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**Reforming specialized
inspection procedures
to improve business
environment in vietnam
for trade facilitation
implementation**

1. Introduction

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Most of countries around the world have been making efforts to negotiate about trade liberalization with the purpose of promoting trade growth by reducing and eliminating tariff and non-tariff barriers, making international trade flows as much freely and smoothly as possible. However, regulations, procedures and some related documents for international trade, sometimes, may be a burden for businesses to waste time and money. Even in some of the most trade-friendly countries in Asia, exporting a commodity such as rice may involve 15 different parties, 24 documents, and about 700 data elements. No less than 22 days may be necessary for the exporter to comply with various procedures and have the shipment ready for export at the nearest seaport. Overall, the direct and indirect costs associated with such procedures are estimated to represent 7%-10% of the value of global trade. These may be much higher in

some of the developing countries in Asia and the Pacific (ADB, UNESCAPE, 2013). Although, such regulations, procedures and documents may be necessary for governments to control the movement of goods across the borders, they should be reviewed and streamlined to save time and minimize transaction costs for international businesses, while maintaining effective control of governments.

The awareness of burden of transaction costs and trade procedures has led to the trade facilitation raised in multilateral negotiations such as WTO's negotiation about trade facilitation agreement (TFA) which came into force in February, 2017. It is estimated that the full implementation of the TFA could reduce trade costs by an average of 14.3% and boost global trade by up to \$1 trillion per year, with the biggest gains in the poorest countries¹. Up to October, 2020, there had been 153 members of WTO ratified this agreement. In the context of Brexit, the decision the US not to ratify the Trans Pacific Partnership, the trade war between the US and China, the Covid 19 pandemic,... global trade has faced many difficulties and challenges. It is, therefore, necessary for countries all over the world making effort to implement trade facilitation to boost international trade.

Vietnam has integrated widely and thoroughly into the world economy and implemented international commitments on trade facilitation such as TFA in WTO. Vietnam's business environment is assessed to have positive changes after joining WTO. According to World Bank's report on Doing business, Vietnam's ease of doing business score increases gradually in the last 10 years, from 60 in the year 2010 to 70 in 2020. After 3 years of implementing TFA in WTO, although Vietnam's trading across border score remains 70.8 in the last 3 years, Vietnam's ease of doing business score increases slightly from 67 in 2017 to 70 in 2020. In another report of World Bank, LPI report, Vietnam's LPI ranking rises drastically from 64 in 2016 to 39 in 2018, climbing 25 spots in WB's LPI ranking. In order to get such achievements and more benefit from international integration, it requires Vietnam to continuously effort to reform the institutions and policies, improve the business environment in accordance with the international regulations and commitments, including commitments on trade facilitation. Especially, implementing trade facilitation is essential to push up trade flows and promote global economic development in the context of trade protection and resolving difficulties caused by Covid 19. So, it is necessary to research the process of Vietnam's trade facilitation implementation and suggest some

1 https://www.wto.org/english/tratop_e/tradfa_e/tradfa_e.htm

recommendations for Vietnam to implement successfully to get much benefit from trade facilitation in the future.

Over the past years, Vietnamese government has drastically directed the implementation of trade facilitation measures, reforming specialized inspection, enhancing national competitiveness and improving the business environment. In 2019, Vietnam's CGI 4.0 ranked 67th out of 141 countries in the world, increased 10 ranks compared to 2018. Vietnam's business environment in 2019 ranked 70th out of 190 countries, raised 20 places compared to 2015. List of imported goods subject to specialized inspection is gradually being cut off, many items are shifted from pre-customs inspection to post-customs clearance to help businesses save time to export and import. However, Vietnam's cross border trade index and the cut-off rate of goods to be inspected in 2019 did not reach the target stated in the Resolution No 02/2019.

Research issues

Issue: Analyzing and assessing the process of reforming the specialized inspection procedures in Vietnam which is included in Vietnam's trade facilitation implementation program, and suggesting some recommendations for Vietnam to do the reform to improve business environment and enhance Vietnam's national competitiveness.

2. Literature review

First of all, Hammar (2009) outlined the main trade facilitation measures that the government has undertaken, to discuss the effect of trade facilitation on trade development and to examine the companies' views regarding the business and trading environment in Vietnam. Author concluded that Vietnam has undertaken a number of measures to facilitate trade and there has been a positive effect on the trade development. However, challenges that constrain further trade development remain.

Next, Ming and Day (2019) mentioned 5 determinants of trade facilitation, including infrastructure, customs environment, e-commerce, policies environment and financial environment, to measure the degree of trade facilitation of ASEAN countries and found that trade facilitation profoundly affects Vietnam's export and import flow.

Beside, Hien, P.T.T (2020) conducts a study which aims to enhance global trade security and foster business competitiveness, promoting greater success in international trade and business. However, Vietnam's logistics companies cannot readily benefit from the AEO (Authorized Economic Operator) program

because they cannot meet the AEO criteria of high exports and imports volume (for Vietnamese traders) as well as a huge number of customs declarations (for Vietnamese customs brokers). Obviously, no Vietnamese logistics company has been granted AEO status since the beginning of AEO program.

And Huy, D.T.N (2015) also mentioned better corporate governance standards to increase transparency in economic transactions of corporations. Also, Huy, D.T.N, Loan, B.T.T, & Anh, P.T (2020) stated vital roles of commercial bank in financing economic activities.

Then, Ha and Lan (2021) indicated that The entry into force of the WTO Trade Facilitation Agreement (TFA) in 2016 brought new momentum to push Vietnam's trade facilitation agenda forward in a more coherent and systematic manner. The Organization for Economic Co-operation and Development (OECD) estimated that the implementation of the WTO TFA alone could reduce trade costs in Vietnam by 18.3% (OECD, 2015).

3. Methodology

By synthesizing and analyzing secondary data from credible sources such as World Bank, UNESCAPE, UNCTAD, WTO, VCCI, General Department of Vietnam Customs, as well as interviewing officials from Ministry of Industry and Trade of Socialist Republic of Vietnam, Ministry of science and technology, Vietnam chamber of commerce and industry (VCCI), the paper focuses on the overview of trade facilitation, Vietnam's commitments on trade facilitation in WTO, the current situation of Vietnam's business environment, Vietnam's national competitiveness, Vietnam's trade facilitation implementation including the real situation of specialized inspection reforms, and some recommendations for Vietnam.

4. Main results

4.1. Overview of trade facilitation, benefits and difficulties for developing countries

4.1.1. Definitions and indicators of trade facilitation

Trade facilitation definitions. There is no universal definition of trade facilitation as the term refers to the wide variety of actions aiming at facilitating trade flows among countries. Different definition has different approach and different focus.

The WTO describes trade facilitation as the simplification, modernization and harmonization of export and import processes. This term is explained in WTO's glossary term as removing obstacles to the movement of goods across borders (e.g. simplification of customs procedures). In World Customs Organization, trade facilitation means the avoidance of unnecessary trade restrictions. The WCO argues that this can be achieved by applying modern techniques and technologies, while improving the quality of controls in an internationally harmonized manner. A key trade facilitation instrument of the WCO is the Kyoto Convention for Harmonizing Customs Procedures that came into force in 1974, and which was followed by the Revised Kyoto Convention in 1999 (WTO, 2015).

UNCTAD, ICC, European Commission, APEC also have the same approach with WTO, thereby, trade facilitation refers to the simplification, standardization, and harmonization of customs procedures and other administrative procedures for goods across the international borders (UNCTAD, 2006; APEC, 2007; ICC, 2007). Another definition by OECD is that Trade facilitation refers to policies and measures aimed at easing trade costs by improving efficiency at each stage of the international trade chain (Moisé et al, 2011). World Bank Group has been an active supporter of WTO's members to implement TFA with projects covering some issues such as: Trade infrastructure investments, especially along major routes; Logistics and transport services; Regional trade facilitation and trade corridors; Transit and multimodal transport; Customs and border management; Port efficiency. WB focuses trade facilitation at the border, behind the border and beyond.

In addition to definition given by some international organizations mentioned above, there are some definition by researchers. For example, Trade facilitation involves increasing the efficiency of trading processes. Trade facilitation involves making customs, transport, and banking and insurance (services and infrastructure) more efficient. Trade facilitation cannot simply be limited either to at-the-border or to customs control processes, since these two sets of processes are only two of a number of other processes (e.g., payment and logistics) that affect the efficiency of a trade transaction (Duval, 2007), or Trade facilitation measures can be undertaken along two dimensions: a "hard" dimension related to tangible infrastructure such as roads, ports, highways, telecommunications, as well as a "soft" dimension related to transparency, customs management, the business environment, and other institutional aspects that are intangible (Portugal-Perez and Wilson, 2012).

All in all, the definitions of trade facilitation have been approached in various ways from narrow definitions focusing on trade procedures

at the border to broad definitions focusing on trade procedures not only at the border but also behind the border and beyond, that may cover procedures relating to the entire supply chain. Some definitions are referred with soft dimension and hard dimension. In general, trade facilitation is the process of simplification, harmonization, standardization all procedures involving trade transactions across the border and other procedures involving starting a business, banking, transportation, insurance, etc in order to make trade flows among countries more smoothly, more quickly, and more efficiently.

Indicators of Trade facilitation. As mentioned above, trade facilitation can be defined narrowly or broadly. As a result, there have been various indicators developed in the last few years, such as indicators developed by WB, OECD, and ASEAN, APEC for the assessment of trade facilitation implementation in different countries. To assess trade facilitation policies in more than 160 economies across different income levels, geographical regions, and levels of development, OECD has developed a set of trade facilitation indicators (TFIs) based on provisions of the TFA as explained in table 1 below.

Table 1. OECD trade facilitation indicators

OECD TFIs	Explanation	TFA Article
A- Information Availability	Enquiry points; publication of trade information, including on Internet	<i>Article 1: Publication and availability of information</i>
B- Involvement of the Trade Community	Consultations with traders	<i>Article 2: Opportunity to comment, information before the entry into force, and consultations</i>
C- Advance Rulings	Prior statements by the administration to requesting traders concerning the classification, origin, valuation method, etc., applied to specific goods at the time of importation; the rules and process applied to such statements	<i>Article 3: Advance rulings</i>
D- Appeal Procedures	The possibility and modalities to appeal administrative decisions by border agencies	<i>Article 4: Procedures for appeal and review</i>
E- Fees and Charges	Disciplines on the fees and charges imposed on imports and exports	<i>Article 6: Disciplines on fees and charges imposed on or in connection with importation and exportations and penalties</i>

F- Formalities - Documents	Acceptance of copies, simplification of trade documents; harmonization in accordance with international standards	<i>Article 10:</i> Formalities connected with importation, exportation and transit
G- Formalities - Automation	Electronic exchange of data; use of risk management; automated border procedures	<i>Article 7:</i> Release and clearance of goods <i>Article 10:</i> Formalities connected with importation, exportation and transit
H- Formalities - Procedures	Streamlining of border controls; single submission points for all required documentation (single windows); post-clearance audits; authorized economic operators	<i>Article 7:</i> Release and clearance of goods <i>Article 10:</i> Formalities connected with importation, exportation and transit
I- Internal Co-operation	Control delegation to Customs authorities; co-operation between various border agencies of the country	<i>Article 8:</i> Border agency cooperation
J- External Co-operation	Co-operation with neighboring and third countries	<i>Article 8:</i> Border agency cooperation
K- Consularization	Information on consular transaction requirements	No corresponding provision in the TFA.
L- Governance and Impartiality	Customs structures and functions; accountability; ethics policy	<i>Article 5:</i> Other measures to enhance impartiality, non-discrimination and transparency
M- Transit fees and charges	Fees and charges for transit goods	<i>Article 11:</i> Freedom of transit
N- Transit formalities	Procedures, required forms and documents for transit goods	<i>Article 11:</i> Freedom of transit
O- Transit guarantee	The clarity, the amount and form of guarantee requirements	<i>Article 11:</i> Freedom of transit
P- Transit agreement and cooperation	Bilateral, regional or multilateral agreement and cooperation involved in transport, document required for transit goods	<i>Article 11:</i> Freedom of transit

Source: OECD (2015), WTO (2015)

The information used for the TFIs is collected from questionnaires to governments and the private sector. Each TFI area is composed by a set of

variables that are codified with 0, 1 or 2, where 2 reflects the best performance that can be achieved in the specified area. The OECD TFIs reflect the actual extent to which countries have introduced and implemented trade facilitation measures. Therefore, these indicators can help governments evaluate the impacts of trade facilitation measures on trade flows and trade costs, improve their border procedures, reduce trade costs, boost trade flows and reap greater benefits from international trade².

World Bank (WB) also develops Doing business indicators which is published in the annual Doing Business report. The report has been implemented continuously since 2003 as a reference source about the ease of doing business score and the ease of doing business ranking of over 100 economies. To date, the total number of economies ranked in this report is 190. Doing Business report provides quantitative indicators on regulation for starting a business, dealing with construction permits, getting electricity, registering property, getting credit, protecting minority investors, paying taxes, trading across borders, enforcing contracts, and resolving insolvency. The Doing business indicators present data on the ease of doing business score and the ease of doing business ranking of individual indicator. The economies that rank highest on the ease of doing business are not those where there is no regulation, but those where governments have managed to create rules that facilitate interactions in the marketplace without needlessly hindering the development of the private sector (WB, 2020).

Another set of indicators for assessing trade facilitation progress developed by WB is Logistics performance Index (LPIs). LPIs measures performance along the logistics supply chain within a country and offers two different perspectives: international and domestic. The components of the International LPI are: (i) The efficiency of customs and border management clearance (“Customs”); (ii) The quality of trade and transport infrastructure (Infrastructure”); (iii) The ease of arranging competitively priced shipments (Ease of arranging shipments”); (iv) The competence and quality of logistics services—trucking, forwarding, and customs brokerage (“Quality of logistics services”), (v) The ability to track and trace consignments (“Tracking and tracing”); (vi) The frequency with which shipments reach consignees within scheduled or expected delivery times (“Timeliness”)³.

2 <https://www.oecd.org/trade/topics/trade-facilitation/>

3 <https://lpi.worldbank.org/international>

World Economic Forum (WEF) also presents the annual report on the global competitiveness of over 100 countries by using Global Competitiveness Index (GCI). WEF uses “the border clearance efficiency” as a component of “product market” indicator. Therefore, the result of trade facilitation implementation is also reflected by the score and ranking of “border clearance efficiency” in WEF’s report.

Trade facilitation indicators are designed by different organizations with different perspectives as the definition of trade facilitation can be defined in different approaches. In the next parts, this paper will study mainly Vietnam’s commitment on Trade facilitation in WTO and Vietnam’s implementation progress based on TFA, especially Vietnam’s specialized inspection reform in terms of simplification and elimination of the procedures, data and documents requirements and administration involved in import transactions in recent years.

We can mention some related studies: Ming and Day (2019) chose five indicators of trade facilitation, including infrastructure, customs environment, e-commerce, policies environment and financial environment, to measure the degree of trade facilitation of ASEAN countries and used the Gravity model to empirically analyze the effect of trade facilitation of the ASEAN countries to trade between Vietnam - ASEAN. The study shows that trade facilitation profoundly affects Vietnam’s export and import flow. From systems the number of regressions of the variables, authors see the degree Trade facilitation of 9 ASEAN countries other (referred to as ASEAN countries) have an impact largest to Vietnam’s trade -ASEAN, for every 1% increase in trade facilitation trade of ASEAN countries will make trade Vietnam - ASEAN trade increased by 3.782%, exports imports increased by 4.498%, imports increased by 2.65%.

4.1.2. Benefits of trade facilitation for developing countries

OECD (2005), WTO (2015) and some other studies indicate that countries including developing countries and least developed countries can benefit from trade facilitation.

In general, governments, businesses and consumers may gain from the process of facilitating trade. Governments gain because efficient border procedures make them able to process more goods and improve control of fraud, thus increasing government revenue. Businesses gain because if they can deliver goods more quickly to their customers they are more competitive. And consumers gain because they are not paying the costs of lengthy border delays (OECD, 2005).

Trade facilitation implementation can help developing countries gain some benefits as follows:

1. Making legal environment become more transparent and more predictable, enhancing revenue collection and lowering trade related corruption. Policy cost is one of the main components of trade cost in developing countries, meanwhile trade costs in developing countries in 2010 were equivalent to applying a 219 per cent ad valorem tariff on international trade (WTO, 2015). It, therefore, is essential to increase the transparency and predictability of the rules and regulations, data and information, and procedures in developing countries. The more transparent a process is, the lower the compliance cost is. A more transparent system evidently creates better possibilities for fighting corruption, which is an intractable issue in many developing countries. Combined with the faster and more efficient Customs procedures these measures will greatly enhance the revenue collections at Customs, often one of the largest sources of income in many developing countries.
2. Administrative procedures, including international trade procedures are simplified, harmonized, and standardized in accordance with international regulations and commitments. Trade facilitation covers all activities facilitating trade, including simplification, harmonization, standardization the trade transactions across border. Trade facilitation is regulated in some regional agreements and in a multilateral agreement such as TFA in which two third members are developing countries. The implementation of FTA can help developing members streamline the procedures relating international goods transactions.
3. Trade transactions become more efficient due to reduction cost and time of transaction. If one takes the smallest estimate of a 9.6 per cent reduction in trade costs, this is equivalent to reducing the ad valorem equivalent of trade costs in developing countries by 21 percentage points (from 219 per cent to 198 per cent). Overall, the average trade cost reduction for all merchandise goods is 14.3 per cent, with the average decrease in trade costs for manufactured goods at 18 per cent, against 10.4 per cent for agricultural goods. Comparisons of the anticipated impact of TFA implementation on different income groups suggest that least-developed countries (LDCs) will see the biggest reduction in trade costs (16.73 per cent) (WTO, 2015). Hillberry and Zhang (2015) examine the effect of trade facilitation on the time required to import and export. They find that full implementation of the TFA has the potential to reduce time to import by over a day and a half (a 47 per cent reduction) and time to export by almost two days (a 91 per cent reduction), for WTO members. Hillberry

and Zhang (2015) also find that governance and automation are the most time-saving reforms. Governance, for example, accounts for 37 per cent of the reduction in the time to import. Automation is responsible for about 30 per cent of the reduction in time to import, which is understandable, since automation covers some of trade facilitation's key areas, such as the electronic exchange of documents and the application of risk management procedures.

4. Trade facilitation boosts international trade and FDI flows, increases GDP growth. Computable general equilibrium (CGE) simulations predict export gains from the TFA of between US\$ 750 billion and well over US\$ 1 trillion dollars per annum, depending on the implementation time-frame and coverage. Over the 2015-30 horizon, implementation of the TFA will add around 2.7 per cent per year to world export growth and more than half a per cent per year to world GDP growth. Developing countries have the most to gain from swift and full implementation of the TFA, as both exports and GDP growth will rise more than in developed countries. Implementing the TFA should create significant export diversification gains for developing countries, and particularly for LDCs. It should increase the opportunity for developing countries to participate in global value chains. (WTO, 2015). A number of recent studies have estimated the trade effects of trade facilitation, using gravity, CGE. Hufbauer and Schott (2013) estimate an increase in total merchandise exports of US\$ 1 trillion per annum, with developing countries' trade rising by US\$ 569 billion (a 9.9 per cent increase).

4.1.3. Difficulties for developing countries to implement trade facilitation

Although developing countries can gain some benefits from trade facilitation implementation, they can face some difficulties such as: institution and legal framework, costs for developing trade facilitation measures, labor resources and the cooperation between the government, relevant ministries and agencies, and businesses.

1. Institution and legal framework: the complex and overlapping legal framework or lacking of rules and regulations for developing trade facilitation measures are the difficulties of developing countries when they must implement international commitments on trade facilitation. There is no perfect trade facilitation program or regulations that can be applied in all countries. Based on the international agreement on trade facilitation and the individual development situation, each country may make or streamline the specific regulations for implementing trade facilitation measures. So, that

may be a challenge for developing countries to adapt the domestic laws to international laws.

2. Cost for developing trade facilitation measures: there are some types of trade facilitation cost, such as: Regulatory and legislative costs, Institutional and organizational costs. Human resources and training costs, Equipment and infrastructure costs, Operational and maintenance costs,... However, most developing countries that have implemented trade facilitation have seen the benefits exceed the costs (OECD, 2005).
3. Labor resources and the cooperation between the government, relevant ministries and agencies, and businesses. Sometimes, developing countries don't have people skilled and with good knowledge about trade facilitation, or people working in relevant agencies are not willing to change, to develop trade facilitation programs. Consequently, facilitating trade in developing countries may be taken slowly and long.

To make favor for developing countries to implement TFA, WTO allow such members to implement special and differential articles in TFA and to make the commitment under categories A, B or C.

5. Discussion and conclusion

5.1. Vietnam's commitments on trade facilitation in WTO

Vietnam has committed implementing trade facilitation in WTO TFA, TPP, EVFTA, AEC Blueprint 2015,... In this part, the paper introduces Vietnam's commitments on trade facilitation in WTO only.

The WTO trade facilitation Agreement has 3 sections with 24 articles, in which section II contains special and differential treatment (SDT) provisions that allow developing and least-developed countries (LDCs) to determine when they will implement individual provisions of the Agreement and to identify provisions that they will only be able to implement upon the receipt of technical assistance and support for capacity building. To benefit from SDT, a member must categorize each provision of the Agreement, and notify other WTO members of these categorizations in accordance with specific timelines outlined in the Agreement:

1. Category A: provisions that the member will implement by the time the Agreement enters into force (or in the case of a least-developed country within one year after entry into force)
2. Category B: provisions that the member will implement after a transitional period following the entry into force of the Agreement

3. Category C: provisions that the member will implement on a date after a transitional period following the entry into force of the Agreement and requiring the acquisition of assistance and support for capacity building.

For provisions designated as categories B and C, the member must provide dates for implementation of the provisions,

For Vietnam, Category A commitments were notified to the WTO in July 2014. Vietnam's Category A includes commitments on the implementation of some of TFA provisions such as Enquiry points, Notification, Consultations, Procedures for appeal and review, General and Specific disciplines on fees and charges, Acceptance of copies, Preshipment Inspection, Common border procedures, ... Category B consists of 14 commitments (publication, electronic payment, post clearance audit, use of international standard,...) and Category C includes 9 commitments (information available through internet, advance rulings, test procedures, risk management, border agency cooperation, single window,...). The date for implementation of Category B and C were notified to the WTO by the Vietnam Delegation to WTO on August 2, 2018⁴.

Therefore, adjusting and reforming specialized inspection procedures for imported goods is essential to implement the commitments in TFA, especially commitments on border agency cooperation and single window which must be finished by 2024, or post clearance audit which must be completed by 2021.

5.2. Current situation of trade facilitation implementation in Vietnam - reforms in specialized inspection procedures Vietnam's trade facilitation implementation

Vietnam became the 60th member of the TFA when the Vietnamese National Assembly approved the TFA in November 2015 by Resolution No. 108/2015/QH13.

Previously, the Vietnamese Government issued the Resolution No.19 on major tasks and solutions for improving the business environment and national competitiveness dated 18th March 2014. Pursuant to the resolution, the Ministry of Finance takes prime responsibility and collaborates with other ministries, agencies and localities to review and re-evaluate the applicable process and procedures for imports and exports; reduce the time to clear imports and exports for business targeting at the average of the ASEAN-6 group (it

4 <https://tfadatabase.org/members/viet-nam/measure-breakdown>

takes an average of 14 days to export and 13 days to import in the ASEAN-6 countries). In the next 4 years, Vietnamese Government issued the Resolution No 19 on ongoing implementation of major duties and measures to improve business environment and enhance of national competitiveness. One of main targets of the Resolution No 19/2018/NQ-CP is that 'Cut off at least 50% of the list of commodities and products subject to specialized inspections; robustly change the state management approach from mainly pre-inspection to mainly post-inspection; reduce the rate of imported shipment subject to specialized inspection carried out at the customs clearance checkpoint from 25 - 27% as currently reported to under 10%'. In 2019 and 2020, the Resolution No 02/NQ-CP on ongoing implementation of major duties and measures to improve business environment and enhance of national competitiveness was issued on the 1st January every year. The Resolution No 02 following the Resolution No 19 (2014-2018) is added some more targets, more duties and measures that are suitable with development situation in the new context of the 4.0 technology revolution. The Resolutions No 02/2019 and No 02/2020 confirm one of targets is "Raising ranking of the Trading Cross-Border Index by 10 - 15 steps in 2021; in 2019 by 3 to 5 steps", and one of the main duties and solutions is 'Continuing to carry out the comprehensive reform of specialized administration and inspection, and make connections to national or ASEAN single-window systems'.

On 13th October 2016, the Prime Minister issued Decision No. 1969/QĐ-TTg, approving plans to prepare and implement the TFA. In this decision, The Ministry of Finance is the national focal point for the implementation of TFA with several groups of tasks: Building a national e-portal to provide information related to trade policy and customs procedures; completing legal documents, efficiently improving procedures related to Single Window, customs automation, testing procedures, pre-arrival processing, risk management, and establishing and publishing the average release time; operating the National Steering Committee for the ASEAN Single Window and National Single Window which will help coordinate the agencies concerned in domestic and abroad. This Committee is commonly referred to as the National Trade Facilitation Committee established under the Prime Minister's Decision No. 1899 / QĐ-TTg on 04 October 2016. However, on the 4th June 2019, The PM has issued Decision No. 684/QĐ-TTg on amending and supplementing Decision No. 1899/QĐ-TTg on the establishment of the National Steering Committee on ASEAN single window, National Single Window and Trade facilitation.

Vietnam has also issued other legal documents and mobilized technical assistance to implement the TFA. After WB's support to build an e-commerce

portal to fulfill the TFA's transparency obligations, the Ministry of Finance (the General Department of Customs) has received proposals for technical assistance related to the implementation of the Agreement, such as: the United States Agency for International development (USAID) proposal to support the Trade Facilitation Program to reform, standardize, harmonize and simplify administrative procedures in accordance with TFA commitments, especially with an emphasis on import – export specialized inspection.

5.3. Vietnam's reforms in specialized inspection procedures

According to Decree No 85/2019/ND-CP on implementation of administrative procedures under national single window, ASEAN single window mechanism and specialized inspection of exported and imported goods, specialized inspection means that the specialized inspection agency shall consider, evaluate and determine the exported, imported or transmitted goods in accordance with the law provisions on technical regulations and standards. It is, therefore, necessary to reform the specialized inspection procedures to implement trade facilitation and to improve the "formalities procedures" indicator in OECD's TFIs, the "trading across borders" indicator in the WB's Doing Business report or improve the "efficiency of customs and border management clearance" indicator in WB's LPI report, as well as to enhance "the border clearance efficiency" as one of the components used by WEF to assess the global competitiveness of a country.

In order to implement trade facilitation, improve business environment and enhance national competitiveness, Vietnam has also amended and promulgated many other legal documents on specialized inspection. In November, 2015, Prime Minister Nguyen Tan Dung signed the Decision No 2026/QĐ-TTg approval for the plan for enhance of effectiveness of imports and exports specialized inspection. One of the specific tasks stated in the Decision is to reform specialized inspection methods in the direction of facilitating import and export activities, reducing costs, and shortening goods clearance time to less than 5 days in 2020. In September, 2019, Prime Minister Nguyen Xuan Phuc signed the Decision No. 1254 / QĐ-TTg approve the Action Plan to promote the National Single Window, ASEAN Single Window, specialized inspection reform and trade facilitation for the period of 2018-2020.

Simultaneously, there have been many other legal documents issued with the aim of reducing the list of goods subject to specialized inspection, changing inspection methods, applying risk management in inspection, changing the inspection time from pre-customs clearance to post-custom clearance for some

goods... Some outstanding documents such as Decision No. 37/2017/QĐ-TTg abolished Decision No. 50/2006/QĐ-TTg on quality inspection of goods, cutting off 114 items subject to specialized inspection; Decree No. 74/2018/NĐ-CP dated 15th May 2018 amending and supplementing of the Decree 132/2008/NĐ-CP providing specific guidance on enforcement of the Law on the Quality of Products and Goods, in which there's some renovation in products and goods quality inspection. Instead of submitting the results of state quality inspection of imported Group 2 products and goods (List of products and goods capable of causing unsafety) for customs clearance (pre customs clearance), The Decree No 74 divides 2 types of Group 2 goods to be inspected. For the group 2 products and goods imported, the state inspection of goods quality is carried out through the consider the importer's announcement of conformity, these goods must be inspected before customs clearance in the case of announcing the regulation conformity based on the results of certification, inspection by the certification body, the designated inspection organization. In case of announcing the regulation conformity based on results of self-assessment of the conformity of organizations and individuals or results of certification, assessment of certification organizations, registered inspection organizations or recognized in accordance with law the law, the Group 2 products and goods are inspected after customs clearance (post customs clearance). The importer submits a registration certified by the Approval Authority to the customs authority to obtain customs clearance. Circular No. 07/2017 / TT-BKHCN dated 16th June 2017 of the Ministry of Science and Technology cut more than 90% of goods subject to quality inspection before Customs clearance; Circular No. 23/2016 / TT-BCT dated 12th October, 2016 abolished Circular No. 37/2015 / TT-BCT dated 30th October 2015 of the Ministry of Industry and Trade regulating limits and inspection of content of formaldehyde and aromatic amines derived from azo colorants in textile products; Circular No. 18/2017 / TT-BCT dated 21st September 2017 of the Ministry of Industry and Trade abolished the quality inspection for more than 100 items of imported steels; and Decree No. 15/2018 / ND-CP dated 2nd February 2018 on food safety cut 95% of import shipments subject to State inspection on food safety ... Recently, the Decree 85/2019/ND-CP states that (i) Goods on the List of imported goods subject to specialized inspection before customs clearance to meet the requirements of goods management in each period and fall into one of the following abilities: high unsafety, spreading epidemics, harming human health and life, polluting the environment, affecting social morality, fine customs and practices, harming the economy and national security (Article 21.5); (ii) For goods on the list of imported

goods subject to specialized inspection after customs clearance, the ministries managing the concerned branches and domains shall organize the inspection of imported goods according to the provisions of law; inspection results are considered to adjust the List of imported goods subject to specialized inspection before customs clearance and assess the compliance level of organizations and individuals to decide the form and level of specialized inspection (Article 21.6).

On September 16, 2020, the Ministry of Finance submitted Report No. 164 / TTr-BTC to the Prime Minister for approval of the Project on Reforming the Model of Quality Inspection and Food Safety Inspection for Imported Goods. The goal of the new model is to cut time and facilitates businesses, improve competitiveness of the economy based on the substantive reform of specialized inspection.

Changes in legal documents regulating specialized inspection as mentioned above are the illustration of Vietnamese Government's Determination to shorten the list of Group 2 products and goods inspected before customs clearance, shorten the time of clearance for the imported goods, implement trade facilitation under Vietnam's international commitments.

5.4. Some assessment on Vietnam's business environment and national competitiveness, Vietnam's specialized inspection reforms, in recent years

The implementation of Vietnamese Government's Resolution No 19 /NQ-CP on improving the business environment and enhancing the national competitiveness of Vietnam has achieved encouraging results on business environment improvement and national competitiveness enhancement.

According to the annual Global competitive Report of World Economic Forum (WEF), Vietnam increased its ranking in terms of competitiveness index from 68th in 2014 to 55th in 2017. Since 2018, WEF applied the new method and introduced the Global Competitive Index 4.0 (GCI 4.0) based on a new set of factors affecting productivity in the context of the 4th Industrial Revolution. In 2019, Vietnam's GCI 4.0 reached 62/100 points, ranked 67th out of 141 countries and economies and ranked 6th out of 9 ASEAN countries. Compared to 2018, Vietnam's GCI increased by 4 points and 10 ranks (from 77th to 67th). In 2019, Singapore has the highest score in the world (85 points, ranked 1st), followed by Malaysia (75 points), Thailand (68 points), Indonesia (65 points), Brunei (63 points), Philippines (62 points), China (74 points), India (61 points). From the above results, in spite of following the ASEAN 6 countries, the score and ranking

of Vietnam are outstanding, significantly shortened compared to the group of ASEAN 4, China and India. The Vietnam's Global Competitiveness Index, which improved significantly in both scores and rankings, is an important result, reflecting a positive appreciation of the WEF and the international community on Vietnamese Government's efforts in improving business environment, improving economic institutions, reforming regulations including Non tariff regulations, customs procedures, and specialized inspection. However, the border clearance efficiency score of Vietnam in 2018 and 2019 remains 48.8 and ranking 42th.

The annual Doing Business Report of World Bank shows that Vietnam has been continuously improved the quality of business environment, thus, shortening time, reducing costs and risks for businesses. Over the last five years (2015-2019), Vietnam increased the Doing Business score by 34.7 points (from 35.1 points in 2015 to 69.8 points in 2019) and 20 ranks (from 90th in 2015 to 70th in 2019), ranked the 5th in ASEAN region, after Singapore (ranked 1st), Malaysia (ranked 12th), Thailand (ranked 21st), Brunei (ranked 68th). This remarkable result is due to the score and rank increase of 4 Doing business indexes such as Starting a business, Getting credit, Enforcing contract, Resolving insolvency. However, there are still 4 indexes decreasing in the last 5 years of which Trading across border index increased 3.68 points but decreased by 5 ranks that didn't reach the target of the Resolution No 02/2019 as mentioned. Not only assessing Trading across border indicator by score and ranking, WB also collect data of time and cost for customs compliance of countries as a result of trade facilitation implementation relating to trading across border.

Figure 1 below shows the time and cost to make customs clearance and inspection procedures for exports and imports in Vietnam higher than those in Singapore, Malaysia and Thailand. On the average, cost to import is 373 USD, higher the cost to export by 83 USD; time to export and import in Vietnam is 55 and 56 hours equivalently, decreased by 449 hours in time to export and 448 hours in time to import compared to 2013.

The results of Vietnam's trade facilitation implementation is partly reflected not only in the annual Doing Business Report of WB, but also in WB's LPI Report (once per 2 years). Compared with 2016, Vietnam's LPI ranking in 2018 increased sharply (25 ranks), from 64th to 39th with 6/6 indicators have outstanding improvement. Vietnam ranked 3rd country in ASEAN, after Singapore and Thailand). The highest increase was Tracking and tracing shipments (ranked 34, increased by 41 ranks) and Logistics competence (ranked 33, increased by 29 ranks). Customs ranked 41st (increased by 23 ranks); Infrastructure ranked

47th (increased by 23 ranks), Timeliness ranked 40 (increased by 16 ranks); and International shipments ranked 49 (increased by 1 rank).

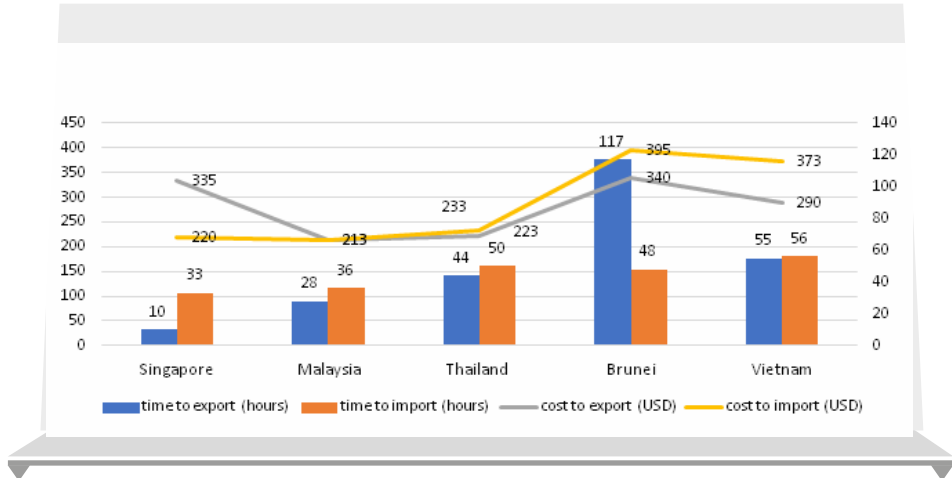


Figure 1. Time and cost for customs clearance and inspection procedures in some ASEAN countries in 2019

Source: <https://www.doingbusiness.org/en/data/exploretopics/trading-across-borders>

Besides, the progress of trade facilitation implementation under WTO's TFA of Vietnam assessed by OECD's TFIs is shown in figure 2 below.

According to OECD's assessment, Vietnam is closest to the best performance across the sample as regards: information availability, advance rulings, appeal procedures, fees and charges, streamlining of procedures. Performance has improved between 2017 and 2019 in the areas of: involvement of trade community, advance rulings, appeal procedures, fees and charges, simplification and harmonization of documents, streamlining of procedures, cross-border agency co-operation. Performance in the other areas remains stable.

In terms of specialized inspection, Vietnam has had both successes and shortcomings. Specialized inspection procedures for imported goods have been greatly reformed since the Government issued Decree No. 74/2018/ND-CP. According to statistics of Vietnam General Department of Customs, in the last 5 years, the ministries and sectors cut 12,600 items subject to specialized inspection (from 82,698 items in 2015 to 70,087 items in the first half of 2019), accounting for

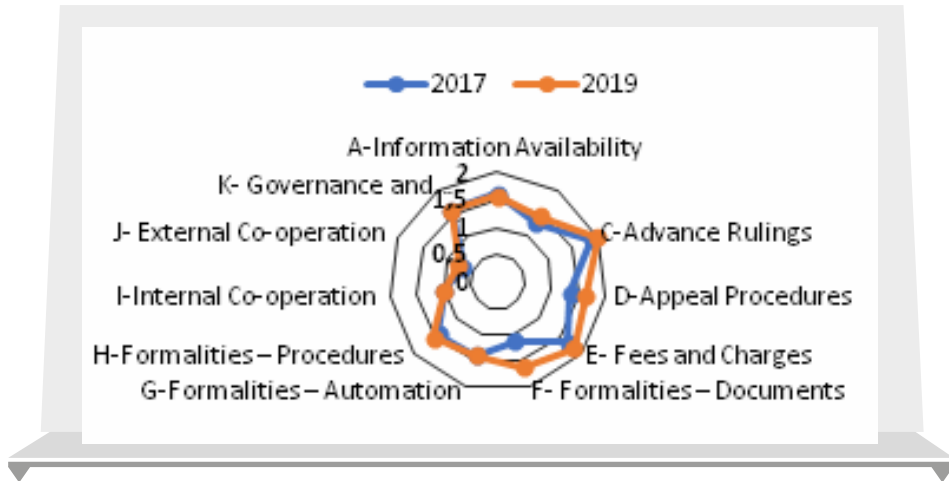


Figure 2. Vietnam's trade facilitation indicators based on TFA

Source: <https://www1.compareyourcountry.org/trade-facilitation/en/1/default/VNM/default>, accessed on 10th October 2020

15.24% of the total items subject to specialized inspection, under the target of the Resolution 19/2018. Most of imported goods subject to specialized inspection have been transferred from pre-clearance inspection (pre-check) to post-clearance inspection (post-check). Many quality control procedures have been implemented on the National Single Window, that helps simplify procedures, shorten the time due to application submission and payment. If the results are done on the electronic system, enterprises can save time to travel between quality inspection agencies and customs offices. Although specialized inspection has been reformed and highly appreciated by the business community, there are still some shortcomings as follows:

1. Currently, the ministries have mainly changed goods in the list of group 2 from pre-customs clearance inspection to post-customs clearance inspection. This provision creates favorable conditions for enterprises but is not consistent with the provisions of the Law on Quality of products and goods (Clause 4, Article 34) that are group-2 imported goods subject to quality inspection upon import.
2. There are still over 70,000 items subject to specialized inspection.
3. Quality inspection applied to each shipment of each importer may waste time and money.

4. The mutual recognition of inspection results has not been applied. The quality inspection certificate of goods originating from developed countries in terms of technology, goods produced from modern, high-tech production facilities or famous brands has not been recognized.
5. Many ministries have transferred goods mainly from pre-clearance inspection to post-clearance inspection, but still require to submit to customs offices a quality inspection registration certified by the inspecting agency for customs clearance. Such provisions give rise to unnecessary administrative procedures in the process of clearing goods.
6. There is still overlap in quality control.
7. The risk management method has not been widely applied and the IT application to receive and handle dossiers and exchange data on specialized inspection has not been accelerated, database for information analysis and risk assessment of importers and exporters has not been completely established.

6. Conclusion

The implementation of Vietnam's international commitment on trade facilitation in WTO, ASEAN... has made Vietnam's business environment change positively and remarkably. Meanwhile, reforms of specialized inspection has also contributed to the achievements of trade facilitation, business environment improvement and national competitiveness enhancement. In order to continue to implement fully international commitments on trade facilitation, better improve the business environment and enhance national competitiveness, Vietnam needs to make efforts continuously to reform substantially and comprehensively institutions and procedures on specialized inspections.

Some recommendations for Vietnam to reform specialized inspection procedures in order to facilitate trade, improve business environment and enhance national competitiveness

Some suggestions on reforming specialized inspections should be as follows:

1. The Government should approve the project on Reforming the Model of Quality Inspection and Food Safety Inspection for Imported Goods submitted by the Ministry of Finance under the Report No. 164 / TTr-BTC in September, 2020.
2. The Government should issue a Decree regulating the mode, order and procedures for quality inspection and food safety inspection of imported goods in place of provisions on quality inspection and food safety inspection for imported goods in current relevant decrees.

3. The Government continue to direct and urge the ministries to simplify the specialized inspection procedures, change quickly the inspection methods from pre-clearance inspection to post-clearance inspection based on risk management.
4. The information technology system must be upgraded and supplemented with a number of functions in order to automatically decide the subject of exemption or reduction; connect and share information among state management agencies for import activities; fully and publicly announce the relevant administrative procedures on the website of the specialized ministry; integrate specialized inspection management and the automatic customs clearance system with the national single-window portal.
5. Improving the customs authority's capacity to inspect quality and inspect food safety for imported goods and the performance of designated conformity assessment bodies.
6. Developing communication activities to individuals and businesses about the legal documents and help them improve their accountability for law enforcement.

Abstract

Reforming specialized inspection procedures to improve business environment in Vietnam for trade facilitation implementation

our study aims to analyze and assess the process of reforming the specialized inspection procedures in Vietnam which is included in Vietnam's trade facilitation implementation program, and suggesting some recommendations for Vietnam to do the reform to improve business environment and enhance Vietnam's national competitiveness. By synthesizing and analyzing secondary data from creditable sources such as World Bank, UNESCAPE, UNCTAD, WTO, VCCI, General Department of Vietnam Customs, as well as interviewing officials from Ministry of Industry and Trade of Socialist Republic of Vietnam, etc.

Ha and Lan (2021) stated Economic regulatory reform in Vietnam started in the early 1990s and accelerated when the country shifted its focus to economic integration policy by acceding to the World Trade Organization (WTO) in 1995 and engaging in regional free trade agreements in the Association of Southeast Asian Nations (ASEAN). After analyzing and assessing the real situation of Vietnam's trade facilitation and specialized inspection

reforms, this paper would like to suggest some recommendations to continuously implement specialized inspection reforms, implement trade facilitation, improve Vietnam's business environment and enhance Vietnam's national competitiveness.

Key words: *Vietnam, trade facilitation, specialized inspection, national competitiveness, business environment.*

JEL: F50, F62, F63, M21

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