	Faster than sched.
2928	Organic derivatives of hydrazine or of hydroxylamine	15	15	0	Faster than sched.
2929	Compounds with other nitrogen function	15	15	5	Faster than sched.
2930	Organo-sulphur compounds	15	15	0	Faster than sched.

HS	Description	Tariff as of 1 st Jul 2003 (%)	Final Committed tariff as of 1 st Jan 2008 (%)	Applied tariff from 1 st Jan 2008 (%)	Progress compared to commitment
2931	Other organo-inorganic compounds	15	15	0	Faster than sched.
2932	Heterocyclic compounds with oxygen hetero-atom(s) only	15	15	0	Faster than sched.
2933	Heterocyclic compounds with nitrogen hetero-atom(s) only	15	15	0	Faster than sched.
2934	Nucleic acids and their salts; whether or not chemically defined; other heterocyclic compounds	15	15	8	Faster than sched.
2935	Sulphonamides	15	15		Faster than sched.
2936	Provitamins and vitamins, natural or reproduced by synthesis (including natural concentrates), derivatives thereof used primarily as vitamins, and intermixtures of the foregoing, whether or not in any solvent	15	15	0	Faster than sched.
2937	Hormones, prostaglandins, thromboxanes and leukotrienes, natural or reproduced by synthesis; derivatives and structural analogues thereof, including chain modified polypeptides, used primarily as hormones	15	15	0	
2938	Glycosides, natural or reproduced by synthesis, and their salts, ethers, esters and other derivatives	15	15	1	Faster than sched.
2939	Vegetable alkaloids, natural or reproduced by synthesis, and their salts, ethers, esters and other derivatives	15	15	0	Faster than sched.
2940	Sugars, chemically pure, other than sucrose, lactose, maltose, glucose and fructose; sugar ethers, sugar acetals and sugar esters, and their salts, other than products of heading 29.37, 29.38 or 29.39	15	15	3	Faster than sched.
2941	Antibiotics	15	15	8	Faster than sched.
2942	Other organic compounds	15	15	0	Faster than sched.
3001	Glands and other organs for organo-therapeutic uses, dried, whether or not powdered; extracts of glands or other organs or of their secretions for organo-therapeutic uses; heparin and its salts; other human or animal substances prepared for therapeutic or prophylactic uses, not elsewhere specified or included	10	8	0	Faster than sched.
3002	Human blood; animal blood prepared for therapeutic, prophylactic or diagnostic uses; antisera and other blood fractions and modified immunological products, whether or not obtained by means of biotechnological processes; vaccines, toxins, cultures of micro-organisms (excluding yeasts) and similar products	10	8	0	Faster than sched.
3003	Medicaments (excluding goods of heading 30.02, 30.05 or 30.06) consisting of two or more constituents which have been mixed together for therapeutic or prophylactic uses, not put up in measured doses or in forms or packings for retail sale	15	15	8	Faster than sched.
3004	Medicaments (excluding goods of heading 30.02, 30.05 or 30.06) consisting of mixed or unmixed products for therapeutic or prophylactic uses, put up in measured doses (including those in the form of transdermal administration systems) or in forms or packings for retail sale	15	15	10	Faster than sched.

<i>HS</i>	<i>Description</i>	<i>Tariff as of 1st Jul 2003 (%)</i>	<i>Final Committed tariff as of 1st Jan 2008 (%)</i>	<i>Applied tariff from 1st Jan 2008 (%)</i>	<i>Progress compared to commitment</i>
3005	Wadding, gauze, bandages and similar articles (for example, dressings, adhesive plasters, poultices), impregnated or coated with pharmaceutical substances or put up in forms or packings for retail sale for medical, surgical, dental or veterinary purposes	15	15	8	Faster than sched.
3006	Pharmaceutical goods specified in Note 4 to this Chapter	15	15	15	On sched.
3101	Animal or vegetable fertilisers, whether or not mixed together or chemically treated; fertilisers produced by the mixing or chemical treatment of animal or vegetable products	25	17	0	Faster than sched.
3102	Mineral or chemical fertilisers, nitrogenous	25	17	0	Faster than sched.
3103	Mineral or chemical fertilisers, phosphatic	25	17	0	Faster than sched.
3104	Mineral or chemical fertilisers, potassic	25	17	0	Faster than sched.
3105	Mineral or chemical fertilisers containing two or three of the fertilising elements nitrogen, phosphorous and potassium; other fertilisers; goods of this Chapter in tablets or similar forms or in packages of a gross weight not exceeding 10 kg	25	17	5	Faster than sched.
3201	Tanning extracts of vegetable origin; tannins and their salts, ethers, esters and other derivatives	15	15		Faster than sched.
3202	Synthetic organic tanning substances; inorganic tanning substances; tanning preparations, whether or not containing natural tanning substances; enzymatic preparations for pre-tanning	15	15		Faster than sched.
3203	Colouring matter of vegetable or animal origin (including dyeing extracts but excluding animal black), whether or not chemically defined; preparations as specified in Note 3 to this Chapter based on colouring matter of vegetable or animal origin	15	15	8	Faster than sched.
3204	Synthetic organic colouring matter, whether or not chemically defined; preparations as specified in Note 3 to this Chapter based on synthetic organic colouring matter; synthetic organic products of a kind used as fluorescent brightening agents or as luminophores, whether or not chemically defined	15	15		Faster than sched.
3205	Colour lakes; preparations as specified in Note 3 to this Chapter based on colour lakes	15	15		Faster than sched.
3206	Other colouring matter; preparations as specified in Note 3 to this Chapter, other than those of heading 32.03, 32.04 or 32.05; inorganic products of a kind used as luminophores, whether or not chemically defined	15	15		Faster than sched.
3207	Prepared pigments, prepared opacifiers and prepared colours, vitrifiable enamels and glazes, engobes (slips), liquid lustres and similar preparations, of a kind used in the ceramic, enamelling or glass industry; glass frit and other glass, in the form of powder, granules or flakes	15	15		Faster than sched.
3208	Paints and varnishes (including enamels and lacquers) based on synthetic polymers or chemically modified natural polymers dispersed or dissolved in a non-aqueous medium; solutions as defined in Note 4 to this Chapter	25	17	17	On sched.
3209	Paints and varnishes (including enamels and lacquers) based on synthetic polymers or chemically	25	17	17	On sched.

HS	Description	Tariff as of 1 st Jul 2003 (%)	Final Committed tariff as of 1 st Jan 2008 (%)	Applied tariff from 1 st Jan 2008 (%)	Progress compared to commitment
3210	modified natural polymers, dispersed or dissolved in an aqueous medium				
3211	Other paints and varnishes (including enamels, lacquers and distempers); prepared water pigments of a kind used for finishing leather	25	17	17	On sched.
3212	Prepared driers	15	15	3	Faster than sched.
3213	Pigments (including metallic powders and flakes) dispersed in non-aqueous media, in liquid or paste form, of a kind used in the manufacture of paints (including enamels); stamping foils; dyes and other colouring matter put up in forms or packings for retail sale	15	15	3	Faster than sched.
3214	Artists' students' or signboard painters' colours, modifying tints, amusement colours and the like, in tablets, tubes, jars, bottles, pans or in similar forms or packings	15	15	5	Faster than sched.
3215	Glaziers' putty, grafting putty, resin cements, caulking compounds and other mastics; painters' fillings; non-refractory surfacing preparations for facades, indoor walls, floors, ceilings or the like	15	15	5	Faster than sched.
3301	Printing ink, writing or drawing ink and other inks, whether or not concentrated or solid	15	15	8	Faster than sched.
3302	Essential oils (terpeneless or not), including concretes and absolutes; resinoids; extracted oleoresins; concentrates of essential oils in fats, in fixed oils, in waxes or the like, obtained by enfleurage or maceration; terpenic by-products of the deterpenation of essential oils; aqueous distillates and aqueous solutions of essential oils	25	17	5	Faster than sched.
3303	Mixtures of odoriferous substances and mixtures (including alcoholic solutions) with a basis of one or more of these substances, of a kind used as raw materials in industry; other preparations based on odoriferous substances, of a kind used for the manufacture of beverages	25	17	8	Faster than sched.
3304	Perfumes and toilet waters	35	25	25	On sched.
3305	Beauty or make-up preparations and preparations for the care of the skin (other than medicaments), including sunscreen or sun tan preparations; manicure or pedicure preparations	35	25	25	On sched.
3306	Preparations for use on the hair	35	25	25	On sched.
3307	Preparations for oral or dental hygiene, including denture fixative pastes and powders; yarn used to clean between the teeth (dental floss), in individual retail packages	35	25	17	Faster than sched.
3401	Pre-shave, shaving or after-shave preparations, personal deodorants, bath preparations, depilatories and other perfumery, cosmetic or toilet preparations, not elsewhere specified or included; prepared room deodorisers, whether or not perfumed or having disinfectant properties	35	25	25	On sched.
3401	Soap; organic surface-active products and preparations for use as soap, in the form of bars, cakes, moulded pieces or shapes, whether or not containing soap; organic surface-active products and preparations for washing the skin, in the form of liquid or cream and put up for retail sale, whether or not containing soap; paper, wadding, felt and nonwovens, impregnated, coated or covered with	35	25	25	On sched.

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	soap or detergent				
3402	Organic surface-active agents (other than soap); surface-active preparations, washing preparations (including auxiliary washing preparations) and cleaning preparations, whether or not containing soap, other than those of heading 34.01	35	25	8	Faster than sched.
3403	Lubricating preparations (including cutting-oil preparations, bolt or nut release preparations, anti-rust or anti-corrosion preparations and mould release preparations, based on lubricants) and preparations of a kind used for the oil or grease treatment of textile materials, leather, furskins or other materials, but excluding preparations containing, as basic constituents, 70 % or more by weight of petroleum oils or of oils obtained from bituminous minerals	25	17	15	Faster than sched.
3404	Artificial waxes and prepared waxes	15	15	17	Slower than sched.
3405	Polishes and creams, for footwear, furniture, floors, coachwork, glass or metal, scouring pastes and powders and similar preparations (whether or not in the form of paper, wadding, felt, nonwovens, cellular plastics or cellular rubber, impregnated, coated or covered with such preparations), excluding waxes of heading 34.04	35	25	17	Faster than sched.
3406	Candles, tapers, and the like	35	25	17	Faster than sched.
3407	Modelling pastes, including those put up for children's amusement; preparations known as "dental wax" or as "dental impression compounds", put up in sets, in packings for retail sale or in plates, horseshoe shapes, sticks or similar forms; other preparations for use in dentistry, with a basis of plaster (of calcined gypsum or calcium sulphate)	15	15	5	Faster than sched.
3501	Casein, caseinates and other casein derivatives; casein glues	15	15	8	Faster than sched.
3502	Albumins (including concentrates of two or more whey proteins, containing by weight more than 80% whey proteins, calculated on the dry matter), albuminates and other albumin derivatives	15	15	8	Faster than sched.
3503	Gelatin (including gelatin in rectangular (including square) sheets, whether or not surface-worked or coloured) and gelatin derivatives; isinglass; other glues of animal origin, excluding casein glues of heading 35.01	15	15	8	Faster than sched.
3504	Peptones and their derivatives; other protein substances and their derivatives, not elsewhere specified or included; hide powder, whether or not chromed	15	15	8	Faster than sched.
3505	Dextrins and other modified starches (for example, pregelatinised or esterified starches); glues based on starches, or on dextrins or other modified starches	25	17	15	Faster than sched.
3506	Prepared glues and other prepared adhesives, not elsewhere specified or included; products suitable for use as glues or adhesives, put up for retail sale as glues or adhesives, not exceeding a net weight of 1 kg	25	17	10	Faster than sched.

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3507	Enzymes; prepared enzymes not elsewhere specified or included	10	8	3	Faster than sched.
3601	Propellent powders	10	8		Faster than sched.
3602	Prepared explosives, other than propellent powders	10	8		Faster than sched.
3603	Safety fuses; detonating fuses; percussion or detonating caps; igniters; electric detonators	10	8		Faster than sched.
3604	Fireworks, signalling flares, rain rockets, fog signals and other pyrotechnic articles, other than distress signal equipment	35	25		Faster than sched.
3604	Distress signal equipment	10	8		Faster than sched.
3605	Matches, other than pyrotechnic articles of heading 36.04	35	25	20	Faster than sched.
3606	Ferro-cerium and other pyrophoric alloys in all forms; articles of combustible materials as specified in Note 2 to this Chapter	35	25	17	Faster than sched.
3701	Photographic plates and film in the flat, sensitised, unexposed, of any material other than paper, paperboard or textiles; instant print film in the flat, sensitised, unexposed, whether or not in packs	25	17	15	Faster than sched.
3702	Photographic film in rolls, sensitised, unexposed, of any material other than paper, paperboard or textiles; instant print film in rolls, sensitised, unexposed	25	17	15	Faster than sched.
3703	Photographic paper, paperboard and textiles, sensitised, unexposed	25	17	15	Faster than sched.
3704	Photographic plates, film, paper, paperboard and textiles, exposed but not developed	25	17	15	Faster than sched.
3705	Photographic plates, and film, exposed and developed, other than cinematographic film	25	17	15	Faster than sched.
3706	Cinematographic film, exposed and developed, whether or not incorporating sound track or consisting only of sound track	25	17	5	Faster than sched.
3707	Chemical preparations for photographic uses (other than varnishes, glues, adhesives and similar preparations); unmixed products for photographic uses, put up in measured portions or put up for retail sale in a form ready for use	15	15	3	Faster than sched.
3801	Artificial graphite; colloidal or semi-colloidal graphite; preparations based on graphite or other carbon in the form of pastes, blocks, plates or other semi-manufactures	15	15	3	Faster than sched.
3802	Activated carbon; activated natural mineral products; animal black, including spent animal black	15	15	1	Faster than sched.
3803	Tall oil, whether or not refined	15	15	1	Faster than sched.
3804	Residual lyes from the manufacture of wood pulp, whether or not concentrated, desugared or chemically treated, including lignin sulphonates, but excluding tall oil of heading 38.03	15	15	1	Faster than sched.
3805	Gum, wood or sulphate turpentine and other terpenic oils produced by the distillation or other treatment of coniferous woods; crude dipentene; sulphite turpentine and other crude para-cymene; pine oil containing alpha-terpineol as the main constituent	15	15	5	Faster than sched.
3806	Rosin and resin acids, and derivatives thereof; rosin spirit and rosin oils; run gums	15	15	5	Faster than sched.

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3807	Wood tar; wood tar oils; wood creosote; wood naphtha; vegetable pitch; brewers' pitch and similar preparations based on rosin, resin acids or on vegetable pitch	15	15	3	Faster than sched.
3808	Insecticides, rodenticides, fungicides, herbicides, anti-sprouting products and plant-growth regulators, disinfectants and similar products, put up in forms or packings for retail sale or as preparations or articles (for example, sulphur-treated bands, wicks and candles, and fly-papers)	15	15	15	On sched.
3809	Finishing agents, dye carriers to accelerate the dyeing or fixing of dyestuffs and other products and preparations (for example, dressings and mordants), of a kind used in the textile, paper, leather or like industries, not elsewhere specified or included	15	15	8	Faster than sched.
3810	Pickling preparations for metal surfaces; fluxes and other auxiliary preparations for soldering, brazing or welding; soldering, brazing or welding powders and pastes consisting of metal and other materials; preparations of a kind used as cores or coatings for welding electrodes or rods	15	15	3	Faster than sched.
3811	Anti-knock preparations, oxidation inhibitors, gum inhibitors, viscosity improvers, anti-corrosive preparations and other prepared additives, for mineral oils (including gasoline) or for other liquids used for the same purposes as mineral oils	15	15	1	Faster than sched.
3812	Prepared rubber accelerators; compound plasticisers for rubber or plastics, not elsewhere specified or included; anti-oxidising preparations and other compound stabilisers for rubber or plastics	15	15	5	Faster than sched.
3813	Preparations and charges for fire-extinguishers; charged fire-extinguishing grenades	15	15	3	Faster than sched.
3814	Organic composite solvents and thinners, not elsewhere specified or included; prepared paint or varnish removers	15	15	3	Faster than sched.
3815	Reaction initiators, reaction accelerators and catalytic preparations, not elsewhere specified or included	15	15	3	Faster than sched.
3816	Refractory cements, mortars, concretes and similar compositions, other than products of heading 38.01	25	17		Faster than sched.
3817	Mixed alkylbenzenes and mixed alkyl-naphthalenes, other than those of heading 27.07 or 29.02	15	15	0	Faster than sched.
3818	Chemical elements doped for use in electronics, in the form of discs, wafers or similar forms; chemical compounds doped for use in electronics	15	15	0	Faster than sched.
3819	Hydraulic brake fluids and other prepared liquids for hydraulic transmission, not containing or containing less than 70% by weight of petroleum oils or oils obtained from bituminous minerals	15	15	3	Faster than sched.
3820	Anti-freezing preparations and prepared de-icing fluids	15	15	0	Faster than sched.
3821	Prepared culture media for development of micro-organisms	15	15	0	Faster than sched.
3822	Diagnostic or laboratory reagents on a backing, prepared diagnostic or laboratory reagents whether or not on a backing, other than those of heading 30.02 or 30.06; certified reference materials	15	15	16	Slower than sched.

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3823	Industrial monocarboxylic fatty acids; acid oils from refining; industrial fatty alcohols	15	15	8	Faster than sched.
3824	Prepared binders for foundry moulds or cores; chemical products and preparations of the chemical or allied industries (including those consisting of mixtures of natural products), not elsewhere specified or included	30	20	17	Faster than sched.
3901	Polymers of ethylene, in primary forms	25	17	0	Faster than sched.
3902	Polymers of propylene or of other olefins, in primary forms	25	17	0	Faster than sched.
3903	Polymers of styrene, in primary forms	25	17	8	Faster than sched.
3904	Polymers of vinyl chloride or of other halogenated olefins, in primary forms	25	17	5	Faster than sched.
3905	Polymers of vinyl acetate or of other vinyl esters, in primary forms; other vinyl polymers in primary forms	25	17	8	Faster than sched.
3906	Acrylic polymers in primary forms	25	17	8	Faster than sched.
3907	Polyacetals, other polyethers and epoxide resins, in primary forms; polycarbonates, alkyd resins, polyallyl esters and other polyesters, in primary forms	25	17	0	Faster than sched.
3908	Polyamides in primary forms	25	17	0	Faster than sched.
3909	Amino-resins, phenolic resins and polyurethanes, in primary forms	25	17	5	Faster than sched.
3910	Silicones in primary form	25	17	0	Faster than sched.
3911	Petroleum resins, coumarone-indene resins, polyterpenes, polysulphides, polysulphones and other products specified in Note 3 to this Chapter, not elsewhere specified or included, in primary forms	25	17	0	Faster than sched.
3912	Cellulose and its chemical derivatives, not elsewhere specified or included, in primary forms	25	17	0	Faster than sched.
3913	Natural polymers (for example, alginic acid) and modified natural polymers (for example, hardened proteins, chemical derivatives of natural rubber), not elsewhere specified or included, in primary forms	25	17	0	Faster than sched.
3914	Ion exchangers based on polymers of headings 39.01 to 39.13, in primary forms	25	17	0	Faster than sched.
3915	Waste, parings and scrap, of plastics	25	17	8	Faster than sched.
3916	Monofilament of which any cross-sectional dimension exceeds 1 mm, rods, sticks and profile shapes, whether or not surface-worked but not otherwise worked, of plastics	25	17	15	Faster than sched.
3917	Tubes, pipes and hoses, and fittings therefor (for example, joints, elbows, flanges), of plastics	25	17	15	Faster than sched.
3918	Floor coverings of plastics, whether or not self-adhesive, in rolls or in the form of tiles; wall or ceiling coverings of plastics, as defined in Note 9 to this Chapter	30	20	20	On sched.
3919	Self-adhesive plates, sheets, film, foil, tape, strip and other flat shapes, of plastics, whether or not in rolls	35	25	15	Faster than sched.
3920	Other plates, sheets, film, foil and strip, of plastics, non-cellular and not reinforced, laminated,	35	25	15	Faster than sched.

HS	Description	Tariff as of 1 st Jul 2003 (%)	Final Committed tariff as of 1 st Jan 2008 (%)	Applied tariff from 1 st Jan 2008 (%)	Progress compared to commitment
	supported or similarly combined with other materials				
3921	Other plates, sheets, film, foil and strip, of plastics	35	25	8	Faster than sched.
3922	Baths, shower-baths, sinks, wash-basins, bidets, lavatory pans, seats and covers, flushing cisterns and similar sanitary ware, of plastics	35	25	20	Faster than sched.
3923	Articles for the conveyance or packing of goods, of plastics; stoppers, lids, caps and other closures, of plastics	35	25	17	Faster than sched.
3924	Tableware, kitchenware, other household articles and toilet articles, of plastics	35	25	25	On sched.
3925	Builders' ware of plastics, not elsewhere specified or included	35	25	20	Faster than sched.
3926	Other articles of plastics and articles of other materials of headings 39.01 to 39.14, other than for office or school supplies	35	25	20	Faster than sched.
3926	Other articles of plastics and articles of other materials of headings 39.01 to 39.14 for office or school supplies	10	8	17	Slower than sched.
4001	Natural rubber, balata, gutta-percha, guayule, chicle and similar natural gums, in primary forms or in plates, sheets or strip	25	17	3	Faster than sched.
4002	Synthetic rubber and factice derived from oils, in primary forms or in plates, sheets or strip; mixtures of any product of heading 40.01 with any product of this heading, in primary forms or in plates, sheets or strip	25	17	3	Faster than sched.
4003	Reclaimed rubber in primary forms or in plates, sheets or strip	25	17	3	Faster than sched.
4004	Waste, parings and scrap of rubber (other than hard rubber) and powders and granules obtained therefrom	25	17	3	Faster than sched.
4005	Compounded rubber, unvulcanised, in primary forms or in plates, sheets or strip	25	17	5	Faster than sched.
4006	Other forms (for example, rods, tubes and profile shapes) and articles (for example, discs and rings), of unvulcanised rubber	25	17	3	Faster than sched.
4007	Vulcanised rubber thread and cord	25	17	3	Faster than sched.
4008	Plates, sheets, strip, rods and profile shapes, of vulcanised rubber other than hard rubber.	25	17	3	Faster than sched.
4009	Tubes, pipes and hoses, of vulcanised rubber other than hard rubber, with or without their fittings (for example, joints, elbows, flanges)	25	17	3	Faster than sched.
4010	Conveyor or transmission belts or belting, of vulcanised rubber	25	17	10	Faster than sched.
4011	New pneumatic tyres, of rubber	35	25	15	Faster than sched.
4012	Retreaded or used pneumatic tyres of rubber; solid or cushion tyres, tyre treads and tyre flaps, of rubber	35	25		Faster than sched.
4013	Inner tubes, of rubber	35	25	5	Faster than sched.

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4014	Hygienic or pharmaceutical articles (including teats), of vulcanised rubber other than hard rubber, with or without fittings of hardened rubber	10	8	8	On sched.
4015	Articles of apparel and clothing accessories (including gloves, mittens and mitis), for all purposes, of vulcanised rubber other than hard rubber	25	17	15	Faster than sched.
4016	Other articles of vulcanised rubber other than hard rubber	25	17	22	Slower than sched.
4017	Hard rubber (for example, ebonite) in all forms, including waste and scrap; articles of hard rubber	25	17	8	Faster than sched.
4101	Raw hides and skins of bovine (including buffalo) or equine animals (fresh, or salted, dried, limed, pickled or otherwise preserved, but not tanned, parchment-dressed or further prepared), whether or not dehaired or split	10	8	0	Faster than sched.
4102	Raw skins of sheep or lambs (fresh, or salted, dried, limed, pickled or otherwise preserved, but not tanned, parchment-dressed or further prepared), whether or not with wool on or split, other than those excluded by Note 1(c) to this Chapter	10	8	0	Faster than sched.
4103	Other raw hides and skins (fresh, or salted, dried, limed, pickled or otherwise preserved, but not tanned, parchment-dressed or further prepared), whether or not dehaired or split, other than those excluded by Note 1(b) or Note 1(c) to this Chapter	10	8	0	Faster than sched.
4104	Tanned or crust hides and skins of bovine (including buffalo) or equine animals, without hair on, whether or not split, but not further prepared	10	8	5	Faster than sched.
4105	Tanned or crust skins of sheep or lambs, without wool on, whether or not split, but not further prepared	10	8	5	Faster than sched.
4106	Tanned or crust hides and skins of other animals, without wool or hair on, whether or not split, but not further prepared	10	8	5	Faster than sched.
4107	Leather further prepared after tanning or crusting, including parchment-dressed leather, of bovine (including buffalo) or equine animals, without hair on, whether or not split, other than leather of heading 41.14	10	8	8	On sched.
4108	Chamois (including combination chamois) leather	10	8		Faster than sched.
4109	Patent & patent laminated leather, metallised leather	10	8		Faster than sched.
4110	Leather waste, leather dust, powder and flour	10	8		Faster than sched.
4111	Composition lea, lea fiber in slabs, sheets, strip	10	8		Faster than sched.
4201	Saddlery and harness for any animal (including traces, leads, knee pads, muzzles, saddle cloths, saddle bags, dog coats and the like), of any material	35	25	17	Faster than sched.
4202	Trunks, suit-cases, vanity-cases, executive-cases, brief-cases, school satchels, spectacle cases, binocular cases, camera cases, musical instrument cases, gun cases, holsters and similar containers;	35	25	20	Faster than sched.

<i>HS</i>	<i>Description</i>	<i>Tariff as of 1st Jul 2003 (%)</i>	<i>Final Committed tariff as of 1st Jan 2008 (%)</i>	<i>Applied tariff from 1st Jan 2008 (%)</i>	<i>Progress compared to commitment</i>
	travelling-bags, insulated food or beverages bags, toilet bags, rucksacks, handbags, shopping-bags, wallets, purses, map-cases, cigarette-cases, tobacco-pouches, tool bags, sports bags, bottle-cases, jewellery boxes, powder-boxes, cutlery cases and similar containers, of leather or of composition leather, of sheeting of plastics, of textile materials, of vulcanised fibre or of paperboard, or wholly or mainly covered				
4203	Articles of apparel and clothing accessories, of leather or of composition leather	35	25	25	On sched.
4204	Articles of leather or of composition leather of a kind used in machinery or mechanical appliances or for other technical uses	10	8		Faster than sched.
4205	Other articles of leather or of composition leather	35	25	15	Faster than sched.
4206	Articles of gut (other than silk-worm gut), of goldbeater's skin, of bladders or of tendons	10	8		Faster than sched.
4301	Raw furskins (including heads, tails, paws and other pieces or cuttings, suitable for furriers' use), other than raw hides and skins of heading 41.01, 41.02 or 41.03	10	8	0	Faster than sched.
4302	Tanned or dressed furskins (including heads, tails, paws and other pieces or cuttings), unassembled, or assembled (without the addition of other materials) other than those of heading 43.03	10	8	0	Faster than sched.
4303	Articles of apparel, clothing accessories and other articles of furskin	35	25	22.5	Faster than sched.
4304	Artificial fur and articles thereof	35	25	25	On sched.
4401	Fuel wood, in logs, in billets, in twigs, in faggots or in similar forms; wood in chips or particles; sawdust and wood waste and scrap, whether or not agglomerated in logs, briquettes, pellets or similar forms	10	8	5	Faster than sched.
4402	Wood charcoal (including shell and nut charcoal), whether or not agglomerated	10	8	5	Faster than sched.
4403	Wood in the rough, whether or not stripped of bark or sapwood, or roughly squared	10	8	0	Faster than sched.
4404	Hoopwood; split poles; piles, pickets and stakes of wood, pointed but not sawn lengthwise; wooden sticks, roughly trimmed but not turned, bent or otherwise worked, suitable for the manufacture of walking-sticks, umbrellas, tool handles or the like; chipwood and the like	10	8	3	Faster than sched.
4405	Wood wool; wood flour	10	8	1	Faster than sched.
4406	Railway or tramway sleepers (cross-ties) of wood	10	8	0	Faster than sched.
4407	Wood sawn or chipped lengthwise, sliced or peeled, whether or not planed, sanded or end-jointed, of a thickness exceeding 6 mm	10	8	0	Faster than sched.
4408	Sheets for veneering (including those obtained by slicing laminated wood), for plywood or for other similar laminated wood and other wood, sawn lengthwise, sliced or peeled, whether or not planed, sanded, spliced or end-jointed, of a thickness not exceeding 6 mm	25	17	0	Faster than sched.
4409	Wood (including strips and friezes for parquet flooring, not assembled) continuously shaped	10	8	3	Faster than sched.

HS	Description	Tariff as of 1 st Jul 2003 (%)	Final Committed tariff as of 1 st Jan 2008 (%)	Applied tariff from 1 st Jan 2008 (%)	Progress compared to commitment
	(tongued, grooved, rebated, chamfered, V-jointed, beaded, moulded, rounded or the like) along any of its edges, ends or faces, whether or not planed, sanded or end-jointed				
4410	Particle board and similar board (for example, oriented strand board and waferboard) of wood or other ligneous materials, whether or not agglomerated with resins or other organic binding substances	25	17	8	Faster than sched.
4411	Fibreboard of wood or other ligneous materials, whether or not bonded with resins or other organic substances	10	8	8	On sched.
4412	Plywood, veneered panels and similar laminated wood	25	17	8	Faster than sched.
4413	Densified wood, in blocks, plates, strips or profile shapes	25	17	3	Faster than sched.
4414	Wooden frames for paintings, photographs, mirrors or similar objects	35	25	20	Faster than sched.
4415	Packing cases, boxes, crates, drums and similar packings, of wood; cable-drums of wood; pallets, box pallets and other load boards, of wood pallet collars of wood	35	25	17	Faster than sched.
4416	Casks, barrels, vats, tubs and other coopers' products and parts thereof, of wood including staves	35	25	17	Faster than sched.
4417	Tools, tool bodies, tool handles, broom or brush bodies and handles, of wood; boot or shoe lasts and trees, of wood	35	25	17	Faster than sched.
4418	Builders' joinery and carpentry of wood, including cellular wood panels, assembled parquet panels, shingles and shakes	10	8	5	Faster than sched.
4419	Tableware and kitchenware, of wood	35	25	20	Faster than sched.
4420	Wood marquetry and inlaid wood; caskets and cases for jewellery or cutlery, and similar articles, of wood; statuettes and other ornaments of wood; wooden articles of furniture not falling in Chapter 94	35	25	20	Faster than sched.
4421	Other articles of wood	35	25	20	Faster than sched.
4501	Natural cork, raw or simply prepared; waste cork; crushed, granulated or ground cork	15	15	1	Faster than sched.
4502	Natural cork, debarked or roughly squared, or in rectangular (including square) blocks, plates, sheets or strip (including sharp-edged blanks for corks or stoppers)	15	15	5	Faster than sched.
4503	Articles of natural cork	15	15	15	On sched.
4504	Agglomerated cork (with or without a binding substance) and articles of agglomerated cork	15	15	15	On sched.
4601	Plaits and similar products of plaiting materials, whether or not assembled into strips; plaiting materials, plaits and similar products of plaiting materials, bound together in parallel strands or woven, in sheet form, whether or not being finished articles (for example, mats, matting, screens)	35	25	20	Faster than sched.
4602	Basketwork, wickerwork and other articles, made directly to shape from plaiting materials or made up from goods of heading 46.01; articles of loofah	35	25	20	Faster than sched.
4701	Mechanical wood pulp	10	8	1	Faster than sched.

HS	Description	Tariff as of 1 st Jul 2003 (%)	Final Committed tariff as of 1 st Jan 2008 (%)	Applied tariff from 1 st Jan 2008 (%)	Progress compared to commitment
4702	Chemical wood pulp, dissolving grades	10	8	1	Faster than sched.
4703	Chemical wood pulp, soda or sulphate, other than dissolving grades	10	8	1	Faster than sched.
4704	Bột giấy từ gỗ, sản xuất bằng phương pháp hóa học, sun-phit, trừ loại hòa tan	10	8	1	Faster than sched.
4705	Bột giấy từ gỗ, sản xuất bằng phương pháp nửa hóa học	10	8	1	Faster than sched.
4706	Bột giấy từ sợi giấy, bìa giấy tái sinh (phế liệu, phế thải) hoặc từ các chất liệu sợi xen-lu-lô khác	10	8	1	Faster than sched.
4707	Chemical wood pulp, sulphite, other than dissolving grades	10	8	2	Faster than sched.
4801	Newsprint, in rolls or sheets	35	25		Faster than sched.
4802	Uncoated paper and paperboard, of a kind used for writing, printing or other graphic purposes, and non perforated punch-cards and punch tape paper, in rolls or rectangular (including square) sheets, of any size, other than paper of heading 48.01 or 48.03; hand-made paper and paperboard	35	25	20	Faster than sched.
4803	Toilet or facial tissue stock, towel or napkin stock and similar paper of a kind used for household or sanitary purposes, cellulose wadding and webs of cellulose fibres, whether or not creped, crinkled, embossed, perforated, surface-coloured, surface-decorated or printed, in rolls or sheets	35	25	20	Faster than sched.
4804	Uncoated kraft paper and paperboard, in rolls or sheets, other than that of heading 48.02 or 48.03	25	17	17	On sched.
4805	Other uncoated paper and paperboard, in rolls or sheets, not further worked or processed than as specified in Note 3 to this Chapter	25	17	17	On sched.
4806	Vegetable parchment, greaseproof papers, tracing papers and glassine and other glaz transparent or translucent papers, in rolls or sheets	25	17	8	Faster than sched.
4807	Composite paper or paperboard (made by sticking flat layers of paper or paperboard together with an adhesive), not surface-coated or impregnated, whether or not internally reinforced, in rolls or sheets	25	17	17	On sched.
4808	Paper or paperboard, corrugated (with or without glued flat surface sheets), creped, crinkled, embossed or perforated, in rolls or sheets, other than paper of the kind described in heading 48.03	25	17	8	Faster than sched.
4809	Carbon paper, self-copy paper and other copying or transfer papers (including coated or impregnated paper for duplicating stencils or offset plates), whether or not printed, in rolls or sheets	25	17	15	Faster than sched.
4810	Paper and paperboard, coated on one or both sides with kaolin (China clay) or other inorganic substances, with or without a binder, and with no other coating, whether or not surface-coloured, surface-decorated or printed, in rolls or rectangular (including square) sheets, of any size	30	20	10	Faster than sched.
4811	Paper, paperboard, cellulose wadding and webs of cellulose fibres, coated, impregnated, covered, surface-coloured, surface-decorated or printed, in rolls or rectangular (including square) sheets, of any size, other than goods of the kind described in heading 48.03, 48.09 or 48.10	25	17	20	Slower than sched.
4812	Filter blocks, slabs and plates, of paper pulp	10	8	0	Faster than sched.
4813	Cigarette paper, whether or not cut to size or in the form of booklets or tubes	35	25	17	Faster than sched.

HS	Description	Tariff as of 1 st Jul 2003 (%)	Final Committed tariff as of 1 st Jan 2008 (%)	Applied tariff from 1 st Jan 2008 (%)	Progress compared to commitment
4814	Wallpaper and similar wall coverings; window transparencies of paper	35	25	20	Faster than sched.
4815	Floor coverings on a base of paper or of paperboard, whether or not cut to size	35	25		Faster than sched.
4816	Carbon paper, self-copy paper and other copying or transfer papers (other than those of heading 48.09), duplicator stencils and offset plates, of paper, whether or not put up in boxes	15	15	15	On sched.
4817	Envelopes, letter cards, plain postcards and correspondence cards, of paper or paperboard; boxes, pouches, wallets and writing compendiums, of paper or paperboard, containing an assortment of paper stationery	35	25	20	Faster than sched.
4818	Toilet paper and similar paper, cellulose wadding or webs of cellulose fibres, of a kind used for household or sanitary purposes, in rolls of a width not exceeding 36 cm, or cut to size or shape; handkerchiefs, cleansing tissues, towels, tablecloths, serviettes, napkins for babies, tampons, bed sheets and similar household, sanitary or hospital articles, articles of apparel and clothing accessories, of paper pulp, paper, cellulose wadding or webs of cellulose fibres	35	25	20	Faster than sched.
4819	Cartons, boxes, cases, bags and other packing containers, of paper, paperboard, cellulose wadding or webs of cellulose fibres; box files, letter trays, and similar articles, of paper or paperboard, of a kind used in offices, shops or the like	35	25	17	Faster than sched.
4820	Registers, account books, note books, order books, receipt books, letter pads, memorandum pads, diaries and similar articles, exercise books, blotting-pads, binders (loose-leaf or other), folders, file covers, manifold business forms, interleaved carbon sets and other articles of stationery, of paper or paperboard; albums for samples or for collections and book covers, of paper or paperboard	35	25	20	Faster than sched.
4821	Paper or paperboard labels of all kinds, whether or not printed	35	25	17	Faster than sched.
4822	Bobbins, spools, cops and similar supports of paper pulp, paper or paperboard (whether or not perforated or hardened)	15	15	5	Faster than sched.
4823	Other paper, paperboard, cellulose wadding and webs of cellulose fibres, cut to size or shape; other articles of paper pulp, paper, paperboard, cellulose wadding or webs of cellulose fibres	35	25	20	Faster than sched.
4901	Printed books, brochures, leaflets and similar printed matter, whether or not in single sheets	15	15	5	Faster than sched.
4902	Newspapers, journals and periodicals, whether or not illustrated or containing advertising material	25	17	5	Faster than sched.
4903	Children's picture, drawing or colouring books	10	8	5	Faster than sched.
4904	Music, printed or in manuscript, whether or not bound or illustrated	15	15	5	Faster than sched.
4905	Maps and hydrographic and similar charts of all kinds, including atlases, wall maps and topographical plans and globes, printed	10	8	0	Faster than sched.
4906	Plans and drawings for architectural, engineering, industrial, commercial, topographical or similar purposes, being originals drawn by hand; hand- written texts; photographic reproductions on	10	8	0	Faster than sched.

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	sensitised paper and carbon copies of the foregoing				
4907	Unused postage, revenue or similar stamps of current or new issue in the country in which they have, or will have, a recognised face value; stamp-impressed paper; banknotes; cheque forms; stock, share or bond certificates and similar documents of title	25	17	15	Faster than sched.
4908	Transfers (decalcomanias)	15	15	20	Slower than sched.
4909	Printed or illustrated postcards; printed cards bearing personal greetings, messages or announcements, whether or not illustrated, with or without envelopes or trimmings				
4910	Calendars of any kind, printed, including calendar blocks	35	25	20	Faster than sched.
4911	Other printed matter, including printed pictures and photographs	35	25	20	Faster than sched.
4911	Trade advertising material, commercial catalogues and the like	35	25	15	Faster than sched.
5001	Silk-worm cocoons suitable for reeling	15	15	15	On sched.
5002	Raw silk (not thrown).	10	8	5	Faster than sched.
5003	Silk waste (including cocoons unsuitable for reeling, yarn waste and garnetted stock)	25	17	5	Faster than sched.
5004	Silk yarn (other than yarn spun from silk waste) not put up for retail sale	25	17	8	Faster than sched.
5005	Yarn spun from silk waste, not put up for retail sale	25	17	5	Faster than sched.
5006	Silk yarn and yarn spun from silk waste, put up for retail sale; silk-worm gut	25	17	5	Faster than sched.
5007	Woven fabrics of silk or of silk waste	30	20	12	Faster than sched.
5101	Wool, not carded or combed	10	8	0	Faster than sched.
5102	Fine or coarse animal hair, not carded or combed	10	8	0	Faster than sched.
5103	Waste of wool or of fine or coarse animal hair, including yarn waste but excluding garnetted stock	15	15	8	Faster than sched.
5104	Garnetted stock of wool or of fine or coarse animal hair	10	8	3	Faster than sched.
5105	Wool and fine or coarse animal hair, carded or combed (including combed wool in fragments)	10	8	0	Faster than sched.
5106	Yarn of carded wool, not put up for retail sale	25	17	5	Faster than sched.
5107	Yarn of combed wool, not put up for retail sale	25	17	5	Faster than sched.
5108	Yarn of fine animal hair (carded or combed), not put up for retail sale	25	17	5	Faster than sched.
5109	Yarn of wool or of fine animal hair, put up for retail sale	25	17	5	Faster than sched.
5110	Yarn of coarse animal hair or of horsehair (including gimped horsehair yarn), whether or not put up for retail sale		17	5	Faster than sched.
5111	Woven fabrics of carded wool or of carded fine animal hair	25			Faster than sched.
5112	Woven fabrics of combed wool or of combed fine animal hair	30	20	12	Faster than sched.
5113	Woven fabrics of coarse animal hair or of horsehair	30	20	12	Faster than sched.

HS	Description	Tariff as of 1 st Jul 2003 (%)	Final Committed tariff as of 1 st Jan 2008 (%)	Applied tariff from 1 st Jan 2008 (%)	Progress compared to commitment
5201	Cotton, not carded or combed	10	8	0	Faster than sched.
5202	Cotton waste (including yarn waste and garnetted stock)	15	15	8	Faster than sched.
5203	Cotton, carded or combed	10	8	0	Faster than sched.
5204	Cotton sewing thread, whether or not put up for retail sale	25	17	5	Faster than sched.
5205	Cotton yarn (other than sewing thread), containing 85% or more by weight of cotton, not put up for retail sale	15	15	5	Faster than sched.
5206	Cotton yarn (other than sewing thread), containing less than 85% by weight of cotton, not put up for retail sale	15	15	5	Faster than sched.
5207	Cotton yarn (other than sewing thread) put up for retail sale	25	17	5	Faster than sched.
5208	Woven fabrics of cotton, containing 85% or more by weight of cotton, weighing not more than 200 g/m ²	30	20	12	Faster than sched.
5209	Woven fabrics of cotton, containing 85% or more by weight of cotton, weighing more than 200 g/m ²	30	20	12	Faster than sched.
5210	Woven fabrics of cotton, containing less than 85% by weight of cotton, mixed mainly or solely with man-made fibres, weighing not more than 200 g/m ²	30	20	12	Faster than sched.
5211	Woven fabrics of cotton, containing less than 85% by weight of cotton, mixed mainly or solely with man-made fibres, weighing more than 200 g/m ²	30	20	12	Faster than sched.
5212	Other woven fabrics of cotton	30	20	12	Faster than sched.
5301	Flax, raw or processed but not spun; flax tow and waste (including yarn waste and garnetted stock)	10	8	0	Faster than sched.
5302	True hemp (Cannabis sativa L), raw or processed but not spun; tow and waste of true hemp (including yarn waste and garnetted stock)	10	8	0	Faster than sched.
5303	Jute and other textile bast fibres (excluding flax, true hemp and ramie), raw or processed but not spun; tow and waste of these fibres (including yarn waste and garnetted stock)	10	8	5	Faster than sched.
5304	Sisal and other textile fibres of the genus Agave, raw or processed but not spun; tow and waste of these fibres (including yarn waste and garnetted stock)	10	8	5	Faster than sched.
5305	Coconut, abaca (Manila hemp or Musa textilis Nee), ramie and other vegetable textile fibres, not elsewhere specified or included, raw or processed but not spun; tow, noils and waste of these fibres (including yarn waste and garnetted stock)	25	17	5	Faster than sched.
5306	Flax yarn	25	17	3	Faster than sched.
5307	Yarn of jute or of other textile bast fibres of heading 53.03	25	17	5	Faster than sched.
5308	Yarn of other vegetable textile fibres; paper yarn	25	17	5	Faster than sched.
5309	Woven fabrics of flax	30	20	12	Faster than sched.

HS	Description	Tariff as of 1 st Jul 2003 (%)	Final Committed tariff as of 1 st Jan 2008 (%)	Applied tariff from 1 st Jan 2008 (%)	Progress compared to commitment
5310	Woven fabrics of jute or of other textile bast fibres of heading 53.03	30	20	12	Faster than sched.
5311	Woven fabrics of other vegetable textile fibres; woven fabrics of paper yarn	30	20	12	Faster than sched.
5401	Sewing thread of man-made filaments, whether or not put up for retail sale	25	17	5	Faster than sched.
5402	Synthetic filament yarn (other than sewing thread), not put up for retail sale, including synthetic monofilament of less than 67 decitex	15	15	5	Faster than sched.
5403	Artificial filament yarn (other than sewing thread), not put up for retail sale, including artificial monofilament of less than 67 decitex	15	15	0	Faster than sched.
5404	Synthetic monofilament of 67 decitex or more and of which no cross-sectional dimension exceeds 1 mm; strip and the like (for example, artificial straw) of synthetic textile materials of an apparent width not exceeding 5 mm	15	15	0	Faster than sched.
5405	Artificial monofilament of 67 decitex or more and of which no cross-sectional dimension exceeds 1 mm; strip and the like (for example, artificial straw) of artificial textile materials of an apparent width not exceeding 5 mm	15	15	0	Faster than sched.
5406	Man-made filament yarn (other than sewing thread), put up for retail sale	25	17	5	Faster than sched.
5407	Woven fabrics of synthetic filament yarn, including woven fabrics obtained from materials of heading 54.04	30	20	12	Faster than sched.
5408	Woven fabrics of artificial filament yarn, including woven fabrics obtained from materials of heading 54.05	30	20	12	Faster than sched.
5501	Synthetic filament tow	10	8	0	Faster than sched.
5502	Artificial filament tow	10	8	0	Faster than sched.
5503	Synthetic staple fibres, not carded, combed or otherwise processed for spinning	15	15	0	Faster than sched.
5504	Artificial staple fibres, not carded, combed or otherwise processed for spinning	15	15	0	Faster than sched.
5505	Waste (including noils, yarn waste and garnetted stock) of man-made fibres	15	15	3	Faster than sched.
5506	Synthetic staple fibres, carded, combed or otherwise processed for spinning	15	15	1	Faster than sched.
5507	Artificial staple fibres, carded, combed or otherwise processed for spinning	15	15	1	Faster than sched.
5508	Sewing thread of man-made staple fibres, whether or not put up for retail sale	25	17	5	Faster than sched.
5509	Yarn (other than sewing thread) of synthetic staple fibres, not put up for retail sale	15	15	5	Faster than sched.
5510	Yarn (other than sewing thread) of artificial staple fibres, not put up for retail sale	15	15	5	Faster than sched.
5511	Yarn (other than sewing thread) of man-made staple fibres, put up for retail sale	25	17	5	Faster than sched.
5512	Woven fabrics of synthetic staple fibres, containing 85% or more by weight of synthetic staple fibres	30	20	12	Faster than sched.
5513	Woven fabrics of synthetic staple fibres containing less than 85% by weight of such fibres, mixed	30	20	12	Faster than sched.

HS	Description	Tariff as of 1 st Jul 2003 (%)	Final Committed tariff as of 1 st Jan 2008 (%)	Applied tariff from 1 st Jan 2008 (%)	Progress compared to commitment
	mainly or solely with cotton, of a weight not exceeding 170 g/m ²				
5514	Woven fabrics of synthetic staple fibres, containing less than 85% by weight of such fibres, mixed	30	20	12	Faster than sched.
5515	mainly or solely with cotton, of a weight exceeding 170 g/ m ²	30	20	12	Faster than sched.
5516	Other woven fabrics of synthetic staple fibres	30	20	12	Faster than sched.
	Woven fabrics of artificial staple fibres				
5601	Wadding of textile materials and articles thereof; textile fibres, not exceeding 5 mm in length (flock), textile dust and mill neps	30	20	5	Faster than sched.
5602	Felt, whether or not impregnated, coated, covered or laminated	30	20	12	Faster than sched.
5603	Nonwovens, whether or not impregnated, coated, covered or laminated	30	20	10	Faster than sched.
5604	Rubber thread and cord, textile covered; textile yarn, and strip and the like of heading 54.04 or 54.05, impregnated, coated, covered or sheathed with rubber or plastics	25	17	5	Faster than sched.
5605	Metallised yarn, whether or not gimped, being textile yarn, or strip or the like of heading 54.04 or 54.05, combined with metal in the form of thread, strip or powder or covered with metal	25	17	5	Faster than sched.
5606	Gimped yarn, and strip and the like of heading 54.04 or 54.05, gimped (other than those of heading 56.05 and gimped horsehair yarn); chenille yarn (including flock chenille yarn); loop wale-yarn	25	17	12	Faster than sched.
5607	Twine, cordage, ropes and cables, whether or not plaited or braided and whether or not impregnated, coated, covered or sheathed with rubber or plastics	25	17	12	Faster than sched.
5608	Knotted netting of twine, cordage or rope; made up fishing nets and other made up nets, of textile materials	15	15	12	Faster than sched.
5609	Articles of yarn, strip or the like of heading 54.04 or 54.05, twine, cordage, rope or cables, not elsewhere specified or included	30	20	12	Faster than sched.
5701	Carpets and other textile floor coverings, knotted, whether or not made up	30	20	12	Faster than sched.
5702	Carpets and other textile floor coverings, woven, not tufted or flocked, whether or not made up, including "Kelem", "Schumacks", "Karamanie" and similar hand-woven rugs	30	20	12	Faster than sched.
5703	Carpets and other textile floor coverings, tufted, whether or not made up	30	20	12	Faster than sched.
5704	Carpets and other textile floor coverings, of felt, not tufted or flocked, whether or not made up	30	20	12	Faster than sched.
5705	Other carpets and other textile floor coverings, whether or not made up	30	20	12	Faster than sched.
5801	Woven pile fabrics and chenille fabrics, other than fabrics of heading 58.02 or 58.06	30	20	12	Faster than sched.
5802	Terry towelling and similar woven terry fabrics, other than narrow fabrics of heading 58.06; tufted textile fabrics, other than products of heading 57.03	30	20	12	Faster than sched.
5803	Gauze, other than narrow fabrics of heading 58.06	30	20	12	Faster than sched.
5804	Tulles and other net fabrics, not including woven, knitted or crocheted fabrics; lace in the piece, in	30	20	12	Faster than sched.

HS	Description	Tariff as of 1 st Jul 2003 (%)	Final Committed tariff as of 1 st Jan 2008 (%)	Applied tariff from 1 st Jan 2008 (%)	Progress compared to commitment
	strips or in motifs, other than fabrics of headings 60.02 to 60.06				
5805	Hand-woven tapestries of the type Gobelins, Flanders, Aubusson, Beauvais and the like, and needle-worked tapestries (for example, petit point, cross stitch), whether or not made up	30	20	12	Faster than sched.
5806	Narrow woven fabrics, other than goods of heading 58.07; narrow fabrics consisting of warp without weft assembled by means of an adhesive (bolducs)	30	20	12	Faster than sched.
5807	Labels, badges and similar articles of textile materials, in the piece, in strips or cut to shape or size, not embroidered	30	20	12	Faster than sched.
5808	Braids in the piece; ornamental trimmings in the piece, without embroidery; other than knitted or crocheted; tassels, pompons and similar articles	30	20	12	Faster than sched.
5809	Woven fabrics of metal thread and woven fabrics of metallised yarn of heading 56.05, of a kind used in apparel, as furnishing fabrics or for similar purposes, not elsewhere specified or included	30	20	12	Faster than sched.
5810	Embroidery in the piece, in strips or in motifs	30	20	12	Faster than sched.
5811	Quilted textile products in the piece, composed of one or more layers of textile materials assembled with padding by stitching or otherwise, other than embroidery of heading 58.10	30	20	12	Faster than sched.
5901	Textile fabrics coated with gum or amylaceous substances, of a kind used for the outer covers of books or the like; tracing cloth; prepared painting canvas; buckram and similar stiffened textile fabrics of a kind used for hat foundations	15	15	10	Faster than sched.
5902	Tyre cord fabric of high tenacity yarn of nylon or other polyamides, polyesters or viscose rayon	15	15	5	Faster than sched.
5903	Textile fabrics impregnated, coated, covered or laminated with plastics, other than those of heading 59.02	25	17	12	Faster than sched.
5904	Linoleum, whether or not cut to shape; floor coverings consisting of a coating or covering applied on a textile backing, whether or not cut to shape	25	17	12	Faster than sched.
5905	Textile wall coverings	25	17	12	Faster than sched.
5906	Rubberised textile fabrics, other than those of heading 59.02	25	17	8	Faster than sched.
5907	Textile fabrics otherwise impregnated, coated or covered; painted canvas being theatrical scenery, studio back-cloths or the like	25	17	12	Faster than sched.
5908	Textile wicks, woven, plaited or knitted, for lamps, stoves, lighters, candles or the like; incandescent gas mantles and tubular knitted gas mantle fabric therefor, whether or not impregnated	25	17	12	Faster than sched.
5909	Textile hosepipe and similar textile tubing, with or without lining, armour or accessories of other materials	15	15	0	Faster than sched.
5910	Transmission or conveyor belts or belting, of textile material, whether or not impregnated, coated, covered or laminated with plastics, or reinforced with metal or other material	15	15	12	Faster than sched.

HS	Description	Tariff as of 1 st Jul 2003 (%)	Final Committed tariff as of 1 st Jan 2008 (%)	Applied tariff from 1 st Jan 2008 (%)	Progress compared to commitment
5911	Textile products and articles, for technical uses, specified in Note 7 to this Chapter	15	15	0	Faster than sched.
6001	Pile fabrics, including "long-pile" fabrics and terry fabrics knitted or crocheted	30	20	12	Faster than sched.
6002	Knitted or crocheted fabrics of a width not exceeding 30 cm, containing by weight 5% or more of elastomeric yarn or rubber thread, other than those of heading 60.01	30	20	12	Faster than sched.
6101	Men's or boys' overcoats, car-coats, capes, cloaks, anoraks (including ski-jackets), wind-cheaters, wind-jackets and similar articles, knitted or crocheted, other than those of heading 61.03	35	25	20	Faster than sched.
6102	Women's or girls' overcoats, car-coats, capes, cloaks, anoraks (including ski-jackets), wind-cheaters, wind-jackets and similar articles, knitted or crocheted, other than those of heading 61.04	35	25	20	Faster than sched.
6103	Men's or boys' suits, ensembles, jackets, blazers, trousers, bib and brace overalls, breeches and shorts (other than swimwear), knitted or crocheted	35	25	20	Faster than sched.
6104	Women's or girls' suits, ensembles, jackets, blazers, dresses, skirts, divided skirts, trousers, bib and brace overalls, breeches and shorts (other than swimwear), knitted or crocheted	35	25	20	Faster than sched.
6105	Men's or boys' shirts, knitted or crocheted	35	25	20	Faster than sched.
6106	Women's or girls' blouses, shirts and shirt-blouses, knitted or crocheted	35	25	20	Faster than sched.
6107	Men's or boys' underpants, briefs, nightshirts, pyjamas, bathrobes, dressing gowns and similar articles, knitted or crocheted	35	25	20	Faster than sched.
6108	Women's or girls' slips, petticoats, briefs, panties, nightdresses, pyjamas, nightgowns, bathrobes, dressing gowns and similar articles, knitted or crocheted	35	25	20	Faster than sched.
6109	T-shirts, singlets and other vests, knitted or crocheted	35	25	20	Faster than sched.
6110	Jerseys, pullovers, cardigans, waistcoats and similar articles, knitted or crocheted	35	25	20	Faster than sched.
6111	Babies' garments and clothing accessories, knitted or crocheted	35	25	20	Faster than sched.
6112	Track suits, ski suits and swimwear, knitted or crocheted	35	25	20	Faster than sched.
6113	Garments, made up of knitted or crocheted fabrics of heading 59.03, 59.06 or 59.07	35	25	20	Faster than sched.
6114	Other garments, knitted or crocheted	35	25	20	Faster than sched.
6114	Other garments, knitted or crocheted flame-proof	10	8	20	Slower than sched.
6115	Panty hose, tights, stockings, socks and other hosiery, including stockings for varicose veins and footwear without applied soles, knitted or crocheted	35	25	20	Faster than sched.
6116	Gloves, mittens and mitts, knitted or crocheted	35	25	20	Faster than sched.
6117	Other made up clothing accessories, knitted or crocheted; knitted or crocheted parts of garments or of clothing accessories	35	25	20	Faster than sched.
6201	Men's or boys' overcoats, car-coats, capes, cloaks, anoraks (including ski-jackets), wind-cheaters, wind-jackets and similar articles, other than those of heading 62.03	35	25	20	Faster than sched.

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6202	Women's or girls' overcoats, capes, cloaks, anoraks (including ski-jackets), wind-cheaters, wind-jackets and similar articles, other than those of heading 62.04	35	25	20	Faster than sched.
6203	Men's or boys' suits, ensembles, jackets, blazers, trousers, bib and brace overalls, breeches and shorts (other than swimwear)	35	25	20	Faster than sched.
6204	Women's or girls' suits, ensembles, jackets, blazers, dresses, skirts, divided skirts, trousers, bib and brace overalls, breeches and shorts (other than swimwear)	35	25	20	Faster than sched.
6205	Men's or boys' shirts	35	25	20	Faster than sched.
6206	Women's or girls' blouses, shirts and shirt-blouses	35	25	20	Faster than sched.
6207	Men's or boys' singlets and other vests, underpants, briefs, nightshirts, pyjamas, bathrobes, dressing gowns and similar articles	35	25	20	Faster than sched.
6208	Women's or girls' singlets and other vests, slips, petticoats, briefs, panties, nightdresses, pyjamas, négligés, bathrobes, dressing gowns and similar articles	35	25	20	Faster than sched.
6209	Babies' garments and clothing accessories	35	25	20	Faster than sched.
6210	Garments, made up of fabrics of heading 56.02, 56.03, 59.03, 59.06 or 59.07	35	25	20	Faster than sched.
6211	Track suits, ski suits and swimwear; other garments	35	25	20	Faster than sched.
6211	Flame-proof track suits, ski suits and swimwear	10	8	20	Slower than sched.
6212	Brassières, girdles, corsets, braces, suspenders, garters and similar articles and parts thereof, whether or not knitted or crocheted	35	25	20	Faster than sched.
6213	Handkerchiefs	35	25	20	Faster than sched.
6214	Shawls, scarves, mufflers, mantillas, veils and the like	35	25	20	Faster than sched.
6215	Ties, bow ties and cravats	35	25	20	Faster than sched.
6216	Gloves, mittens and mitts	35	25	20	Faster than sched.
6217	Other made up clothing accessories; parts of garments or of clothing accessories, other than those of heading 62.12	35	25	20	Faster than sched.
6301	Blankets and travelling rugs	35	25	12	Faster than sched.
6302	Bed linen, table linen, toilet linen and kitchen linen	35	25	12	Faster than sched.
6303	Curtains (including drapes) and interior blinds; curtain or bed valances	35	25	12	Faster than sched.
6304	Other furnishing articles, excluding those of heading 94.04	35	25	12	Faster than sched.
6305	Sacks and bags, of a kind used for the packing of goods	35	25	12	Faster than sched.
6306	Tarpaulins, awnings and sunblinds; tents; sails for boats, sailboards or landcraft; camping goods	35	25	12	Faster than sched.
6307	Other made up articles, including dress patterns	35	25	20	Faster than sched.
6308	Sets consisting of woven fabric and yarn, whether or not with accessories, for making up into rugs,	30	20	20	On sched.

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	tapestries, embroidered table-cloths or serviettes, or similar textile articles, put up in packings for retail sale				
6309	Worn clothing and other worn articles	35	25	25	On sched.
6310	Used or new rags, scrap twine, cordage, rope and cables and worn out articles of twine, cordage, rope or cables, of textile materials	35	25	25	On sched.
6401	Waterproof footwear with outer soles and uppers of rubber or of plastics, the uppers of which are neither fixed to the sole nor assembled by stitching, riveting, nailing, screwing, plugging or similar processes	35	25	25	On sched.
6402	Other footwear with outer soles and uppers of rubber or plastics	35	25	25	On sched.
6403	Footwear with outer soles of rubber, plastics, leather or composition leather and uppers of leather	35	25	25	On sched.
6404	Footwear with outer soles of rubber, plastics, leather or composition leather and uppers of textile materials	35	25	25	On sched.
6405	Other footwear	35	25	25	On sched.
6406	Parts of footwear (including uppers whether or not attached to soles other than outer soles); removable in-soles, heel cushions and similar articles; gaiters, leggings and similar articles, and parts thereof	25	17	15	Faster than sched.
6501	Hat-forms, hat bodies and hoods of felt, neither blocked to shape nor with made brims; plateaux and manchons (including slit manchons), of felt	15	15	8	Faster than sched.
6502	Hat-shapes, plaited or made by assembling strips of any material, neither blocked to shape, nor with made brims, nor lined, nor trimmed	15	15	8	Faster than sched.
6504	Hats and other headgear, plaited or made by assembling strips of any material, whether or not lined or trimmed	35	25	25	On sched.
6505	Hats and other headgear, knitted or crocheted, or made up from lace, felt or other textile fabric in the piece (but not in strips), whether or not lined or trimmed; hair-nets of any material, whether or not lined or trimmed	35	25	25	On sched.
6506	Other headgear, whether or not lined or trimmed	35	25	20	Faster than sched.
6507	Head-bands, linings, covers, hat foundations, hat frames, peaks and chinstraps, for headgear	35	25	20	Faster than sched.
6601	Umbrellas and sun umbrellas (including walking-stick umbrellas, garden umbrellas and similar umbrellas)	35	25	20	Faster than sched.
6602	Walking-sticks, seat-sticks, whips, riding-crops and the like	35	25	20	Faster than sched.
6603	Parts, trimmings and accessories of articles of heading 66.01 or 66.02	35	25	17	Faster than sched.
6701	Skins and other parts of birds with their feathers or down, feathers, parts of feathers, down and	35	25	20	Faster than sched.

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	articles thereof (other than goods of heading 05.05 and worked quills and scapes)				
6702	Artificial flowers, foliage and fruit and parts thereof; articles made of artificial flowers, foliage or fruit	35	25	20	Faster than sched.
6703	Human hair, dressed, thinned, bleached or otherwise worked; wool or other animal hair or other textile materials, prepared for use in making wigs or the like	35	25	20	Faster than sched.
6704	Wigs, false beards, eyebrows and eyelashes, switches and the like, of human or animal hair or of textile materials; articles of human hair not elsewhere specified or included	35	25	20	Faster than sched.
6801	Setts, curbstones and flagstones, of natural stone (except slate)	25	17	17	On sched.
	Worked monumental or building stone (except slate) and articles thereof, other than goods of heading 68.01; mosaic cubes and the like, of natural stone (including slate), whether or not on a backing; artificially coloured granules, chippings and powder, of natural stone (including slate)	25	17	17	On sched.
6802	Worked slate and articles of slate or of agglomerated slate	25	17	17	On sched.
6803	Millstones, grindstones, grinding wheels and the like, without frameworks, for grinding, sharpening, polishing, trueing or cutting, hand sharpening or polishing stones, and parts thereof, of natural stone, of agglomerated natural or artificial abrasives, or of ceramics, with or without parts of other materials	25	17	15	Faster than sched.
6804	Natural or artificial abrasive powder or grain, on a base of textile material, of paper, of paperboard or of other materials, whether or not cut to shape or sewn or otherwise made up	25	17	8	Faster than sched.
6805	Slag wool, rock wool and similar mineral wools; exfoliated vermiculite, expanded clays, foamed slag and similar expanded mineral materials; mixtures and articles of heat-insulating, sound-insulating or sound-absorbing mineral materials, other than those of heading 68.11 or 68.12 or of Chapter 69	10	8	5	Faster than sched.
6806	Articles of asphalt or of similar material (for example, petroleum bitumen or coal tar pitch)	10	8	17	Slower than sched.
6807	Panels, boards, tiles, blocks and similar articles of vegetable fibre, of straw or of shavings, chips, particles, sawdust or other waste, of wood, agglomerated with cement, plaster or other mineral binders	25	17	17	On sched.
6808	Articles of plaster or of compositions based on plaster	25	17	17	On sched.
6809	Articles of cement, of concrete or of artificial stone, whether or not reinforced	25	17	17	On sched.
6810	Articles of asbestos-cement, of cellulose fibre-cement or the like	25	17	15	Faster than sched.
6811	Fabricated asbestos fibres; mixtures with a basis of asbestos or with a basis of asbestos and magnesium carbonate; articles of such mixtures or of asbestos (for example, thread, woven fabric, clothing, headgear, footwear, gaskets), whether or not reinforced, other than goods of heading 68.11	15	15	8	Faster than sched.

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	or 68.13				
6813	Friction material and articles thereof (for example, sheets, rolls, strips, segments, discs, washers, pads), not mounted, for brakes, for clutches or the like, with a basis of asbestos, of other mineral substances or of cellulose, whether or not combined with textile or other materials	15	15	8	Faster than sched.
6814	Worked mica and articles of mica, including agglomerated or reconstituted mica, whether or not on a support of paper, paperboard or other materials	15	15	8	Faster than sched.
6815	Articles of stone or of other mineral substances (including carbon fibres, articles of carbon fibres and articles of peat), not elsewhere specified or included	25	17	15	Faster than sched.
6901	Bricks, blocks, tiles and other ceramic goods of siliceous fossil meals (for example, kieselguhr, tripolite or diatomite) or of similar siliceous earths	25	17	17	On sched.
6902	Refractory bricks, blocks, tiles and similar refractory ceramic constructional goods, other than those of siliceous fossil meals or similar siliceous earths	25	17	0	Faster than sched.
6906	Ceramic pipes, conduits, guttering and pipe fittings	35	25	20	Faster than sched.
6909	Ceramic wares for laboratory, chemical or other technical uses; ceramic troughs, tubs and similar receptacles of a kind used in agriculture; ceramic pots, jars and similar articles of a kind used for the conveyance or packing of goods	25	17	15	Faster than sched.
6910	Ceramic sinks, wash basins, wash basin pedestals, baths, bidets, water closet pans, flushing cisterns, urinals and similar sanitary fixtures	35	25	25	On sched.
6911	Tableware, kitchenware, other household articles and toilet articles, of porcelain or china	35	25	25	On sched.
6912	Ceramic tableware, kitchenware, other household articles and toilet articles, other than of porcelain or china	35	25	25	On sched.
6913	Statuettes and other ornamental ceramic articles	35	25	25	On sched.
6914	Other ceramic articles	35	25	25	On sched.
7001	Cullet and other waste and scrap of glass; glass in the mass	10	8	0	Faster than sched.
7002	Glass in balls (other than microspheres of heading 70.18), rods or tubes, unworked	25	17	17	On sched.
7003	Cast glass and rolled glass, in sheets or profiles, whether or not having an absorbent, reflecting or non-reflecting layer, but not otherwise worked	30	20	5	Faster than sched.
7004	Drawn glass and blown glass, in sheets, whether or not having an absorbent, reflecting or non-reflecting layer, but not otherwise worked	30	20	5	Faster than sched.
7005	Float glass and surface ground or polished glass, in sheets, whether or not having an absorbent, reflecting or non-reflecting layer, but not otherwise worked	30	20	5	Faster than sched.
7006	Glass of heading 70.03, 70.04 or 70.05, bent, edge-worked, engraved, drilled, enamelled or	30	20	17	Faster than sched.

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	otherwise worked, but not framed or fitted with other materials				
7007	Safety glass, consisting of toughened (tempered) or laminated glass	30	20	17	Faster than sched.
7008	Multiple-walled insulating units of glass	30	20	17	Faster than sched.
7009	Glass mirrors, whether or not framed, including rear-view mirrors	30	20	17	Faster than sched.
7010	Carboys, bottles, flasks, jars, pots, phials, ampoules and other containers, of glass, of a kind used for the conveyance or packing of goods; preserving jars of glass; stoppers, lids and other closures, of glass	30	20	15	Faster than sched.
7011	Carboys, bottles, flasks, jars, pots, phials, ampoules and other containers, of glass, of a kind used for the conveyance or packing of goods; preserving jars of glass; stoppers, lids and other closures, of glass	30	20	17	Faster than sched.
7013	Glassware of a kind used for table, kitchen, toilet, office, indoor decoration or similar purposes (other than that of heading 70.10 or 70.18)	35	25	25	On sched.
7014	Signalling glassware and optical elements of glass (other than those of heading 70.15), not optically worked	10	8	5	Faster than sched.
7015	Clock or watch glasses and similar glasses, glasses for non-corrective or corrective spectacles, curved, bent hollowed or the like, not optically worked; hollow glass spheres and their segments, for the manufacture of such glasses	10	8	5	Faster than sched.
7016	Paving blocks, slabs, bricks, squares, tiles and other articles of pressed or moulded glass, whether or not wired, of a kind used for building or construction purposes; glass cubes and other glass smallwares, whether or not on a backing, for mosaics or similar decorative purposes; leaded lights and the like; multicellular or foam glass in blocks, panels, plates, shells or similar forms	30	20	20	On sched.
7017	Laboratory, hygienic or pharmaceutical glassware, whether or not graduated or calibrated	10	8	0	Faster than sched.
7018	Glass beads, imitation pearls, imitation precious or semi-precious stones and similar glass smallwares, and articles thereof other than imitation jewellery; glass eyes other than prosthetic articles; statuettes and other ornaments of lamp-worked glass, other than imitation jewellery; glass microspheres not exceeding 1 mm in diameter	30	20	20	On sched.
7018	Glass microspheres not exceeding 1 mm in diameter	10	8	20	Slower than sched.
7019	Glass fibres (including glass wool) and articles thereof (for example, yarn, woven fabrics)	25	17	8	Faster than sched.
7020	Other articles of glass	30	20	17	Faster than sched.
7101	Pearls, natural or cultured, whether or not worked or graded but not strung, mounted or set; pearls, natural or cultured, temporarily strung for convenience of transport	10	8	3	Faster than sched.
7102	Diamonds, whether or not worked, but not mounted or set	10	8	1	Faster than sched.

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7103	Precious stones (other than diamonds) and semi-precious stones, whether or not worked or graded but not strung, mounted or set; ungraded precious stones (other than diamonds) and semi-precious stones, temporarily strung for convenience of transport	10	8	1	Faster than sched.
7104	Synthetic or reconstructed precious or semi-precious stones, whether or not worked or graded but not strung, mounted or set; ungraded synthetic or reconstructed precious or semi-precious stones, temporarily strung for convenience of transport	10	8	1	Faster than sched.
7105	Dust and powder of natural or synthetic precious or semi-precious stones	10	8	1	Faster than sched.
7106	Silver (including silver plated with gold or platinum), unwrought or in semi-manufactured forms, or in powder form	10	8	1	Faster than sched.
7107	Base metals clad with silver, not further worked than semi-manufactured	10	8	1	Faster than sched.
7108	Gold (including gold plated with platinum) unwrought or in semi-manufactured forms, or in powder form	10	8	1	Faster than sched.
7109	Base metals or silver, clad with gold, not further worked than semi-manufactured	10	8	1	Faster than sched.
7110	Platinum, unwrought or in semi-manufactured forms, or in powder form	10	8	1	Faster than sched.
7111	Base metals, silver or gold, clad with platinum, not further worked than semi-manufactured	10	8	1	Faster than sched.
7112	Waste and scrap of precious metal or of metal clad with precious metal; other waste and scrap containing precious metal or precious metal compounds, of a kind used principally for the recovery of precious metal	10	8	1	Faster than sched.
7113	Articles of jewellery and parts thereof, of precious metal or of metal clad with precious metal	30	20	20	On sched.
7114	Articles of goldsmiths' or silversmiths' wares and parts thereof, of precious metal or of metal clad with precious metal	30	20	20	On sched.
7115	Other articles of precious metal or of metal clad with precious metal	30	20	20	On sched.
7116	Articles of natural or cultured pearls, precious or semi-precious stones (natural, synthetic or reconstructed)	30	20	20	On sched.
7117	Imitation jewellery	30	20	20	On sched.
7118	Coin	30	20	20	On sched.
7201	Pig iron and spiegeleisen in pigs, blocks or other primary forms	10	8	0	Faster than sched.
7202	Ferro-alloys	10	8	8	On sched.
7203	Ferrous products obtained by direct reduction of iron ore and other spongy ferrous products, in lumps, pellets or similar forms; iron having a minimum purity by weight of 99.94%, in lumps, pellets or similar forms	10	8	0	Faster than sched.
7204	Ferrous waste and scrap; remelting scrap ingots of iron or steel	10	8	0	Faster than sched.

HS	Description	Tariff as of 1 st Jul 2003 (%)	Final Committed tariff as of 1 st Jan 2008 (%)	Applied tariff from 1 st Jan 2008 (%)	Progress compared to commitment
7205	Granules and powders, of pig iron, spiegeleisen, iron or steel	10	8	0	Faster than sched.
7206	Iron and non-alloy steel in ingots or other primary forms (excluding iron of heading 72.03)	10	8	1	Faster than sched.
7207	Semi-finished products of iron or non-alloy steel	10	8	8	On sched.
7208	Flat-rolled products of iron or non-alloy steel, of a width of 600 mm or more, hot-rolled, not clad, plated or coated	15	15	5	Faster than sched.
7209	Flat-rolled products of iron or non-alloy steel, of a width of 600 mm or more, cold-rolled (cold-reduced), not clad, plated or coated	15	15	0	Faster than sched.
7210	Flat-rolled products of iron or non-alloy steel, of a width of 600 mm or more, clad, plated or coated	25	17	18	Slower than sched.
7211	Flat-rolled products of iron or non-alloy steel, of a width of less than 600 mm, not clad, plated or coated	15	15	3	Faster than sched.
7212	Flat-rolled products of iron or non-alloy steel, of a width of less than 600 mm, clad, plated or coated	30	20	8	Faster than sched.
7213	Bars and rods, hot-rolled, in irregularly wound coils, of iron or non-alloy steel	30	20	15	Faster than sched.
7214	Other bars and rods of iron or non-alloy steel, not further worked than forged, hot-rolled, hot-drawn or hot-extruded, but including those twisted after rolling	30	20	20	On sched.
7215	Other bars and rods of iron or non-alloy steel	30	20	20	On sched.
7216	Angles, shapes and sections of iron or non-alloy steel	30	20	18	Faster than sched.
7217	Wire of iron or non-alloy steel	30	20	17	Faster than sched.
7218	Stainless steel in ingots or other primary forms; semi-finished products of stainless steel	10	8	0	Faster than sched.
7219	Flat-rolled products of stainless steel, of a width of 600 mm or more	10	8	0	Faster than sched.
7220	Flat-rolled products of stainless steel, of a width of less than 600 mm	10	8	0	Faster than sched.
7221	Flat-rolled products of stainless steel, of a width of less than 600 mm	10	8	0	Faster than sched.
7222	Other bars and rods of stainless steel; angles, shapes and sections of stainless steel	10	8	0	Faster than sched.
7223	Wire of stainless steel	10	8	0	Faster than sched.
7224	Other alloy steel in ingots or other primary forms; semi-finished products of other alloy steel	10	8	0	Faster than sched.
7225	Flat-rolled products of other alloy steel, of a width of 600 mm or more	10	8	0	Faster than sched.
7226	Flat-rolled products of other alloy steel, of a width of less than 600 mm	10	8	0	Faster than sched.
7227	Bars and rods, hot-rolled, in irregularly wound coils, of other alloy steel	10	8	0	Faster than sched.
7228	Other bars and rods of other alloy steel; angles, shapes and sections, of other alloy steel; hollow drill bars and rods, of alloy or non-alloy steel.	10	8	0	Faster than sched.
7229	Wire of other alloy steel	10	8	0	Faster than sched.
7301	Sheet piling of iron or steel, whether or not drilled, punched or made from assembled elements; welded angles, shapes and sections, of iron or steel	10	8	5	Faster than sched.

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	Railway or tramway track construction material of iron or steel, the following: rails, check-rails and rack rails, switch blades, crossing frogs, point rods and other crossing pieces, sleepers (cross-ties), fish-plates, chairs, chair wedges, sole plates (base plates), rail clips, bedplates, ties and other material specialised for jointing or fixing rails	10	8	0	Faster than sched.
7302	Tubes, pipes and hollow profiles, of cast iron	25	17	10	Faster than sched.
7303	Tubes, pipes and hollow profiles, seamless, of iron (other than cast iron) or steel	25	17	8	Faster than sched.
7304	Other tubes and pipes (for example, welded, riveted or similarly closed), having circular cross-sections, the external diameter of which exceeds 406.4 mm, of iron or steel	25	17	10	Faster than sched.
7305	Other tubes, pipes and hollow profiles (for example, open seam or welded, riveted or similarly closed), of iron or steel	25	17	10	Faster than sched.
7306	Tube or pipe fittings (for example, couplings, elbows, sleeves), of iron or steel	25	17	5	Faster than sched.
7307	Structures (excluding prefabricated buildings of heading 94.06) and parts of structures (for example, bridges and bridge-sections, lock-gates, towers, lattice masts, roofs, roofing frame-works, doors and windows and their frames and thresholds for doors, shutters, balustrades, pillars and columns), of iron or steel; plates, rods, angles, shapes, sections, tubes and the like, prepared for use in structures, of iron or steel	25	17	15	Faster than sched.
7308	Reservoirs, tank, vats and similar containers for any material (other than compressed or liquefied gas), of iron or steel, of a capacity exceeding 300 l, whether or not lined or heated-insulated, but not fitted with mechanical or thermal equipment	15	15	5	Faster than sched.
7309	Tanks, casks, drums, cans, boxes and similar containers, for any material (other than compressed or liquefied gas), of iron or steel, of a capacity not exceeding 300 l, whether or not lined or heat-insulated, but not fitted with mechanical or thermal equipment	25	17	10	Faster than sched.
7310	Containers for compressed or liquefied gas, of iron or steel	25	17	15	Faster than sched.
7311	Stranded wire, ropes, cables, plaited bands, slings and the like, of iron or steel, not electrically insulated	15	15	5	Faster than sched.
7312	Barbed wire of iron or steel; twisted hoop or single flat wire, barbed or not, and loosely twisted double wire, of a kind used for fencing, of iron or steel	25	17	17	On sched.
7313	Cloth (including endless bands), grill, netting and fencing, of iron or steel wire; expanded metal of iron or steel	25	17	17	On sched.
7314	Chain and parts thereof, of iron or steel	35	25	1	Faster than sched.
7315	Anchors, grapnels and parts thereof, of iron or steel	15	15	3	Faster than sched.
7316	Nails, tacks, drawing pins, corrugated nails, staples (other than those of heading 83.05) and similar	25	17	15	Faster than sched.

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	articles, of iron or steel, whether or not with heads of other material, but excluding such articles with heads of copper				
7318	Screws, bolts, nuts, coach screws, screw hooks, rivets, cotters, cotter-pins, washers (including spring washers) and similar articles, of iron or steel	25	17	17	On sched.
7319	Sewing needles, knitting needles, bodkins, crochet hooks, embroidery stiletos and similar articles, for use in the hand, of iron or steel; safety pins and other pins of iron or steel, not elsewhere specified or included	25	17	17	On sched.
7321	Stoves, ranges, grates, cookers (including those with subsidiary boilers for central heating), barbecues, braziers, gas-rings, plate warmers and similar non-electric domestic appliances, and parts thereof, of iron or steel	25	17	17	On sched.
7322	Radiators for central heating, not electrically heated, and parts thereof, of iron or steel; air heaters and hot air distributors (including distributors which can also distribute fresh or conditioned air), not electrically heated, incorporating a motor-driven fan or blower, and parts thereof, of iron or steel	25	17	17	On sched.
7323	Table, kitchen or other household articles and parts thereof, of iron or steel; iron or steel wool; pot scourers and scouring or polishing pads, gloves and the like, of iron or steel	30	20	17	Faster than sched.
7324	Sanitary ware and parts thereof, of iron or steel	30	20	20	On sched.
7325	Other cast articles of iron or steel	30	20	15	Faster than sched.
7326	Other articles of iron or steel	30	20	15	Faster than sched.
7401	Copper mattes; cement copper (precipitated copper)	10	8	0	Faster than sched.
7402	Unrefined copper; copper anodes for electrolytic refining	10	8	0	Faster than sched.
7403	Refined copper and copper alloys, unwrought	10	8	0	Faster than sched.
7404	Copper waste and scrap	10	8	0	Faster than sched.
7405	Master alloys of copper	10	8	0	Faster than sched.
7406	Copper powders and flakes	10	8	0	Faster than sched.
7407	Copper bars, rods and profiles	10	8	0	Faster than sched.
7408	Copper wire	10	8	8	On sched.
7409	Copper plates, sheets and strips, of a thickness exceeding 0.15 mm	10	8	0	Faster than sched.
7410	Copper foil (whether or not printed or backed with paper, paperboard, plastics or similar backing materials) of a thickness (excluding any backing), not exceeding 0.15 mm	10	8	0	Faster than sched.
7411	Copper tubes and pipes	10	8	3	Faster than sched.
7412	Copper tube or pipe fittings (for example, couplings, elbows, sleeves)	10	8	0	Faster than sched.
7413	Stranded wire, cables, plaited bands and the like, of copper, not electrically insulated	15	15	10	Faster than sched.

HS	Description	Tariff as of 1 st Jul 2003 (%)	Final Committed tariff as of 1 st Jan 2008 (%)	Applied tariff from 1 st Jan 2008 (%)	Progress compared to commitment
7415	Nails, tacks, drawing pins, staples (other than those of heading 83.05) and similar articles, of copper or of iron or steel with heads of copper; screws, bolts, nuts, screw hooks, rivets, cotters, cotter-pins, washers (including spring washers) and similar articles, of copper	25	17	15	Faster than sched.
7418	Table, kitchen or other household articles and parts thereof, of copper; pot scourers and scouring or polishing pads, gloves and the like, of copper; sanitary ware and parts thereof, of copper	30	20	20	On sched.
7419	Other articles of copper	30	20	17	Faster than sched.
7501	Nickel mattes, nickel oxide sinters and other intermediate products of nickel metallurgy	10	8	0	Faster than sched.
7502	Unwrought nickel	10	8	0	Faster than sched.
7503	Nickel waste and scrap	10	8	0	Faster than sched.
7504	Nickel powders and flakes	10	8	0	Faster than sched.
7505	Nickel bars, rods, profiles and wire	10	8	0	Faster than sched.
7506	Nickel plates, sheets, strip and foil	10	8	0	Faster than sched.
7507	Nickel tubes, pipes and tube or pipe fittings (for example, couplings, elbows, sleeves)	10	8	0	Faster than sched.
7508	Other articles of nickel	10	8	0	Faster than sched.
7601	Unwrought aluminium	10	8	0	Faster than sched.
7602	Aluminium waste and scrap	10	8	0	Faster than sched.
7603	Aluminium powders and flakes	10	8	0	Faster than sched.
7604	Aluminium bars, rods and profiles	15	15	8	Faster than sched.
7605	Aluminium wire	15	15	8	Faster than sched.
7606	Aluminium plates, sheets and strip, of a thickness exceeding 0.2 mm	15	15	3	Faster than sched.
7607	Aluminium foil (whether or not printed or backed with paper, paperboard, plastics or similar backing materials) of a thickness (excluding any backing) not exceeding 0.2 mm	10	8	3	Faster than sched.
7608	Aluminium tubes and pipes	15	15	3	Faster than sched.
7609	Aluminium tube or pipe fittings (for example, couplings, elbows, sleeves)	10	8	3	Faster than sched.
7610	Aluminium structures (excluding prefabricated buildings of heading 94.06) and parts of structures (for example, bridges and bridge-sections, towers, lattice masts, roofs, roofing frameworks, doors and windows and their frames and thresholds for doors, balustrades, pillars and columns); aluminium plates, rods, profiles, tubes and the like, prepared for use in structures	25	17	15	Faster than sched.
7611	Aluminium reservoirs, tanks, vats and similar containers, for any material (other than compressed or liquefied gas), of a capacity exceeding 300 l, whether or not lined or heat-insulated, but not fitted with mechanical or thermal equipment	15	15	5	Faster than sched.
7612	Aluminium casks, drums, cans, boxes and similar containers (including rigid or collapsible tubular	25	17	15	Faster than sched.

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	containers), for any material (other than compressed or liquefied gas), of a capacity not exceeding 300 l, whether or not lined or heat-insulated, but not fitted with mechanical or thermal equipment				
7613	Aluminium containers for compressed or liquified gas	25	17	0	Faster than sched.
7614	Stranded wire, cables, plated bands and the like, of aluminium, not electrically insulated	15	15	15	On sched.
7615	Table, kitchen or other household articles and parts thereof, of aluminium; pot scourers and scouring or polishing pads, gloves and the like, of aluminium; sanitary ware and parts thereof, of aluminium	30	20	20	On sched.
7616	Other articles of aluminium	30	20	15	Faster than sched.
7801	Unwrought lead	10	8	0	Faster than sched.
7802	Lead waste and scrap	10	8	0	Faster than sched.
7803	Lead bars, rods, profiles and wire	10	8	0	Faster than sched.
7804	Lead plates, sheets, strip and foil; lead powders and flakes	10	8	0	Faster than sched.
7805	Lead tubes, pipes and tube or pipe fittings (for example, couplings, elbows, sleeves)	10	8	0	Faster than sched.
7806	Other articles of lead	25	17	0	Faster than sched.
7901	Unwrought zinc	10	8	0	Faster than sched.
7902	Zinc waste and scrap	10	8	0	Faster than sched.
7903	Zinc dust, powders and flakes	10	8	0	Faster than sched.
7904	Zinc bars, rods, profiles and wire	10	8	0	Faster than sched.
7905	Zinc plates, sheets, strip and foil	10	8	0	Faster than sched.
7907	Other articles of zinc	25	17	8	Faster than sched.
8001	Unwrought tin	10	8	3	Faster than sched.
8002	Tin waste and scrap	10	8	3	Faster than sched.
8003	Tin bars, rods, profiles and wire	10	8	8	On sched.
8007	Other articles of tin	25	17	15	Faster than sched.
8101	Tungsten (wolfram) and articles thereof, including waste and scrap	10	8	0	Faster than sched.
8102	Molybdenum and articles thereof, including waste and scrap	10	8	0	Faster than sched.
8103	Tantalum and articles thereof, including waste and scrap	10	8	0	Faster than sched.
8104	Magnesium and articles thereof, including waste and scrap	10	8	0	Faster than sched.
8105	Cobalt mattes and other intermediate products of cobalt metallurgy; cobalt and articles thereof, including waste and scrap	10	8	0	Faster than sched.
8106	Bismuth and articles thereof, including waste and scrap	10	8	0	Faster than sched.
8107	Cadmium and articles thereof, including waste and scrap	10	8	0	Faster than sched.

HS	Description	Tariff as of 1 st Jul 2003 (%)	Final Committed tariff as of 1 st Jan 2008 (%)	Applied tariff from 1 st Jan 2008 (%)	Progress compared to commitment
8108	Titanium and articles thereof, including waste and scrap	10	8	0	Faster than sched.
8109	Zirconium and articles thereof, including waste and scrap	10	8	0	Faster than sched.
8110	Antimony and articles thereof, including waste and scrap	10	8	0	Faster than sched.
8111	Manganese and articles thereof, including waste and scrap	10	8	0	Faster than sched.
8112	Beryllium, chromium, germanium, vanadium, gallium, hafnium, indium, niobium (columbium), rhodium and thallium, and articles of these metals, including waste and scrap	10	8	0	Faster than sched.
8113	Cermets and articles thereof, including waste and scrap	10	8	0	Faster than sched.
	Hand tools, the following: spades, shovels, mattocks, picks, hoes, forks and rakes; axes, bill hooks and similar hewing tools; secateurs and pruners of any kind; scythes, sickles, hay knives, hedge shears, timber wedges and other tools of a kind used in agriculture, horticulture or forestry	25	17	15	Faster than sched.
8201	Hand saws; blades for saws of all kinds (including slitting, slotting or toothless saw blades)	25	17	15	Faster than sched.
8202	Files, rasps, pliers (including cutting pliers), pincers, tweezers, metal cutting shears, pipe-cutters, bolt croppers, perforating punches and similar hand tools	25	17	17	On sched.
8203	Hand-operated spanners and wrenches (including torque meter wrenches but not including tap wrenches); interchangeable spanner sockets, with or without handles	25	17	17	On sched.
8204	Hand tools (including glaziers' diamonds), not elsewhere specified or included; blow lamps; vices, clamps and the like, other than accessories for and parts of, machine tools; anvils; portable forges; hand or pedal-operated grinding wheels with frameworks	25	17	17	On sched.
8205	Tools of two or more of the headings 82.02 to 82.05, put up in sets for retail sale	25	17	17	On sched.
8206	Interchangeable tools for hand tools, whether or not power-operated, or for machine-tools (for example, for pressing, stamping, punching, tapping, threading, drilling, boring, broaching, milling, turning or screw driving), including dies for drawing or extruding metal, and rock drilling or earth boring tools	10	8	0	Faster than sched.
8207	Knives and cutting blades, for machines or for mechanical appliances	25	17	15	Faster than sched.
8208	Plates, sticks, tips and the like for tools, unmounted, of cermets	10	8	0	Faster than sched.
8209	Hand-operated mechanical appliances, weighing 10 kg or less, used in the preparation, conditioning or serving of food or drink	25	17	15	Faster than sched.
8210	Knives with cutting blades, serrated or not (including pruning knives), other than knives of heading 82.08, and blades therefor	10	8	3	Faster than sched.
8211	Razors and razor blades (including razor blade blanks in strips)	25	17	17	On sched.
8212	Scissors, tailors' shears and similar shears, and blades therefor	25	17	17	On sched.
8213	Other articles of cutlery (for example, hair clippers, butchers' or kitchen cleavers, choppers and	25	17	17	On sched.

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	mincing knives, paper knives); manicure or pedicure sets and instruments (including nail files)				
8215	Spoons, forks, ladles, skimmers, cake-servers, fish-knives, butter-knives, sugar tongs and similar kitchen or tableware	35	25	17	Faster than sched.
8301	Padlocks and locks (key, combination or electrically operated), of base metal; clasps and frames with clasps, incorporating locks, of base metal; keys for any of the foregoing articles, of base metal	30	20	15	Faster than sched.
8301	Handcuffs	10	8	0	Faster than sched.
8302	Base metal mountings, fittings and similar articles suitable for furniture, doors, staircases, windows, blinds, coachwork, saddlery, trunks, chests, caskets or the like; base metal hat-racks, hat-pegs, brackets and similar fixtures; castors with mountings of base metal; automatic door closers of base metal	30	20	17	Faster than sched.
8303	Armoured or reinforced safes, strong-boxes and doors and safe deposit lockers for strong-rooms, cash or deed boxes and the like, of base metal	30	20	15	Faster than sched.
8304	Filing cabinets, card-index cabinets, paper trays, paper rests, pen trays, office-stamp stands and similar office or desk equipment, of base metal, other than office furniture of heading 94.03	30	20	17	Faster than sched.
8305	Fittings for loose-leaf binders or files, letter clips, letter corners, paper clips, indexing tags and similar office articles, of base metal; staples in strips (for example, for offices, upholstery, packaging), of base metal	30	20	17	Faster than sched.
8306	Bells, gongs and the like, non-electric, of base metal; statuettes and other ornaments, of base metal; photograph, picture or similar frames, of base metal; mirrors of base metal	30	20	17	Faster than sched.
8307	Flexible tubing of base metal, with or without fittings	25	17	8	Faster than sched.
8308	Clasps, frames with clasps, buckles, buckle-clasps, hooks, eyes, eyelets and the like, of base metal, of a kind used for clothing, footwear, awnings, handbags, travel goods or other made up articles; tubular or bifurcated rivets, of base metal; beads and spangles, of base metal	25	17	17	On sched.
8309	Stoppers, caps and lids (including crown corks, screw caps and pouring stoppers), capsules for bottles, threaded bungs, bung covers, seals and other packing accessories, of base metal	25	17	10	Faster than sched.
8310	Sign-plates, name-plates, address-plates and similar plates, numbers, letters and other symbols, of base metal, excluding those of heading 94.05	25	17	17	On sched.
8311	Wire, rods, tubes, plates, electrodes and similar products, of base metal or of metal carbides, coated or cored with flux material, of a kind used for soldering, brazing, welding or deposition of metal or of metal carbides; wire and rods, of agglomerated base metal powder, used for metal spraying	25	17	17	On sched.
8401	Nuclear reactors; fuel elements (cartridges), non-irradiated, for nuclear reactors; machinery and apparatus for isotopic separation	5	5	0	Faster than sched.

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8402	Steam or other vapour generating boilers (other than central heating hot water boilers capable also of producing low pressure steam); super-heated water boilers	10	8	3	Faster than sched.
8402	Other vapour generating boilers, including hybrid boilers	30	20	3	Faster than sched.
8403	Central heating boilers other than those of heading 84.02	10	8	0	Faster than sched.
8404	Auxiliary plant for use with boilers of heading 84.02 or 84.03 (for example, economisers, super-heaters, soot removers, gas recoverers); condensers for steam or other vapour power units	10	8	0	Faster than sched.
8405	Producer gas or water gas generators, with or without their purifiers; acetylene gas generators and similar water process gas generators, with or without their purifiers	10	8	0	Faster than sched.
8406	Steam turbines and other vapour turbines	10	8	0	Faster than sched.
8407	Spark-ignition reciprocating or rotary internal combustion piston engines	35	25	17	Faster than sched.
8408	Compression-ignition internal combustion piston engines (diesel or semi-diesel engines)	35	25	20	Faster than sched.
8409	Parts suitable for use solely or principally with the engines of heading 84.07 or 84.08	35	25	15	Faster than sched.
8410	Hydraulic turbines, water wheels, and regulators therefor	10	8	0	Faster than sched.
8411	Turbo-jets, turbo-propellers and other gas turbines	10	8	0	Faster than sched.
8412	Other engines and motors	10	8	0	Faster than sched.
8413	Pumps for liquids, whether or not fitted with a measuring device; liquid elevators	30	20	20	On sched.
8414	Air or vacuum pumps, air or other gas compressors and fans; ventilating or recycling hoods incorporating a fan, whether or not fitted with filters	35	25	25	On sched.
8415	Air conditioning machines, comprising a motor-driven fan and elements for changing the temperature and humidity, including those machines in which the humidity cannot be separately regulated	35	25	25	On sched.
8416	Furnace burners for liquid fuel, for pulverised solid fuel or for gas; mechanical stokers, including their mechanical grates, mechanical ash dischargers and similar appliances	10	8	0	Faster than sched.
8417	Industrial or laboratory furnaces and ovens, including incinerators, non-electric	10	8	8	On sched.
8418	Refrigerators, freezers and other refrigerating or freezing equipment, electric or other; heat pumps other than air conditioning machines of heading 84.15	35	25	25	On sched.
8419	Machinery, plant or laboratory equipment, whether or not electrically heated (excluding furnaces, ovens and other equipment of heading 85.14), for the treatment of materials by a process involving a change of temperature such as heating, cooking, roasting, distilling, rectifying, sterilising, pasteurising, steaming, drying, evaporating, vapourising, condensing or cooling, other than machinery or plant of a kind used for domestic purposes; instantaneous or storage water heaters, non-electric	30	20	17	Faster than sched.

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8420	Calendering or other rolling machines, other than for metals or glass, and cylinders therefor	15	15	5	Faster than sched.
8421	Centrifuges, including centrifugal dryers; filtering or purifying machinery and apparatus, for liquids or gases	35	25	17	Faster than sched.
8422	Dish washing machines; machinery for cleaning or drying bottles or other containers; machinery for filling, closing, sealing or labelling bottles, cans, boxes, bags or other containers; machinery for capsuling bottles, jars, tubes and similar containers; other packing or wrapping machinery (including heat-shrink wrapping machinery); machinery for aerating beverages	35	25	20	Faster than sched.
8423	Weighing machinery (excluding balances of a sensitivity of 5cg or better), including weight operated counting or checking machines; weighing machine weights of all kinds	25	17	17	On sched.
8424	Mechanical appliances (whether or not hand-operated) for projecting, dispersing or spraying liquids or powders; fire extinguishers, whether or not charged; spray guns and similar appliances; steam or sand blasting machines and similar jet projecting machines	25	17	15	Faster than sched.
8425	Pulley tackle and hoists, other than skip hoists; winches and capstans; jacks	10	8	0	Faster than sched.
8426	Ships' derricks; cranes, including cable cranes; mobile lifting frames, straddle carriers and works trucks fitted with a crane	15	15	5	Faster than sched.
8427	Fork-lift trucks; other works trucks fitted with lifting or handling equipment	10	8	0	Faster than sched.
8428	Other lifting, handling, loading or unloading machinery (for example, lifts, escalators, conveyors, teleferics)	15	15	8	Faster than sched.
8429	Self-propelled bulldozers, angledozers, graders, levellers, scrapers, mechanical shovels, excavators, shovel loaders, tamping machines and road rollers	10	8	5	Faster than sched.
8430	Other moving, grading, levelling, scraping, excavating, tamping, compacting, extracting or boring machinery, for earth, minerals or ores; pile-drivers and pile-extractors; snow-ploughs and snow-blowers	10	8	0	Faster than sched.
8431	Parts suitable for use solely or principally with the machinery of headings 84.25 to 84.30	10	8	8	On sched.
8432	Agricultural, horticultural or forestry machinery for soil preparation or cultivation; lawn or sports-ground roller	15	15	15	On sched.
8433	Harvesting or threshing machinery, including straw or fodder balers; grass or hay mowers; machines for cleaning, sorting or grading eggs, fruit or other agricultural produce, other than machinery of heading 84.37	15	15	5	Faster than sched.
8434	Milking machines and dairy machinery	10	8	0	Faster than sched.
8435	Presses, crushers and similar machinery used in the manufacture of wine, cider, fruit juices or similar beverages	10	8	0	Faster than sched.

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8436	Other agricultural, horticultural, forestry, poultry-keeping or bee-keeping machinery, including germination plant fitted with mechanical or thermal equipment; poultry incubators and brooders	15	15	15	On sched.
8437	Machines for cleaning, sorting or grading seed, grain or dried leguminous vegetables; machinery used in the milling industry or for the working of cereals or dried leguminous vegetables, other than farm-type machinery	15	15	15	On sched.
8438	Machinery, not specified or included elsewhere in this Chapter, for the industrial preparation or manufacture of food or drink, other than machinery for the extraction or preparation of animal or fixed vegetable fats or oils	10	8	5	Faster than sched.
8439	Machinery for making pulp of fibrous cellulosic material or for making or finishing paper or paperboard	10	8	0	Faster than sched.
8440	Book-binding machinery, including book-sewing machines	10	8	0	Faster than sched.
8441	Other machinery for making up paper pulp, paper or paperboard, including cutting machines of all kinds	10	8	0	Faster than sched.
8442	Machinery, apparatus and equipment (other than the machine-tools of headings 84.56 to 84.65), for type-founding or type-setting, for preparing or making printing blocks, plates, cylinders or other printing components; printing type, blocks, plates, cylinders and other printing components; blocks, plates, cylinders and lithographic stones, prepared for printing purposes (for example, planed, grained or polished)	10	8	0	Faster than sched.
8443	Printing machinery used for printing by means of the printing type, blocks, plates, cylinders and other printing components of heading 84.42; ink-jet printing machines, other than those of heading 84.71; machines for uses ancillary to printing	10	8	8	On sched.
8444	Machines for extruding, drawing, texturing or cutting man-made textile materials	10	8	0	Faster than sched.
8445	Machines for preparing textile fibres; spinning, doubling or twisting machines and other machinery for producing textile yarns; textile reeling or winding (including weft-winding) machines and machines for preparing textile yarns for use on the machines of heading 84.46 or 84.47	10	8	0	Faster than sched.
8446	Weaving machines (looms)	10	8	0	Faster than sched.
8447	Knitting machines, stitch-bonding machines and machines for making gimped yarn, tulle, lace, embroidery, trimmings, braid or net and machines for tufting	15	15	0	Faster than sched.
8448	Auxiliary machinery for use with machines of heading 84.44, 84.45, 84.46 or 84.47 (for example, bobbies, Jacquards, automatic stop motions, shuttle changing mechanisms); parts and accessories suitable for use solely or principally with the machines of this heading or of heading 84.44, 84.45, 84.46 or 84.47 (for example, spindles and spindle flyers, card clothing, combs, extruding nipples,	10	8	0	Faster than sched.

HS	Description	Tariff as of 1 st Jul 2003 (%)	Final Committed tariff as of 1 st Jan 2008 (%)	Applied tariff from 1 st Jan 2008 (%)	Progress compared to commitment
	shuttles, healds and heald-frames, hosiery needles)				
8449	Machinery for the manufacture or finishing of felt or nonwovens in the piece or in shapes, including machinery for making felt hats; blocks for making hats	10	8	0	Faster than sched.
8450	Household or laundry-type washing machines, including machines which both wash and dry	35	25	25	On sched.
	Machinery (other than machines of heading 84.50) for washing, cleaning, wringing, drying, ironing, pressing (including fusing presses), bleaching, dyeing, dressing, finishing, coating or impregnating textile yarns, fabrics or made up textile articles and machines for applying the paste to the base fabric or other support used in the manufacture of floor coverings such as linoleum; machines for reeling, unreeling, folding, cutting or pinking textile fabrics				
8451		35	25	20	Faster than sched.
8452	Sewing machines, other than book-sewing machines of heading 84.40; furniture, bases and covers specially designed for sewing machines; sewing machine needles	35	25	17	Faster than sched.
8453	Machinery for preparing, tanning or working hides, skins or leather or for making or repairing footwear or other articles of hides, skins or leather, other than sewing machines	10	8	0	Faster than sched.
	Converters, ladles, ingot moulds and casting machines, of a kind used in metallurgy or in metal foundrie				
8454		10	8	5	Faster than sched.
8455	Metal-rolling mills and rolls therefor	10	8	0	Faster than sched.
	Machine-tools for working any material by removal of material, by laser or other light or photon beam, ultrasonic, electro-discharge, electro-chemical, electron beam, ionic-beam or plasma arc processes				
8456		10	8	0	Faster than sched.
	Machining centres, unit construction machines (single station) and multi-station transfer machines, for working metal				
8457		10	8	0	Faster than sched.
8458	Lathes (including turning centres) for removing metal	15	15	10	Faster than sched.
	Machine-tools (including way-type unit head machines) for drilling, boring, milling, threading or tapping by removing metal, other than lathes (including turning centres) of heading 84.58				
8459		10	8	0	Faster than sched.
	Machine-tools for deburring, sharpening, grinding, honing, lapping, polishing or otherwise finishing metal or cermets by means of grinding stones, abrasives or polishing products, other than gear cutting, gear grinding or gear finishing machines of heading 84.61				
8460		10	8	0	Faster than sched.
	Machine-tools for planing, shaping, slotting, broaching, gear cutting, gear grinding or gear finishing, sawing, cutting-off and other machine-tools working by removing metal or cermets, not elsewhere specified or included				
8461		10	8	5	Faster than sched.
8462	Machine-tools (including presses) for working metal by forging, hammering or die-stamping; machine-tools (including presses) for working metal by bending, folding, straightening, flattening,	10	8	0	Faster than sched.

HS	Description	Tariff as of 1 st Jul 2003 (%)	Final Committed tariff as of 1 st Jan 2008 (%)	Applied tariff from 1 st Jan 2008 (%)	Progress compared to commitment
	shearing, punching or notching; presses for working metal or metal carbides, not specified above				
8463	Other machine-tools for working metal or cermets, without removing material	10	8	0	Faster than sched.
8464	Machine-tools for working stone, ceramics, concrete, asbestos-cement or like mineral materials or for cold working glass	10	8	0	Faster than sched.
8465	Machine-tools (including machines for nailing, stapling, gluing or otherwise assembling) for working wood, cork, bone, hard rubber, hard plastics or similar hard materials	10	8	3	Faster than sched.
	Parts and accessories suitable for use solely or principally with the machines of headings 84.56 to 84.65, including work or tool holders, self-opening dieheads, dividing heads and other special attachments for machine-tools; tool holders for any type of tool for working in the hand	10	8	0	Faster than sched.
8466	Tools for working in the hand, pneumatic, hydraulic or with self-contained electric or non-electric motor	10	8	8	On sched.
8467	Machinery and apparatus for soldering, brazing, or welding, whether or not capable of cutting, other than those of heading 85.15; gas-operated surface tempering machines and appliances	10	8	0	Faster than sched.
8469	Typewriters other than printers of heading 84.71; word-processing machines	10	8	0	Faster than sched.
	Calculating machines and pocket-size data recording, reproducing and displaying machines with calculating functions; accounting machines, postage-franking machines, ticket-issuing machines and similar machines, incorporating a calculating device; cash registers	15	15	3	Faster than sched.
8470	Automatic data processing machines and units thereof; magnetic or optical readers, machines for transcribing data onto data media in coded form and machines for processing such data, not elsewhere specified or included	15	15	8	Faster than sched.
	Other office machines (for example, hectograph or stencil duplicating machines, addressing machines, automatic banknote dispensers, coin-sorting machines, coin-counting or wrapping machines, pencil-sharpening machines, perforating or stapling machines)	10	8	5	Faster than sched.
8473	Parts and accessories (other than covers, carrying cases and the like) suitable for use solely or principally with machines of headings 84.69 to 84.72	10	8	5	Faster than sched.
	Machinery for sorting, screening, separating, washing, crushing, grinding, mixing or kneading earth, stone, ores or other mineral substances, in solid (including powder or paste) form; machinery for agglomerating, shaping or moulding solid mineral fuels, ceramic paste, unhardened cements, plastering materials or other mineral products in powder or paste form; machines for forming foundry moulds of sand	10	8	0	Faster than sched.
8474	Machines for assembling electric or electronic lamps, tubes or valves or flashbulbs, in glass envelopes; machines for manufacturing or hot working glass or glassware	10	8	0	Faster than sched.

HS	Description	Tariff as of 1 st Jul 2003 (%)	Final Committed tariff as of 1 st Jan 2008 (%)	Applied tariff from 1 st Jan 2008 (%)	Progress compared to commitment
8476	Automatic goods-vending machines (for example, postage stamp, cigarette, food or beverage machines), including money-changing machines	10	8	0	Faster than sched.
8477	Machinery for working rubber or plastics or for the manufacture of products from these materials, not specified or included elsewhere in this Chapter	10	8	0	Faster than sched.
8478	Machinery for preparing or making up tobacco, not specified or included elsewhere in this Chapter	10	8	1	Faster than sched.
8479	Machines and mechanical appliances, having individual functions, not specified or included elsewhere in this Chapter	10	8	0	Faster than sched.
8480	Moulding boxes for metal foundry; mould bases; moulding patterns; moulds for metal (other than ingot moulds), metal carbides, glass, mineral materials, rubber or plastics	10	8	5	Faster than sched.
8481	Taps, cocks, valves and similar appliances for pipes, boiler shells, tanks, vats or the like, including pressure-reducing valves and thermostatically controlled valves	15	15	15	On sched.
8482	Ball or roller bearings	10	8	3	Faster than sched.
8483	Transmission shafts (including cam shafts and crank shafts) and cranks; bearing housings and plain shaft bearings; gears and gearing; ball or roller screws; gear boxes and other speed changers, including torque converters; flywheels and pulleys, including pulley blocks; clutches and shaft couplings (including universal joints)	35	25	15	Faster than sched.
8484	Gaskets and similar joints of metal sheeting combined with other material or of two or more layers of metal; sets or assortments of gaskets and similar joints, dissimilar in composition, put up in pouches, envelopes or similar packings; mechanical seals	10	8	3	Faster than sched.
8501	Electric motors and generators (excluding generating sets)	25	17	20	Slower than sched.
8502	Electric generating sets and rotary converters	25	17	17	On sched.
8503	Parts suitable for use solely or principally with the machines of heading 85.01 or 85.02	25	17	5	Faster than sched.
8504	Electrical transformers, static converters (for example, rectifiers) and inductors	30	20	20	On sched.
8505	Electro-magnets; permanent magnets and articles intended to become permanent magnets after magnetisation; electro-magnetic or permanent magnet chucks, clamps and similar holding devices; electro-magnetic couplings, clutches and brakes; electro-magnetic lifting heads	10	8	0	Faster than sched.
8506	Primary cells and primary batteries	30	20	17	Faster than sched.
8507	Electric accumulators, including separators therefor, whether or not rectangular (including square)	30	20	25	Slower than sched.
8508	Electromechanical tools, working in hand, parts	25	17	25	Slower than sched.
8509	Electro-mechanical domestic appliances, with self-contained electric motor	35	25	25	On sched.
8510	Shavers, hair clippers and hair-removing appliances, with self-contained electric motor	35	25	17	Faster than sched.
8511	Electrical ignition or starting equipment of a kind used for spark-ignition or compression-ignition	25	17	15	Faster than sched.

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	internal combustion engines (for example, ignition magnetos, magneto-dynamos, ignition coils, sparking plugs and glow plugs, starter motors); generators (for example, dynamos, alternators) and cut-outs of a kind used in conjunction with such engines				
8512	Electrical lighting or signalling equipment (excluding articles of heading 85.39), windscreen wipers, defrosters and demisters, of a kind used for cycles or motor vehicles	25	17	17	On sched.
8513	Portable electric lamps designed to function by their own source of energy (for example, dry batteries, accumulators, magnetos), other than lighting equipment of heading 85.12	25	17	17	On sched.
8514	Industrial or laboratory electric furnaces and ovens (including those functioning by induction or dielectric loss); other industrial or laboratory equipment for the heat treatment of materials by induction or dielectric loss	10	8	0	Faster than sched.
8515	Electric (including electrically heated gas), laser or other light or photon beam, ultrasonic, electron beam, magnetic pulse or plasma arc soldering, brazing or welding machines and apparatus, whether or not capable of cutting; electric machines and apparatus for hot spraying of metals or cermetes	10	8	0	Faster than sched.
8516	Electric instantaneous or storage water heaters and immersion heaters; electric space heating apparatus and soil heating apparatus; electro-thermic hair-dressing apparatus (for example, hair dryers, hair curlers, curling tong heaters) and hand dryers; electric smoothing irons; other electro-thermic appliances of a kind used for domestic purposes; electric heating resistors, other than those of heading 85.45	35	25	20	Faster than sched.
8517	Electrical apparatus for line telephony or line telegraphy, including line telephone sets with cordless handsets and telecommunication apparatus for carrier-current line systems or for digital line systems; videophones	30	20	8	Faster than sched.
8518	Microphones and stands therefor; loudspeakers, whether or not mounted in their enclosures; headphones and earphones, whether or not combined with a microphone, and sets consisting of a microphone and one or more loudspeakers; audio-frequency electric amplifiers; electric sound amplifier sets	30	20	25	Slower than sched.
8519	Turntables (record-decks), record-players, cassette-players and other sound reproducing apparatus, not incorporating a sound recording device	35	25	25	On sched.
8521	Video recording or reproducing apparatus, whether or not incorporating a video tuner	35	25	25	On sched.
8522	Parts and accessories suitable for use solely or principally with the apparatus of headings 85.19 to 85.21	30	20	15	Faster than sched.
8523	Prepared unrecorded media for sound recording or similar recording of other phenomena, other than products of Chapter 37	25	17	17	On sched.

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	Transmission apparatus for radio-telephony, radio-telegraphy, radio-broadcasting or television, whether or not incorporating reception apparatus or sound recording or reproducing apparatus; television cameras; still image video cameras and other video camera recorders; digital cameras	30	20	10	Faster than sched.
8525		10	8	0	Faster than sched.
8526	Radar apparatus, radio navigational aid apparatus and radio remote control apparatus				
	Reception apparatus for radio-telephony, radio-telegraphy or radio-broadcasting, whether or not combined, in the same housing, with sound recording or reproducing apparatus or a clock	35	25	20	Faster than sched.
8527					
	Reception apparatus for television, whether or not incorporating radio-broadcast receivers or sound or video recording or reproducing apparatus; video monitors and video projectors	35	25	20	Faster than sched.
8528		30	20	17	Faster than sched.
8529	Parts suitable for use solely or principally with the apparatus of headings 85.25 to 85.28				
	Electrical signalling, safety or traffic control equipment for railways, tramways, roads, inland waterways, parking facilities, port installations or airfields (other than those of heading 86.08)	10	8	0	Faster than sched.
8530					
	Electric sound or visual signalling apparatus (for example, bells, sirens, indicator panels, burglar or fire alarms), other than those of heading 85.12 or 85.30	15	15	15	On sched.
8531		15	15	7	Faster than sched.
8532	Electrical capacitors, fixed, variable or adjustable (pre-set)	15	15	3	Faster than sched.
8533	Electrical resistors (including rheostats and potentiometers), other than heating resistors	10	8	3	Faster than sched.
8534	Printed circuits				
	Electrical apparatus for switching or protecting electrical circuits, or for making connections to or in electrical circuits (for example, switches, fuses, lightning arresters, voltage limiters, surge suppressors, plugs, junction boxes), for a voltage exceeding 1,000 volts	30	20	5	Faster than sched.
8535					
	Electrical apparatus for switching or protecting electrical circuits, or for making connections to or in electrical circuits (for example, switches, relays, fuses, surge suppressors, plugs, sockets, lamp-holders, junction boxes), for a voltage not exceeding 1,000 volts	30	20	17	Faster than sched.
8536					
	Boards, panels, consoles, desks, cabinets and other bases, equipped with two or more apparatus of heading 85.35 or 85.36, for electric control or the distribution of electricity, including those incorporating instruments or apparatus of Chapter 90, and numerical control apparatus, other than switching apparatus of heading 85.17	25	17	17	On sched.
8537		25	17	15	Faster than sched.
8538	Parts suitable for use solely or principally with the apparatus of heading 85.35, 85.36 or 85.37				
	Electric filament or discharge lamps, including sealed beam lamp units and ultra-violet or infra-red lamps; arc-lamps	35	25	15	Faster than sched.
8539					
	Thermionic, cold cathode or photo-cathode valves and tubes (for example, vacuum or vapour or gas filled valves and tubes, mercury arc rectifying valves and tubes, cathode-ray tubes, television camera tubes)	30	20	17	Faster than sched.
8540					

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	Diodes, transistors and similar semi-conductor devices; photosensitive semi-conductor devices, including photovoltaic cells whether or not assembled in modules or made up into panels; light emitting diodes; mounted piezo-electric crystals	10	8	3	Faster than sched.
8541		10	8	0	Faster than sched.
8542	Electronic integrated circuits and microassemblies				
8543	Electrical machines and apparatus, having individual functions, not specified or included elsewhere in this Chapter	30	20	0	Faster than sched.
	Insulated (including enamelled or anodised) wire, cable (including co-axial cable) and other insulated electric conductors, whether or not fitted with connectors; optical fibre cables, made up of individually sheathed fibres, whether or not assembled with electric conductors or fitted with connectors	25	17	17	On sched.
8544					
8545	Carbon electrodes, carbon brushes, lamp carbons, battery carbons and other articles of graphite or other carbon, with or without metal, a kind used for electrical purposes	15	15	5	Faster than sched.
8546	Electrical insulators of any material	10	8	5	Faster than sched.
	Insulating fittings for electrical machines, appliances or equipment, being fittings wholly of insulating material apart from any minor components of metal (for example, threaded sockets) incorporated during moulding solely for purposes of assembly, other than insulators of heading 85.46; electrical conduit tubing and joints therefor, of base metal lined with insulating material	10	8	1	Faster than sched.
8547					
	Waste and scrap of primary cells, primary batteries and electric accumulators; spent primary cells, spent primary batteries and spent electric accumulators; electrical parts of machinery or apparatus, not specified or included elsewhere in this Chapter	25	17	15	Faster than sched.
8548					
8601	Rail locomotives powered from an external source of electricity or by electric accumulators	10	8	0	Faster than sched.
8602	Other rail locomotives; locomotive tenders	10	8	0	Faster than sched.
8603	Self-propelled railway or tramway coaches, vans and trucks, other than those of heading 86.04	10	8	0	Faster than sched.
8604	Railway or tramway maintenance or service vehicles, whether or not self-propelled (for example, workshops, cranes, ballast tampers, trackliners, testing coaches and track inspection vehicles)	10	8	0	Faster than sched.
	Railway or tramway passenger coaches, not self-propelled; luggage vans, post office coaches and other special purpose railway or tramway coaches, not self-propelled (excluding those of heading 86.04)				
8605		10	8	0	Faster than sched.
8606	Railway or tramway goods vans and wagons, not self-propelled	10	8	0	Faster than sched.
8607	Parts of railway or tramway locomotives or rolling-stock	10	8	0	Faster than sched.
8608	Railway or tramway track fixtures and fittings; mechanical (including electro- mechanical) signalling, safety or traffic control equipment for railways, tramways, roads, inland waterways,	10	8	0	Faster than sched.

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	parking facilities, port installations or airfields; parts of the foregoing				
8609	Containers (including containers for transport of fluids) specially designed and equipped for carriage by one or more modes of transport	10	8	0	Faster than sched.
8701	Tractors (other than tractors of heading 87.09)	25	17	15	Faster than sched.
8703	Motor cars and other motor vehicles principally designed for the transport of persons (other than those of heading 87.02), including station wagons and racing cars	35	25	25	On sched.
8704	Motor vehicles for the transport of goods	35	25	25	On sched.
	Special purpose motor vehicles, other than those principally designed for the transport of persons or goods (for example, breakdown lorries, crane lorries, fire fighting vehicles, concrete-mixer lorries, road sweeper lorries, spraying lorries, mobile workshops, mobile radiological units)	15	15	8	Faster than sched.
8705	Bodies (including cabs), for the motor vehicles of headings 87.01 to 87.05	35	25	25	On sched.
8708	Parts and accessories of the motor vehicles of headings 87.01 to 87.05	35	25	17	Faster than sched.
	Works trucks, self-propelled, not fitted with lifting or handling equipment, of the type used in factories, warehouses, dock areas or airports for short distance transport of goods; tractors of the type used on railway station platforms; parts of the foregoing vehicles	25	17	3	Faster than sched.
8709	Motorcycles (including mopeds) and cycles fitted with an auxiliary motor, with or without side-cars; side-cars	35	25	25	On sched.
8711	Bicycles and other cycles (including delivery tricycles), not motorised, except racing bicycles	35	25	30	Slower than sched.
8712	Racing bicycles	25	17	5	Faster than sched.
8713	Carriages for disabled persons, whether or not motorised or otherwise mechanically propelled	10	8	0	Faster than sched.
8714	Parts and accessories of vehicles of headings 87.11 to 87.13	35	25	30	Slower than sched.
8715	Baby carriages and parts thereof	25	17	17	On sched.
8716	Trailers and semi-trailers; other vehicles, not mechanically propelled; parts thereof	25	17	17	On sched.
8801	Balloons and dirigibles; gliders, hang gliders and other non-powered aircraft	10	8	0	Faster than sched.
8802	Other aircraft (for example, helicopters, aeroplanes); spacecraft (including satellites) and suborbital and spacecraft launch vehicles	10	8	0	Faster than sched.
8803	Parts of goods of heading 88.01 or 88.02	10	8	0	Faster than sched.
8804	Parachutes (including dirigible parachutes and paragliders) and parachutes; parts thereof and accessories thereto	10	8	0	Faster than sched.
8805	Aircraft launching gear; deck-arrestor or similar gear; ground flying trainers; parts of the foregoing articles	10	8	0	Faster than sched.
8901	Cruise ships, excursion boats, ferry-boats, cargo ships, barges and similar vessels for the transport of	15	15	8	Faster than sched.

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	persons or goods				
8902	Fishing vessels; factory ships and other vessels for processing or preserving fishery products	15	15	8	Faster than sched.
8903	Yachts and other vessels for pleasure or sports; rowing boats and canoes	15	15	8	Faster than sched.
8904	Tugs or pusher craft	15	15	5	Faster than sched.
8905	Light-vessels, fire-floats, dredgers, floating cranes, and other vessels the navigability of which is subsidiary to their main function; floating docks; floating or submersible drilling or production platforms	15	15	5	Faster than sched.
8906	Other vessels, including warships and lifeboats other than rowing boats	15	15	5	Faster than sched.
8907	Other floating structures (for example, rafts, tanks, coffer-dams, landing-stages, buoys and beacons)	15	15	5	Faster than sched.
8908	Vessels and other floating structures for breaking up	15	15	0	Faster than sched.
9001	Optical fibres and optical fibre bundles; optical fibre cables other than those of heading 85.44; sheets and plates of polarising material; lenses (including contact lenses), prisms, mirrors and other optical elements, of any material, unmounted, other than such elements of glass not optically worked	10	8	0	Faster than sched.
9002	Lenses, prisms, mirrors and other optical elements, of any material, mounted, being parts of or fittings for instruments or apparatus, other than such elements of glass not optically worked	10	8	0	Faster than sched.
9003	Frames and mountings for spectacles, goggles and the like, and parts thereof	25	17	8	Faster than sched.
9004	Spectacles, goggles and the like, corrective, protective or other	25	17	15	Faster than sched.
9005	Binoculars, monoculars, other optical telescopes, and mountings therefor; other astronomical instruments and mountings therefor, but not including instruments for radio-astronomy	15	15	0	Faster than sched.
9006	Photographic (other than cinematographic) cameras; photographic flashlight apparatus and flashbulbs other than discharge lamps of heading 85.39	30	20	17	Faster than sched.
9007	Cinematographic cameras and projectors, whether or not incorporating sound recording or reproducing apparatus	10	8	0	Faster than sched.
9008	Image projectors, other than cinematographic; photographic (other than cinematographic) enlargers and reducers	10	8	0	Faster than sched.
9010	Apparatus and equipment for photographic (including cinematographic) laboratories (including apparatus for the projection or drawing of circuit patterns on sensitised semi-conductor materials), not specified or included elsewhere in this Chapter; negatoscopes; projection screens	25	17	5	Faster than sched.
9011	Compound optical microscopes, including those for photomicrography, cinephotomicrography or microprojection	10	8	0	Faster than sched.
9012	Microscopes other than optical microscopes; diffraction apparatus	10	8	0	Faster than sched.

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9013	Liquid crystal devices not constituting articles provided for more specifically in other headings; lasers, other than laser diodes; other optical appliances and instruments, not specified or included elsewhere in this Chapter	10	8	0	Faster than sched.
9014	Direction finding compasses; other navigational instruments and appliances	10	8	0	Faster than sched.
9015	Surveying (including photogrammetrical surveying), hydrographic, oceanographic, hydrological, meteorological or geophysical instruments and appliances, excluding compasses; rangefinders	10	8	0	Faster than sched.
9016	Balances of a sensitivity of 5 cg or better, with or without their weights	15	15	8	Faster than sched.
9017	Drawing, marking-out or mathematical calculating instruments (for example, drafting machines, pantographs, protractors, drawing sets, slide rules, disc calculators); instruments for measuring length, for use in the hand (for example, measuring rods and tapes, micrometers, callipers), not specified or included elsewhere in this Chapter	15	15	5	Faster than sched.
9018	Instruments and appliances used in medical, surgical, dental or veterinary science, including scintigraphic apparatus, other electro-medical apparatus and sight-testing instruments	10	8	0	Faster than sched.
9019	Mechano-therapy appliances; massage apparatus; psychological aptitude-testing apparatus; ozone therapy, oxygen therapy, aerosol therapy, artificial respiration or other therapeutic respiration apparatus	10	8	0	Faster than sched.
9020	Other breathing appliances and gas masks, excluding protective masks having neither mechanical parts nor replaceable filters	10	8	0	Faster than sched.
9021	Orthopaedic appliances, including crutches, surgical belts and trusses; splints and other fracture appliances; artificial parts of the body; hearing aids and other appliances which are worn or carried, or implanted in the body, to compensate for a defect or disability	10	8	0	Faster than sched.
9022	Apparatus based on the use of X-rays or of alpha, beta or gamma radiations, whether or not for medical, surgical, dental or veterinary uses, including radiography or radiotherapy apparatus, X-ray tubes and other X-ray generators, high tension generators, control panels and desks, screens, examination or treatment tables, chairs and the like	10	8	0	Faster than sched.
9023	Instruments, apparatus and models, designed for demonstrational purposes (for example, in education or exhibitions), unsuitable for other uses	10	8	0	Faster than sched.
9024	Machines and appliances for testing the hardness, strength, compressibility, elasticity or other mechanical properties of materials (for example, metals, wood, textiles, paper, plastics)	10	8	0	Faster than sched.
9025	Hydrometers and similar floating instruments, thermometers, pyrometers, barometers, hygrometers and psychrometers, recording or not, and any combination of these instruments	10	8	0	Faster than sched.
9026	Instruments and apparatus for measuring or checking the flow, level, pressure or other variables of	10	8	0	Faster than sched.

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	liquids or gases (for example, flow meters, level gauges, manometers, heat meters), excluding instruments and apparatus of heading 90.14, 90.15, 90.28 or 90.32				
	Instruments and apparatus for physical or chemical analysis (for example, polarimeters, refractometers, spectrometers, gas or smoke analysis apparatus); instruments and apparatus for measuring or checking viscosity, porosity, expansion, surface tension or the like; instruments and apparatus for measuring or checking quantities of heat, sound or light (including exposure meters); microtomes	10	8	0	Faster than sched.
9027		25	17	17	On sched.
9028	Gas, liquid or electricity supply or production meters, including calibrating meters therefor				
9029	Revolution counters, production counters, taximeters, mileometers, pedometers and the like; speed indicators and tachometers, other than articles of heading 90.14 or 90.15; stroboscopes	35	25	17	Faster than sched.
	Oscilloscopes, spectrum analysers and other instruments and apparatus for measuring or checking electrical quantities, excluding meters of heading 90.28; instruments and apparatus for measuring or detecting alpha, beta, gamma, X-ray, cosmic or other ionising radiations	10	8	0	Faster than sched.
9030		10			
9031	Measuring or checking instruments, appliances and machines, not specified or included elsewhere in this Chapter; profile projectors	10	8	0	Faster than sched.
9032	Automatic regulating or controlling instruments and apparatus	25	17	17	On sched.
9033	Parts and accessories (not specified or included elsewhere in this Chapter) for machines, appliances, instruments or apparatus of Chapter 90	10	8	0	Faster than sched.
9101	Wrist-watches, pocket-watches and other watches, including stop-watches, with case of precious metal or of metal clad with precious metal	30	20	20	On sched.
9102	Wrist-watches, pocket-watches and other watches, including stop-watches, other than those of heading 91.01	30	20	20	On sched.
9103	Clocks with watch movements, excluding clocks of heading 91.04	30	20	20	On sched.
9104	Instrument panel clocks and clocks of a similar type for vehicles, aircraft, spacecraft or vessels	30	20	20	On sched.
9105	Other clocks, except marine and similar chronometers	30	20	20	On sched.
9105	Marine and similar chronometers (other than clocks of heading 91.04)	10	8	8	On sched.
	Time of day recording apparatus and apparatus for measuring, recording or otherwise indicating intervals of time, with clock or watch movement or with synchronous motor (for example, time-registers, time-recorders)				
9106		30	20	5	Faster than sched.
9107	Time switches with clock or watch movement or with synchronous motor	30	20	5	Faster than sched.
9108	Watch movements, complete and assembled	30	20	20	On sched.
9109	Clock movements, complete and assembled	30	20	20	On sched.

<i>HS</i>	<i>Description</i>	<i>Tariff as of 1st Jul 2003 (%)</i>	<i>Final Committed tariff as of 1st Jan 2008 (%)</i>	<i>Applied tariff from 1st Jan 2008 (%)</i>	<i>Progress compared to commitment</i>
9110	Complete watch or clock movements, unassembled or partly assembled (movement sets); incomplete watch or clock movements, assembled; rough watch or clock movements	30	20	17	Faster than sched.
9111	Watch cases and parts thereof	30	20	17	Faster than sched.
9112	Clock cases and cases of a similar type for other goods of this Chapter, and parts thereof	30	20	17	Faster than sched.
9113	Watch straps, watch bands and watch bracelets, and parts thereof	30	20	17	Faster than sched.
9114	Other clock or watch parts	30	20	15	Faster than sched.
9201	Pianos, including automatic pianos; harpsichords and other keyboard stringed instruments	10	8	3	Faster than sched.
9202	Other stringed musical instruments (for example, guitars, violins, harps)	10	8	3	Faster than sched.
9205	Other wind musical instruments (for example, clarinets, trumpets, bagpipes)	10	8	3	Faster than sched.
9206	Percussion musical instruments (for example, drums, xylophones, cymbals, castanets, maracas)	10	8	3	Faster than sched.
9207	Musical instruments, the sound of which is produced, or must be amplified, electrically (for example, organs, guitars, accordions)	10	8	3	Faster than sched.
	Musical boxes, fairground organs, mechanical street organs, mechanical singing birds, musical saws and other musical instruments not falling within any other heading of this Chapter; decoy calls of all kinds; whistles, call horns and other mouth-blown sound signalling instruments	10	8	3	Faster than sched.
	Parts (for example, mechanisms for musical boxes) and accessories (for example, cards, discs and rolls for mechanical instruments) of musical instruments; metronomes, tuning forks and pitch pipes of all kinds	10	8	3	Faster than sched.
9209	Seats (other than those of heading 94.02), whether or not convertible into beds, and parts thereof	30	20	20	On sched.
	Medical, surgical, dental or veterinary furniture (for example, operating tables, examination tables, hospital beds with mechanical fittings, dentists' chairs); barbers' chairs and similar chairs, having rotating as well as both reclining and elevating movements; parts of the foregoing articles	30	20	20	On sched.
9403	Other furniture and parts thereof	30	20	27.5	Slower than sched.
	Mattress supports; articles of bedding and similar furnishing (for example, mattresses, quilts, eiderdowns, cushions, pouffes and pillows) fitted with springs or stuffed or internally fitted with any material or of cellular rubber or plastics, whether or not covered	30	20	20	On sched.
9404	Lamps and lighting fittings including searchlights and spotlights and parts thereof, not elsewhere specified or included; illuminated signs, illuminated name-plates and the like, having a permanently fixed light source, and parts thereof not elsewhere specified or included	30	20	20	On sched.
9405	Prefabricated buildings	25	17	17	On sched.
9503	Other toys; reduced-size ("scale") models and similar recreational models, working or not; puzzles of all kinds	15	15	15	On sched.

<i>HS</i>	<i>Description</i>	<i>Tariff as of 1st Jul 2003 (%)</i>	<i>Final Committed tariff as of 1st Jan 2008 (%)</i>	<i>Applied tariff from 1st Jan 2008 (%)</i>	<i>Progress compared to commitment</i>
9504	Articles for funfair, table or parlour games, including pin-tables, billiards, special tables for casino games and automatic bowling alley equipment	35	25	25	On sched.
9505	Festive, carnival of other entertainment articles, including conjuring tricks and novelty jokes	35	25	25	On sched.
9506	Articles and equipment for general physical exercise, gymnastics, athletics, other sports (including table tennis) or outdoor games, not specified or included elsewhere in this Chapter; swimming pools and paddling pools	10	8	5	Faster than sched.
9507	Fishing rods, fish-hooks and other line fishing tackle; fish landing nets, butterfly nets and similar nets; decoy "birds", (other than those of heading 92.08 or 97.05) and similar hunting or shooting requisites	10	8	5	Faster than sched.
9508	Roundabouts, swings, shooting galleries and other fairground amusements; travelling circuses and travelling menageries; travelling theatres	10	8	8	On sched.
9601	Worked ivory, bone, tortoise-shell, horn, antlers, coral, mother-of-pearl, and other animal carving material, and articles of these materials (including articles obtained by moulding)	30	20	20	On sched.
9602	Worked vegetable or mineral carving material and articles of these materials; moulded or carved articles of wax, of stearin, of natural gums or natural resins or of modelling pastes, and other moulded or carved articles, not elsewhere specified or included; worked, unhardened gelatin (except gelatin of heading 35.03) and articles of unhardened gelatin, except gelatin capsules for pharmaceutical products	30	20	20	On sched.
9602	Gelatin capsules for pharmaceutical products	10	8	17	Slower than sched.
9603	Brooms, brushes (including brushes constituting parts of machines, appliances or vehicles), hand-operated mechanical floor sweepers, not motorised, mops and feather dusters; prepared knots and tufts for broom or brush making; paint pads and rollers; squeegees (other than roller squeegees)	30	20	17	Faster than sched.
9604	Hand sieves and hand riddles	30	20	17	Faster than sched.
9605	Travel sets for personal toilet, sewing or shoe or clothes cleaning	30	20	17	Faster than sched.
9606	Buttons, press-fasteners, snap-fasteners and press-studs, button moulds and other parts of these articles; button blanks	30	20	17	Faster than sched.
9607	Slide fasteners and parts thereof	30	20	17	Faster than sched.
9608	Ball point pens; felt tipped and other porous-tipped pens and markers; fountain pens, stylograph pens and other pens; duplicating stylos; propelling or sliding pencils; pen-holders, pencil-holders and similar holders; parts (including caps and clips) of the foregoing articles, other than those of heading 96.09	30	20	17	Faster than sched.
9609	Pencils (other than pencils of heading 96.08), crayons, pencil leads, pastels, drawing charcoals,	30	20	17	Faster than sched.

HS	Description	Tariff as of 1 st Jul 2003 (%)	Final Committed tariff as of 1 st Jan 2008 (%)	Applied tariff from 1 st Jan 2008 (%)	Progress compared to commitment
	writing or drawing chalk and tailors' chalks				
9610	Slates and boards, with writing or drawing surfaces, whether or not framed	30	20	20	On sched.
	Date, sealing or numbering stamps, and the like (including devices for printing or embossing labels), designed for operating in the hand; hand-operated composing sticks and hand printing sets incorporating such composing sticks	30	20	20	On sched.
9611	Typewriter or similar ribbons, inked or other wise prepared for giving impressions, whether or not on spools or in cartridges; ink-pads, whether or not inked, with or without boxes	10	8	8	On sched.
9612	Cigarette lighters and other lighters, whether or not mechanical or electrical, and parts thereof other than flints and wicks	30	20	20	On sched.
9613	Smoking pipes (including pipe bowls) and cigar or cigarette holders, and parts thereof	30	20	25	Slower than sched.
9614	Combs, hair-slides and the like; hairpins, curling pins, curling grips, hair- curlers and the like, other than those of heading 85.16, and parts thereof	30	20	20	On sched.
9615	Scent sprays and similar toilet sprays, and mounts and heads therefor; powder-puffs and pads for the application of cosmetics or toilet preparations	30	20	20	On sched.
9616	Vacuum flasks and other vacuum vessels, complete with cases; parts thereof, other than glass inners	30	20	25	Slower than sched.
9617	Tailors' dummies and other lay figures; automata and other animated displays used for shop window dressing	30	20	17	Faster than sched.
	Paintings, drawings and pastels, executed entirely by hand, other than drawings of heading 49.06 and other than hand-painted or hand-decorated manufactured articles; collages and similar decorative plaques	10	8	5	Faster than sched.
9701	Original engravings, prints and lithographs	10	8	0	Faster than sched.
9702	Original sculptures and statuary, in any material	10	8	0	Faster than sched.
9703	Postage or revenue stamps, stamp-postmarks, first-day covers, postal stationery (stamped paper), and the like, used or unused, other than those of heading 49.07	25	17	15	Faster than sched.
9704	Collections and collectors' pieces of zoological, botanical, mineralogical, anatomical, historical, archaeological, paleontological, ethnographic or numismatic interest	10	8	0	Faster than sched.
9705	Antiques of an age exceeding one hundred years	10	8	0	Faster than sched.
9706					

Source: Authors' calculation using information of NCIEC (2006a); Decree No. 21/2002/ND-CP Promulgating the list of commodities and tax rates by Vietnam to implement ASEAN CEPT Agreement for 2002 dated 28th February 2002; Framework Agreement on Comprehensive Economic Cooperation between ASEAN and People's Republic of China; Decision No. 111/2008/QĐ-BTC Dated 1st December 2008 Promulgating the Vietnam's table of preferential tariffs to implement ASEAN-China FTA for the period 2009-2011.

**APPENDIX 4: REVIEW OF IMPLEMENTATION OF TARIFF REDUCTION SCHEDULE UNDER THE FRAMEWORK AGREEMENT
ON COMPREHENSIVE ECONOMIC COOPERATION BETWEEN ASEAN AND THE REPUBLIC OF KOREA**

Table AP4.1: Review of the Tariff Reduction Schedule for Agricultural Products

<i>HS</i>	<i>Description</i>	<i>Tariff as of 1st Jul 2007 (%)</i>	<i>Final Committed tariff as of 1st Jan 2009 (%)</i>	<i>Applied tariff from 1st Jan 2009 (%)</i>	<i>Progress compared to commitment</i>
0102	Live bovine animals (excluding breeding animals)	5	0	5	On sched.
0103	Live swine (excluding breeding animals)	5	0	5	On sched.
0104	Live sheep and goats (excluding breeding animals)	5	0	5	On sched.
0105	Live poultry (excluding breeding animals)	5	0	5	On sched.
0201	Meat of bovine animals, fresh or chilled	20	15	15	On sched.
0202	Meat of bovine animals, frozen	20	15	15	On sched.
0203	Meat of swine, fresh or chilled	30	20	20	On sched.
0203	Meat of swine, frozen	30	20	20	On sched.
0204	Meat of sheep or goats, fresh, chilled or frozen	20	15	8	Faster than sched.
0207	Meat and edible offal, of the poultry of heading 01.05, fresh, chilled or frozen	20	15	15	On sched.
	Meat and edible meat offal of swine, salted, in brine, dried or smoked; edible flours and meals of meat or meat offal	20	15	15	On sched.
0210		20	15	15	On sched.
	Meat and edible meat offal of bovine animals, salted, in brine, dried or smoked; edible flours and meals of meat or meat offal	20	15	15	On sched.
0210		20	15	15	On sched.
0401	Milk and cream, not concentrated nor containing added sugar or other sweetening matter	20	15	15	On sched.
	Buttermilk, curdled milk and cream, yogurt, kephir and other fermented or acidified milk and cream, whether or not concentrated or containing added sugar or other sweetening matter or flavoured or containing added fruit, nuts or cocoa	30	20	20	On sched.
0403		30	20	20	On sched.
0406	Cheese and curd	10	8	8	On sched.
0407	Birds' eggs, in shell, fresh, preserved or cooked	20	15	0	Faster than sched.
	Birds' eggs, not in shell, and egg yolks, fresh, dried, cooked by steaming or by boiling in water, moulded, frozen or otherwise preserved, whether or not containing added sugar or other sweetening matter	20	15	15	On sched.
0408		20	15	15	On sched.

0701	Potatoes, fresh or chilled, other than seed	30	20	15	Faster than sched.
0702	Tomatoes, fresh or chilled	30	20	15	Faster than sched.
0703	Onions, shallots, garlic, leeks and other alliacious vegetables, fresh or chilled, other than seed	30	20	15	Faster than sched.
0704	Cabbages, cauliflowers, kohlrabi, kale and similar edible brassicas, fresh or chilled	30	20	15	Faster than sched.
0705	Lettuce (<i>Lactuca sativa</i>) and chicory (<i>Cichorium spp.</i>), fresh or chilled	30	20	15	Faster than sched.
0706	Carrot	30	20	15	Faster than sched.
0707	Cucumbers and gherkins, fresh or chilled	30	20	15	Faster than sched.
0708	Leguminous vegetables, shelled or unshelled, fresh or chilled	30	20	20	On sched.
0709	Other vegetables, fresh or chilled	30	20	12,9	Faster than sched.
0710	Potatoes (uncooked or cooked by steaming or boiling in water), frozen	30	20	15	Faster than sched.
0710	Leguminous vegetables, shelled or unshelled	30	20	20	On sched.
0712	Dried vegetables, whole, cut, sliced, broken or in powder, but not further prepared	30	20	20	On sched.
0713	Dried leguminous vegetables, shelled, whether or not skinned or split, not for sowing	30	20	20	On sched.
0801	Shelled cashew nuts	40	25	25	On sched.
0805	Citrus fruit, fresh or dried	40	25	25	On sched.
0805	Mandarins (including tangerines and satumas); clementines, wilkings and similar citrus hybrids	40	25	25	On sched.
0807	Melons (including watermelons) and papaws (papayas), fresh	40	25	25	On sched.
0901	Coffee, roasted	50	25	25	On sched.
0902	Tea, whether or not flavoured	50	25	25	On sched.
0903	Maté	50	25	25	On sched.
0904	Pepper of the genus Piper; dried or crushed or ground fruits of the genus Capsicum or of the genus Pimenta	30	20	20	On sched.
1005	Popcorn	6	5	25	On sched.
1006	Rice	40	25	25	On sched.
1601	Sausages and similar products, of meat, meat offal or blood; food preparations based on these products	50	25	25	On sched.
1701	Beet sugar	30	20	na	na
2002	Tomatoes prepared or preserved otherwise than by vinegar or acetic acid, whole or in pieces	50	25	25	On sched.
2003	Mushrooms and truffles, prepared or preserved otherwise than by vinegar or acetic acid	50	25	25	On sched.
2101	Extracts of coffee	50	25	25	On sched.

Source: Authors' calculation using information of the Framework Agreement on Comprehensive Economic Cooperation between ASEAN and the Republic of Korea;
Decree No. 21/2002/ND-CP dated 28th February 2002 Promulgating the list of commodities and tax rates by Vietnam to implement ASEAN CEPT Agreement for 2002.

Table AP4.2: Review of the Tariff Reduction Schedule for Processed Wood Products

HS code	Description	Tariff as of 1 st Jul 2007 (%)	Final Committed tariff as of 1 st Jan 2009 (%)	Applied tariff from 1 st Jan 2009 (%)	Progress compared to commitment
4401	Fuel wood, in logs, in billets, in twigs, in faggots or in similar forms; wood in chips or particles; sawdust and wood waste and scrap, whether or not agglomerated in logs, briquettes, pellets or similar forms	5	5	5	On sched.
4402	Wood charcoal, whether or not agglomerated	5	5	5	On sched.
4404	Hoopwood; split poles; piles, pickets and stakes of wood, pointed but not sawn lengthwise; wooden sticks, roughly trimmed but not turned, bent or otherwise worked, suitable for the manufacture of walking-sticks, umbrellas, tool handles or the like; chipwood and the like	3	0	3	Lower than sched.
4405	Wood wool; wood flour	1	0	1	Lower than sched.
4409	Wood (including strips and friezes for parquet flooring, not assembled) continuously shaped (tongued, grooved, rebated, chamfered, V-jointed, beaded, moulded, rounded or the like) along any of its edges, ends or faces, whether or not planed, sanded or end-jointed	3	0	3	Lower than sched.
4410	Particle board and similar board (for example, oriented strand board and waferboard) of wood or other ligneous materials, whether or not agglomerated with resins or other organic binding substances	10	8	8	On sched.
4411	Fibreboard of wood or other ligneous materials, whether or not bonded with resins or other organic substances	10	8	8	On sched.
4412	Plywood, veneered panels and similar laminated wood	10	8	8	On sched.
4413	Densified wood, in blocks, plates, strips or profile shapes	10	8	3	Faster than sched.
4414	Wooden frames for paintings, photographs, mirrors or similar objects	30	20	25	Faster than sched.
4415	Packing cases, boxes, crates, drums and similar packings, of wood; cable-drums of wood; pallets, box pallets and other load boards, of wood pallet collars of wood	30	20	20	On sched.
4416	Casks, barrels, vats, tubs and other coopers' products and parts thereof, of wood including staves	30	20	20	On sched.
4417	Tools, tool bodies, tool handles, broom or brush bodies and handles, of wood	25	17.5	17.5	On sched.
4418	Builders' joinery and carpentry of wood, including cellular wood panels, assembled parquet panels, shingles and shakes, others	5	5	5	On sched.
4419	Tableware and kitchenware, of wood	40	25	25	On sched.
4420	Wood marquetry and inlaid wood; caskets and cases for jewellery or cutlery, and similar articles, of wood; statuettes and other ornaments of wood; wooden articles of furniture not falling in Chapter 94	40	25	25	On sched.
4421	Other articles of wood	40	25	25	On sched.
9403	Other furniture and parts thereof	40	25	23	Faster than sched.

Source: Authors' calculation using information of the Framework Agreement on Comprehensive Economic Cooperation between ASEAN and the Republic of Korea; Decree No. 21/2002/ND-CP dated 28th February 2002 Promulgating the list of commodities and tax rates by Vietnam to implement ASEAN CEPT Agreement for 2002.

Table AP4.3: Review of the Tariff Reduction Schedule for Marine and Aquatic Products

<i>HS code</i>	<i>Description</i>	<i>Tariff as of 1st Jul 2007 (%)</i>	<i>Final Committed tariff as of 1st Jan 2009 (%)</i>	<i>Applied tariff from 1st Jan 2009 (%)</i>	<i>Progress compared to commitment</i>
0301	Live fish	30	20	20	On sched.
0302	Fish, fresh or chilled, excluding fish fillets and other fish meat of heading 03.04	30	20	20	On sched.
0303	Fish, frozen, excluding fish fillets and other fish meat of heading 03.04	30	20	20	On sched.
0304	Fish fillets and other fish meat (whether or not minced), fresh, chilled or frozen	30	20	20	On sched.
0305	Fish, dried, salted or in brine; smoked fish, whether or not cooked before or during the smoking process; flours, meals and pellets of fish, fit for human consumption	30	20	20	On sched.
0306	Crustaceans, whether in shell or not, live, fresh, chilled, frozen, dried, salted or in brine; crustaceans, in shell, cooked by steaming or by boiling in water, whether or not chilled, frozen, dried, salted or in brine; flours, meals and pellets of crustaceans, fit for human consumption	30	20	20	On sched.
0307	Molluscs, whether in shell or not, live, fresh, chilled, frozen, dried, salted or in brine; aquatic invertebrates other than crustaceans and molluscs, live, fresh, chilled, frozen, dried, salted or in brine; flours, meals and pellets of aquatic invertebrates other than crustaceans, fit for human consumption	30	20	20	On sched.
1604	Prepared or preserved fish; caviar and caviar substitutes prepared from fish eggs	50	25	25	On sched.
1605	Crustaceans, molluscs and other aquatic invertebrates, prepared or preserved	50	25	25	On sched.

Source: Authors' calculation using information of the Framework Agreement on Comprehensive Economic Cooperation between ASEAN and the Republic of Korea; Decree No. 21/2002/ND-CP dated 28th February 2002 Promulgating the list of commodities and tax rates by Vietnam to implement ASEAN CEPT Agreement for 2002.

**APPENDIX 5: EFFECTIVE RATES OF PROTECTION ACCORDING TO WTO
TARIFF REDUCTION SCHEDULE FOR THE PERIOD 2005-2009 (%)**

<i>Sectors</i>	2005	2006	2007	2008	2009
Cigarettes	296	293	284	281	269
Cocoa, chocolate and candy, cake products from flour	102	184	69	169	204
Alcohol	232	221	203	189	193
Household electronic appliances	53	125	42	115	136
Motor vehicles, motor bikes	89	79	77	75	86
Non-alcoholic and soft drinks	57	73	54	68	81
Processed preserved fisheries, vegetables and fruits	43	62	40	57	67
Other food n.e.c.	75	67	56	61	58
Processed coffee	29	47	26	44	52
Car engines with tractor (except automotive)	41	32	31	31	40
Processed preserved fishery and by-products	32	32	41	30	35
Processed tea (all kinds)	27	32	10	30	34
Other electric equipments	43	31	34	37	34
Textile products (all kinds)	51	32	27	32	32
Processed, preserved meat and by-products	16	27	24	26	29
Fish farming	21	26	5	25	28
Furniture	34	28	26	27	28
Milk and dairy products	11	25	13	23	27
Fisheries	15	19	14	18	20
Rice	-233	-115	122	-108	19
Vegetable and animals oils and fats	10	16	2	15	18
Footwear	11	16	13	15	17
Electronic device, computer and peripheral	15	16	-40	15	15
Paddy (all kinds)	23	22	21	21	13
Crude oil	0	0	0	10	12
Cements	12	11	11	11	11
Glass and glass products	11	10	10	10	10
Printing products	10	12	6	10	10
Other non-metallic mineral products	10	10	10	9	10
Other chemical products; man-made fibres	9	6	6	6	9
Fibre (all kinds)	10	9	8	9	9
Other manufactured products n.e.c., repair and maintenance service for equipment and machinery	6	8	2	7	9
Machinery & equipment used for broadcasting, television and information activities	0	8	14	7	9
Pharmaceutical products	8	7	7	8	8
Coffee beans	10	9	11	9	8
Paper and paper products	18	7	12	7	8
Ships and boats	12	8	11	9	8
Cars (all kinds)	14	9	5	5	8
Electrical household appliance	9	7	7	7	7
Electric light equipment	8	7	5	7	7
Other crops	5	5	7	5	6
General-purpose machinery	12	6	-1	5	6
Motor, electric generator, power transformers	7	5	-1	4	5
Sugar	6	4	58	4	4
Other livestock and poultry, n.e.c	-2	4	5	3	4
Jewellery, false jewellery and related details; musical instrument; fit tools, sports, toys, games	81	4	3	4	4
Coal	1	3	2	3	3
Rubber products	4	2	9	2	3
Iron and steel	-1	2	0	2	2

<i>Sectors</i>	<i>2005</i>	<i>2006</i>	<i>2007</i>	<i>2008</i>	<i>2009</i>
Other electronic products and optical products	2	2	2	2	2
Leather, preliminary processed fur and leather products	1	1	-2	1	1
Other metal products	3	1	1	1	1
Natural gas	1	1	1	1	1
Processed wood and wood products	1	1	6	1	1
Stone, sand, gravel, clay	-1	1	0	1	1
Special-purpose machinery	5	1	12	0	1
Coke coal and other coke by-products	1	1	1	1	1
Other none-metallic minerals	1	0	1	1	1
Medical equipments, dental, orthopaedics and rehabilitation	0	0	0	0	0
Beer	-5	-1	-10	-1	0
Other forestry products; forestry service, planting tree	0	0	0	0	0
Plastic products	0	0	16	0	0
Electric conductor	-1	-1	-1	-1	-1
Electric transmission services	0	0	0	-1	-1
Round timber	-1	-1	-1	-1	-1
Cell and battery	-1	-1	-1	-1	-1
Gasoline, lubricants	9	7	6	-2	-1
Fertilizer and nitrogen compound	-1	0	-3	0	-1
Apparel	-15	-2	53	-2	-1
Buffaloes and cows	-2	-1	-2	-1	-1
Plastic and primary synthetic rubber	-1	-1	-2	-1	-1
Sugarcane	-2	-2	-2	-2	-2
Raw rubber	-1	-3	0	-2	-3
Basic organic chemicals	-4	-4	-6	-4	-4
Poultry	-7	-5	-1	-5	-5
Other perennial plants	0	-5	0	-4	-7
Mining services	-7	-8	-7	-7	-8
Other transport means	-9	-9	-9	-8	-10
Pigs	-18	-14	-18	-13	-13
Refinery products	-3	0	-1	-12	-17
Flour (all kinds)	-112	-133	-163	-117	-56
Animal feed	-53	-91	-67	-85	-59
Total	5	3	2	3	4

Source: Authors' calculation using the 2007 input-output table of Vietnam (GSO 2010) and actual tariff rates (Data of the General Customs Office).

APPENDIX 6: STATISTICAL DATA

Table PL6.1: Annual Growth Rate of Production Value of Manufacturing Industries (at 1994 price)

<i>Sectors</i>	<i>Before WTO</i>						<i>After WTO</i>		
	<i>2001</i>	<i>2002</i>	<i>2003</i>	<i>2004</i>	<i>2005</i>	<i>2006</i>	<i>2007</i>	<i>2008</i>	<i>2009</i>
Agrarian-intensive	15.44	11.29	15.20	15.65	15.78	19.19	18.27	17.02	6.26
Food processing and beverages	15.44	11.29	15.20	15.65	15.78	19.19	18.27	17.02	6.26
Labour-intensive	11.21	18.70	23.27	21.33	21.43	22.01	15.38	10.13	5.95
Textiles	5.92	15.95	15.20	16.97	14.75	24.41	7.97	5.17	2.83
Garments	13.57	19.24	27.92	22.22	19.64	25.24	17.10	16.81	7.76
Leather and its products	7.66	16.44	21.98	18.34	18.12	18.90	8.29	7.51	3.00
Timber and forest products	8.48	14.99	22.22	19.78	23.59	7.94	24.75	3.51	4.09
Processed wood and wood products	21.07	27.27	29.54	29.73	31.75	35.18	19.74	18.51	12.38
Capital-intensive	17.93	15.94	15.98	19.40	20.20	12.08	13.43	9.50	3.48
Cigarettes and tobacco	16.5	14.5	20.0	10.6	10.6	-0.4	11.6	3.5	-2.0
Paper and paper products	16.1	6.9	15.9	26.3	16.4	13.3	20.5	15.4	5.4
Publication and printing	7.9	17.2	22.2	7.4	22.6	12.5	13.1	13.8	4.7
Coke coal and refinery products	42.4	-0.3	-2.9	40.8	34.2	-15.0	-14.2	-13.8	-9.8
Chemics and chemical products	15.5	14.5	10.9	16.6	25.3	20.3	16.5	15.1	7.5
Rubber and plastic products	25.9	19.4	16.3	34.3	20.2	17.2	23.8	20.5	8.3
Other non-metallic mineral products	18.4	19.8	15.2	12.2	10.7	18.2	8.6	2.8	0.7
Metal	15.7	24.5	22.5	7.6	24.3	12.6	17.7	8.2	4.8
Metal products (excluding machines and equipment)	22.4	20.4	25.2	21.8	35.7	29.8	22.5	20.5	13.0
Recycled products	1.0	15.2	17.0	28.1	2.4	20.4	27.2	19.8	5.9
Machine and technology-intensive	14.20	16.33	24.97	16.53	23.72	14.41	36.12	26.00	11.48
Machines and equipment	23.91	8.51	24.24	16.47	2.31	1.21	29.98	25.10	3.61
Office equipment and computer	-24.57	2.66	53.38	19.99	73.68	62.90	28.31	28.42	27.02
Electric equipment	42.79	26.06	14.45	21.29	32.50	32.10	27.43	25.20	14.64
Radios, TV and broadcasting machinery & equipment	23.02	14.09	16.10	11.08	14.84	0.01	36.38	21.21	6.13
Medical and optical equipments	5.83	10.40	15.29	17.75	12.40	-5.98	61.04	31.11	9.61
Production and repair of motor vehicles	31.98	35.38	43.85	4.65	12.21	-4.20	35.90	23.73	5.09
Production and repair of other transport vehicles	10.50	20.38	13.36	25.80	30.09	30.80	36.51	27.47	15.99
MANUFACTURING INDUSTRIES	16.10	16.43	18.34	17.16	19.21	19.18	18.82	15.35	7.30

Source: Authors' calculation using GSO data.

Table PL6.2: Top Ten Export Commodities from Vietnam to China

HS code	Commodities	Value (million USD)					Growth (%)					
		2001	2006	2007	2008	2009	2007	2008	2009	Average 2001-2006	Average 2007-2008	Average 2007-2009
2701	Coal and similar solid fuels	5	639	931	1,130	1,291	45.7	21.4	14.3	159.8	33.0	26.4
2709	Crude oil	728	418	255	655	447	-39.0	157.0	-31.7	-10.5	25.2	2.3
0714	Manioc, arrowroot, salep, Jerusalem artichokes, sweet potatoes and similar roots and tubers	13	120	180	116	283	49.5	-35.4	143.1	55.6	-1.7	32.9
5205	Cotton yarn, containing 85% or more by weight of cotton	1	7	14	70	171	109.1	387.3	145.3	63.3	219.2	192.4
0810	Fresh fruits	17	54	55	103	155	3.0	86.9	50.5	25.6	38.8	42.6
4401	Fuel wood	0	56	90	113	151	61.9	25.9	33.3	410.7	42.7	39.5
8443	Printing machinery, photocopy and faximile machines	-	-	103	220	129		113.0	-41.2			
0801	Coconuts, Brazil nuts and cashew nuts	12	11	28	90	118	148.6	218.9	31.3	-1.0	181.6	118.3
8501	Electric motors and generators (excluding generating sets)	3	42	61	86	113	46.3	40.2	31.8	70.6	43.2	39.3
4001	Natural rubber	45	168	165	146	107	-1.8	-11.3	-26.5	30.0	-6.7	-13.8
5402	Synthetic filament yarn, other than sewing thread	5	66	67	110	102	1.4	64.7	-7.0	68.6	29.3	15.8
	All commodities	1,011	2,486	3,226	4,336	4,741	29.8	34.4	9.3	19.7	32.1	24.0

Source: CIEM's calculation using COMTRADE data.

Table PL6.3: FDI Projects Licensed during the Period 2005-2009 by Main Counterpart (million USD)

Country or territory	2005		2006		2007		2008		2009		Share (%)				
	Number of proj.	Regist. cap.	Number of proj.	Regist. cap.	Number of proj.	Regist. cap.	Number of proj.	Regist. cap.	Number of proj.	Regist. cap.	2005	2006	2007	2008	2009
Brunei	11	23.1	12	53.2	15	70.9	19	4417.8	22	34.7	0.3	0.4	0.3	6.9	0.2
Canada	8	38.1	3	76.3	6	146.0	9	4237.7	16	24.7	0.6	0.6	0.7	6.6	0.1
Hong Kong SAR (China)	44	561.7	28	1693.0	73	607.4	50	409.0	50	774.9	8.2	14.1	2.8	0.6	3.4
Taiwan	182	753.1	128	845.8	230	2489.7	132	8851.7	95	1626.5	11.0	7.0	11.7	13.8	7.0
Republic of Korea	234	929.4	253	3106.5	423	5395.4	292	2019.0	315	1911.5	13.6	25.9	25.3	3.2	8.3
United States	59	333.4	55	816.5	66	388.3	53	1519.4	70	9945.1	4.9	6.8	1.8	2.4	43.0
Malaysia	21	258.4	25	91.6	46	1172.6	55	14969.2	42	223.6	3.8	0.8	5.5	23.4	1.0
Japan	114	945.3	154	1490.4	159	1385.9	105	7578.7	102	715.0	13.8	12.4	6.5	11.8	3.1
Cayman Islands	2	163.8	5	713.8	6	158.2	5	2712.2	5	2203.4	2.4	5.9	0.7	4.2	9.5
British Virgin Islands	43	375.6	24	623.2	60	4410.5	49	4052.6	38	1101.4	5.5	5.2	20.7	6.3	4.8
Thailand	16	107	17	150.2	25	291.7	32	4046.2	27	102.8	1.6	1.3	1.4	6.3	0.4
Singapore	65	247	59	675.3	89	2572.3	101	4495.8	115	922.5	3.6	5.6	12.0	7.0	4.0
TOTAL	970	6839.8	987	12004	1544	21348	1171	64011	1208	23107	100.0	100.0	100.0	100.0	100.0

Source: MPI.