

Implementation of the WTO Agreement on Customs Valuation in Vietnam : Trade Integration and Local Compliance at Da Nang Port

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Abstract

WTO customs valuation under the Customs Valuation Agreement (CVA) contained in GATT 1994 is very recent in Vietnam and is now getting more detailed scrutiny and implementations via revised procedures and regulations. The Customs Valuation Agreement lays strong foundation for enhancing global trade relations. Vietnam implemented the WTO Customs Valuation Agreement through the 2007 Customs Law and related regulations, which improvised the customs valuation process. Apart from being highly positive, U.S. exporters cited various issues with regard to its inefficiency, unclear policies, and corruption. The objective of this research paper was to provide a detailed overview of the impact of the Customs Valuation Agreement (CVA) on trade policy in Vietnam and to evaluate the impact of CVA on trade integration. In this research paper, we presented a detailed analysis of the study conducted at the Port of Da Nang to evaluate the Customs Valuation Agreement. The study conducted proved that the CVA policy still has certain limitations and requires revisions. The paper also recommended certain points regarding improvements towards the CVA policy to make it preferable towards international trading in Vietnam.

Key words : customs valuation, GATT/WTO, Vietnam, customs tariff, transaction price, import and export tax, laws and policies, international agreements and commitments

JEL Classification : B17, F13, F18, O24, P33, Q27

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Vietnam joined the World Trade Organization (WTO) (World Trade Organization, 2018) as the 150th member in the world on November 7, 2006. This is regarded as an important milestone in the country's trade history after a tiring process of more than 11 years to be integrated into international trade. In the trade integration process, customs principles and calculation methods for custom tariffs need to conform to international commitments. From 2004, Vietnam prepared and implemented a new method to determine effective customs duties for import goods compatible with the WTO Customs Valuation Agreement (Agreement on Implementation of Article VII of General Agreement on Tariff and Trade – GATT). This method is known as GATT valuation, which is based on the actual value of imports.

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According to Auffret (2003), in order to calculate import - export tax, customs offices in many countries in the past utilized the following three methods: (a) tax based on percentage of goods' value (for example, the tax rate of 10% of merchandise price stated on commercial contracts); (b) tax based on quantity - weight, volume, or quantity of goods (For example, U.S. \$ 10 per kg or per litre); (c) hybrid method (a combination of method (a) and (b)). The second method is considered inaccurate while the third method is too complicated. Heavy items may suffer heavy tax, but its weight does not necessarily tell how much the item is valuable. Among the three methods, the first one is considered the most convenient and fair method (Doanh & Heo, 2007). Tax paid for inexpensive goods should be less as compared to the tax paid for more valuable goods. This approach also enables trading enterprises to easily calculate tax rate and determine profit or loss out of it. The method also makes it easy for the state to estimate tax revenues by calculating the total value of export and import goods.

Most countries nowadays calculate the value of goods based on the following formula :

$$\text{Total payable tax (1)} = \text{Good's value (2)} \times \text{tax rate (3)}.$$

According to this formula, the amount of tax paid depends on variation of both factors (2) and (3). Conflict of interest, nevertheless, may arise because of different interpretations of terms by custom authorities or the state and taxpayers, particularly when the state decides the value of goods and at the same time sets the tax rate. This is known as “impose tax” as the payable taxation amount is totally dependent on the state. Before 2014, the state monopolized trade and implemented impose tax on the system of controlled customs tariffs as stated in Table 1. Accordingly, tax duty is based on a table of minimum value, in which the state predetermines ceiling prices for all goods and services regardless of enterprises or trading time.

On the one hand, impose tax has several advantages. First, the state is active in collecting its necessary income from tax, avoiding tax fraud and can guarantee its budget. Secondly, the method is effective in preventing dumping, which contributes to protecting domestic industries and manufacturing. On the other hand, the method exposes rigid regulations where the ceiling prices hardly reflect market prices. Imported goods with different quality ranks are classified in a same price category if they have the same name or are of the same type. This undermines fair competition among importers. In addition, importers may take advantage of the ceiling prices and use them as contract prices even though imported goods have higher commercial prices. In this sense, the state may collect less tax as compared to actual tax.

Research Objectives

The objectives behind the development of this research paper are as follows :

- (1) To analyze the pros and cons of implementing new methods for custom valuations and compare it with previous existing methods before Vietnam joined WTO.
- (2) To study the possible impacts of the WTO Customs Valuation Agreement on trade policy and tax legislation in Vietnam.
- (3) To analyze the process of trade integration in Vietnam in general.
- (4) To study and evaluate the implementation of the WTO Customs Valuation Agreement at Da Nang Port.

Existing and Revised Tax Legislation System in Vietnam to Comply with Customs Valuation Agreement (CVA)

According to Rosenow and O'Shea (2010), CVA aims at a fair and neutral system for the valuation of goods and services. The system is updated to realistic business practices and eliminates arbitrary or fictitious customs values. The CVA provides a set of valuation rules, which are precise with the provisions of customs valuation in the original GATT. Therefore, the CVA is also known as the Agreement on Implementation of Article VII - GATT 1994. According to the Agreement, the value of imported goods is calculated as follows :

$$\text{Customs value} = \text{Transaction value} = (\text{Actual paid price or will be paid price} \pm \text{Other adjustments})$$

According to this formula, taxable price is a key factor determining the amount of paid tax. The main purpose of the agreement is to protect honest importers and exporters by asking customs authorities to accept the contract price as taxable value. The contract price is the price an importer actually pays in a specific business transaction. In addition, another main purpose of the agreement is to create a legal basis for the true value of imported and exported goods. In this sense, the taxable amount is precisely calculated and accepted by both custom authorities and enterprises. Having transparency and accuracy as basic principles, the agreement ensures the value of goods and services to be near to their actual value as much as possible. In short, the agreement's content establishes a system of valuation methods in which the dutiable value of goods and services is identified and calculated on the basis of transaction price.

For the Vietnamese import - export companies and their trading partners, this is a “revolutionary” agreement. Prior to 2004, an importer had to rely on customs authorities to determine the value of a shipment. The paid tax was also relied upon to know whether the importer could provide sufficient documents about the shipment value. However, now, the right to determine paid tax for the shipment is almost transferred from customs authorities to entrepreneurs.

The new valuation method brings many benefits to commercial enterprises, enlisted as follows :

- ✧ First, the commercial enterprises only have to pay the tax based on the prices they have paid for import goods. This is very different from the amount calculated by using the imposing tax method as mentioned above.
- ✧ Second, with an open and transparent calculation system, entrepreneurs can actively make plans and calculate the payable tax for commercial commodities without being afraid of the changes in tax policy.
- ✧ Third, the taxable value is fixed and the payment procedure is simplified.

As a result, customs authorities release goods quickly, importers can do business efficiently, and thus, capital circulates faster. Furthermore, enterprises can claim their legal rights and ask for tax revision if there is a discrepancy between the actual tax value and the paid tax according to 'customs' decisions. Last but not least, an implementation of the CVA also helps customs authorities to ensure budget revenue, minimize risks arising from contract discrepancy and post auditing clearance, improve internal quality, and adapt rapidly towards a modern business world.

In order to prepare for joining the WTO, Vietnam established a research team to study the CVA's dutiable value of imported and exported goods and to find ways in order to implement customs valuation in accordance with the agreement (General Department of Vietnam Customs, Government of Vietnam, 1999). Two years later, the General Department of Vietnam Customs began a pilot program for experimenting new customs valuation methods. One year after the experiment was initiated by Vietnam Customs, the government issued Decree No.

60/2002/ND-CP (Ministry of Trade, Government of Vietnam, 2012), which clarified how to determine dutiable value for import goods on the CVA's principles.

According to this document, importing goods from ASEAN members would receive equal treatment under the Agreement on the Common Effective Preferential Tariff (CEPT). CEPT has to follow new custom valuation methods since then. In practice, the new regulations in 2002 were only applied to goods and services that came to Vietnam from ASEAN member countries. Not until 2004 were the new customs valuation methods officially applied to import goods from countries that have bilateral trade agreements with Vietnam (almost 56 countries).

In 2005, the government replaced Decree No. 60/2002/ND-CP by Decree 155/2005/ND-CP (Ministry of Finance, Government of Vietnam, 2005), which asked import goods by FDI and trading enterprises to comply with the CVA. In addition, Decree 155 released the country's reserving right in Decree 60. Two years later, the government issued Decree 40/2007/ND - CP (Ministry of Finance, Government of Vietnam, 2007), replacing Decree 155 and Ministry of Finance issued Circular 40/2008/TT-BTC (Ministry of Finance, Government of Vietnam, 2008) one year after in order to give guidance for the implementation of Decree 40/2007/ND-CP (Ministry of Justice, Government of Vietnam, 2007). The detailed information can be observed from the Table 1. The Circular 40/2008/TT-BTC stipulated the customs value for statistical purposes and applied the new calculating methods for all goods and services that are exported to or imported from CVA members. However, there are still some limitations with regard to not fully implementing the principles of determining the dutiable value of imported goods in the spirit of the CVA for imported goods.

In Vietnam, before the issuance of Circular 40/2008/TT-BTC (Ministry of Finance, Government of

Table 1. Legislation Law About Customs Valuation in Vietnam Before and After Joining the Customs Valuation Agreement

Time	Issuing Authority	Legislation Roadmap	Reserving Rights and Limitations
1999	General Department of Vietnam Customs	Establishing a research team to study CVA.	--
2001	General Department of Vietnam Customs	Experimenting new customs valuation methods.	Using the reserving right for nations which are not WTO members.
2002	Vietnamese Government	Decree 60/2002/ND -CP - officially implementing CVA for import and export goods to and from ASEAN countries.	Vietnam has reserved two methods, namely, the method of determining deductible value and computed value method as of December 31, 2005, and still utilizes the minimum valuation method.
2005	Vietnamese Government	Decree 155/2005/ND-CP - implementing CVA methods to goods and services imported by FDI and commercial enterprises.	<p>Drawing back the reserving right in Decree 60/2002/ND-CP. Deregulating of reservations is provided in Decree 60.</p> <p>However, there are still some restrictions on regulations.</p> <p>Some restrictions observed are as follows:</p> <p>ACV shall not be applied to goods imported without commercial contracts or goods after importation but for use purposes, such goods must be retrospectively collected.</p> <p>Non-commercial goods and goods not subject to import quotas across the border of two adjacent countries. For import of these kinds of goods, there are separate mechanisms for customs valuation and basically drop the minimum valuation</p>

			method and the mechanisms for determining dutiable values at the discretion of the customs authorities.
2007	Vietnamese Government	Decree 40/2007/ND-CP - implementing CVA methods to imported and exported goods under commercial contracts originated from CVA members.	Fully apply the ACV method, except for some goods such as used cars (absolute tax), goods that have been exempted from tax. The taxable price of these goods must be calculated on the basis of the time of use of such goods in Vietnam after importing.
		Circular No. 40/2008/TT-BTC - giving guidance to Decree 40/2007/ND-CP, consultation and stipulating customs valuation of imported and exported goods, dutiable value, rights and duties of declarants, responsibilities of customs offices.	Circular 40 stipulates that the period of customs clearance is 30 days (calendar day) from the date of customs declaration, which is not consistent with the ACV Agreement and Decree 40 / CP. The ACV Agreement provides that identical or similar goods may be obtained in the same manner as the goods to be assessed for a period of 60 days from the date of opening of the customs declaration for the imported consignments. In case of complexity, it can be extended to 90 days. Thus, if the data is available after the 30th day (from the 31st day) that the customs office has determined the value of the goods (or accepts the value), it does not conform to the provisions of the AC.
2010	Ministry of Finance	Circular No. 205/2010/TT-BTC - supplementing stipulations over similar and alike goods and services.	Applying CVA methods to all import goods except for old imported cars.
2014	Ministry of Finance	Circular No. 39/2015/TT-BTC	Applying CVA methods to all imported and exported goods.
2015	Ministry of Finance	Circular No. 29 /2014/TT-BTC	Supplementing stipulations over custom valuation in advance.

Source: From "Legal Documents," by Government of Vietnam, Vietnam Customs, 2018 (<https://www.customs.gov.vn/Lists/EnglishDocuments/Default.aspx?language=en-US>). In the public domain.

Vietnam, 2008), there were still some limitations in customs valuation, which are as follows :

There are two methods of determination of dutiable value :

- (i) ACV method of determination of taxable price for the goods imported from countries which have signed an agreement with Vietnam on the implementation of customs valuation under ACV.
- (ii) National method for determining the dutiable value of goods imported from countries which have not yet signed with Vietnam on the implementation thereof.

In addition to the above, there are some other imported goods without commercial contracts, used goods, and goods used for conversion purposes. After the promulgation of Circular 40/2008/TT- BTC, it is still in parallel with the two valuation methods described above, but the method of applying the ACV has been extended to imported goods of all countries, regardless of origin and most of the goods are imported into Vietnam. The

national method of determining dutiable value is the only method used to determine the taxable price for a number of narrow goods of the state-imposed nature, such as used cars (absolute tax), goods if those have been exempted from tax and then changed their use purposes, the taxable price of the actual purchase and sale shall not be applied but based on the time of use of such goods in Vietnam.

Four years after joining WTO, Vietnam continued to complete its legislative system and the Ministry of Finance issued Circular 205/2010/TT-BTC (Ministry of Finance, Government of Vietnam, 2010) in order to replace Circular 40/2008/TT-BTC (Ministry of Finance, Government of Vietnam, 2008). The Circular 205 applied all CVA's principles for all imported goods, including commercial types and used commodities (except for old imported cars).

In 2014 and 2015, the Ministry of Finance also issued two continuous circulars: Circular 29/2014/TT-BTC and Circular 39/2015/TT-BTC (Ministry of Finance, Government of Vietnam, 2015), which applies fully to all principles of CVA to all imported and exported goods from and to all member countries. Enterprises, in addition, are allowed to request customs authorities to do custom valuation in advance from then on.

Summing up, the WTO Customs Valuation Agreement has set up important criteria for customs practices in Vietnam. With CVA, Vietnam has created an updated system for calculating payable tax, determining dutiable value, assuring fairness, and at the same time, national budget has been improvised as Vietnam joined WTO. Except for some profit seekers, who still declare inaccurate value for their imported good, most enterprises comply with the new laws and regulations. Thus, in order to further prevent inaccurate declarations and to implement CVA effectively, the Vietnamese government has continuously improved the country's legislation with regards to export and import tax as well as the national customs practices.

Customs Valuation Agreement (CVA) in Vietnam

(1) Impact of Customs Valuation Agreement (CVA) on Vietnam's Trade Policy : Like other WTO members, Vietnam has to fulfil its commitments about trade integration and has to meet the CVA's requirements about custom calculation methods and valuation practices. After 10 years, since the country officially implemented CVA, Vietnam has adjusted the tax legislation system according to CVA's principles and has fulfilled most of its commitments. According to the CVA's principles, equal treatment is required for all imported goods, including used goods. Vietnam has applied CVA's methods to all old items, including ones without sale contracts, except for used cars, which are taxed based on the absolute method nowadays. In addition to this, according to Article 10 of CVA, information declared from enterprises is kept highly confidential and secured by customs authorities. However, leakage can happen due to lack of regulations about the responsibility of customs authorities in keeping information confidential during declaration and saving information. Notably, customs officials are allowed to require all information about import goods and contracts during a consultation; however, there are no regulations regarding confidential responsibilities after consultation. Thus, enterprises who declare honestly have the risk of leaking information, losing business secrets, and suffer possible damages in both financial status and business reputation.

Vietnam has complied with all applicable rules, including the six valuation methods. However, the computed method of valuation (Method 5) is still not put into practice. One of the main reasons is that information needed to apply this method is limited, in addition to that, the method is not feasible. In order to determine the declaration value, this method requires data of production costs at exporting countries for import goods. The Customs Authorities in Vietnam, nevertheless, have no capacity to gather or cross check the information. Similarly, information needed to check in declaration of taxable value is also very limited and relies on declarer's information. The data system - GTT22 - provided by Vietnam Customs is an essential tool to do the valuation nowadays. However, its design is monotonous and users (local customs) have to update data using records from

enterprises that have declared. Vietnam's Customs Authority needs to update the database at regular intervals, otherwise it may lead to some inconsistencies and errors in operations.

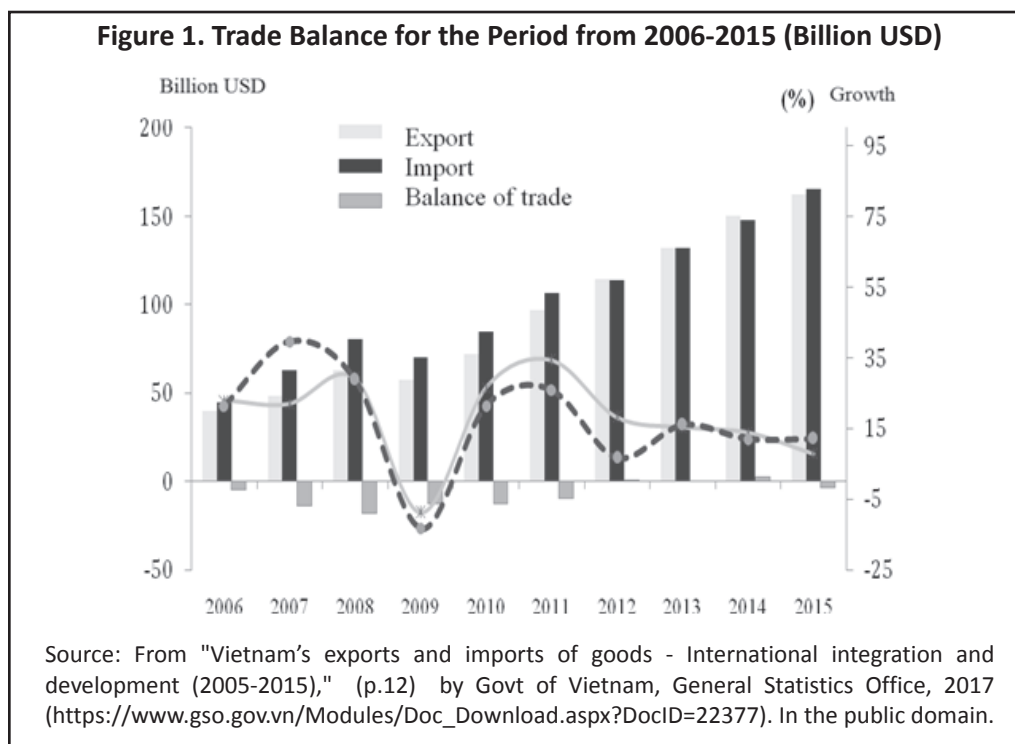
So far, most enterprises comply with the regulations, master methods of determining correct prices, declare correct values for their import and export goods (Alemu & Lee, 2014). Errors in calculating the customs value are declining. However, trade fraud and tax evasion via incorrect pricing of goods are still prevalent. Some enterprises take advantage of CVA regulations in order to manipulate the clearing procedures. The most common fraud is to declare lower taxable values than the actual prices. For example, Hyundai Tucson IX35 cars (100% new, capacity 3,800 cc, automatic transmission, produced in 2010 from Taiwan) were declared at a value of \$7,000/unit at the Da Nang Port. However, the actual price range was \$12,000/unit. Hyundai Veracruz cars (3.8 litre capacity, 7 seats, automatic, produced in 2009 from Korea) were valued at \$26,500/unit, but some enterprises declared the value at only \$22,000. Fraud happens not only to cars, but also to other sensitive goods (the goods are very affected by the market, prices, and consumers), which are also declared at very low prices as compared to actual prices. In another instance, Frozen Scad fish, for example, was declared at \$ 0.38/1 kg, which is less than one-third of its market price of \$1.38/1 kg.

The annual state budget mainly comprises of three main sources: import and export taxes (25%), exporting crude oil (25%), and domestic revenue (50%). The state budget and tax revenue in Vietnam got reduced due to the

Table 2. Import Tax Collection, Period 2006-2015 (Billion VND)

Year	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Import- export tax	42.825	74.000	121.000	130.000	181.000	213.000	197.850	221.433	251.500	261.772
The increase over the same period last year	12,3%	21%	42,2%	3,4%	25,3 %	17,4%	- 9%	12%	13,58%	4,1%

Source: Govt of Vietnam, General Statistics Office. (2017).



participation of WTO, CVA compliance, and reduction of customs tariffs. In fact, after implementing the CVA, collected import tax increased with an average rate of 21% annually as demonstrated in Table 2. The Figure 1 also shows the actual import and export turnover in Vietnam.

Accordingly, the direct effect of cutting tariffs will reduce revenues by about 10% of total tax revenues from import - export operations. According to calculations, about 5 years after WTO accession, tariffs will decrease by about U.S. \$ 9 million, equivalent to VND 4,800 billion, or about VND 1,000 billion per year (equivalent to 6%-10% of annual import tax). In addition, along with the entry into free trade area agreements, import tariffs will continue to reduce and affect the budget. So, before joining the WTO, there was a lot of discussion that revenue from the import tax will be greatly reduced if the tariffs under the WTO commitments are reduced. One of the concerns of regulators is that taxpayers are entitled to declare the value of imported goods on the basis that they do not take advantage of the opportunity to declare goods for profit. However, in fact, after joining the WTO and fully implementing valuation methods in the spirit of the ACV Agreement, import taxes have increased 21% on an average as observed in Table 3. This results in a reversal of the budget calculations with the expected reduction in import and export taxes.

(2) Implementation of Customs Valuation Agreement (CVA) in Vietnam : Implementation of CVA has had positive effects on trade integration in Vietnam on several aspects, as mentioned below :

↳ First, the legislation law about customs valuation was improvised. The issuance of new laws and revised laws had a positive impact on tax revenue and the state budget. The laws include the law on export tax, import tax, customs law, law on tax management, other decrees and circulars.

↳ Second, General Department of Vietnam Customs, the main office that implemented CVA, had issued many internal letters in order to give guidance to local customs authorities about applying new requirements in customs valuation and tax collection in accordance with CVA and WTO.

Table 3. Added Tax Revenue After Post Clearance Auditing in Period 2005-2017

(Unit: Billion Vietnamese Dong = VND)

Year	Cases of Post Clearance Auditing	Successful Cases of Post Clearance Auditing	Percent of Successful Post Clearance Auditing	Adjusted Tax After Auditing (billion VND)
2005	7,634	1,374	18%	20,000
2006	11,769	1,530	13%	118,50
2007	14,593	3,356	23%	268,12
2008	24,840	6,955	29%	463,52
2009	29,453	9,425	32%	504,94
2010	32,881	12,335	37%	525,76
2011	30,592	12,150	39%	536,24
2012	33,150	13,923	42%	754,53
2013	36,360	14,544	40%	927,15
2014	3,412	Not count for	No comparison	1,096 ,00
2015	4,300	As above	As above	2,200,00
2016	1,408	As above	As above	3.503,00
2017	8,987	As above	As above	2,231,50

Source: Govt of Vietnam, General Statistics Office. (2017).

✎ The Vietnam Customs Department also implemented active measures to determine the taxable value such as auditing after customs clearance, supervising customs offices, inspecting commercial enterprises' offices, and so on.

✎ Vietnam Customs discover smuggling and trade frauds every year and has detected hundreds of Vietnamese billions loss in tax revenue due to trade frauds (Table 3).

Study Conducted Regarding CVA Implementation at the Port of Da Nang

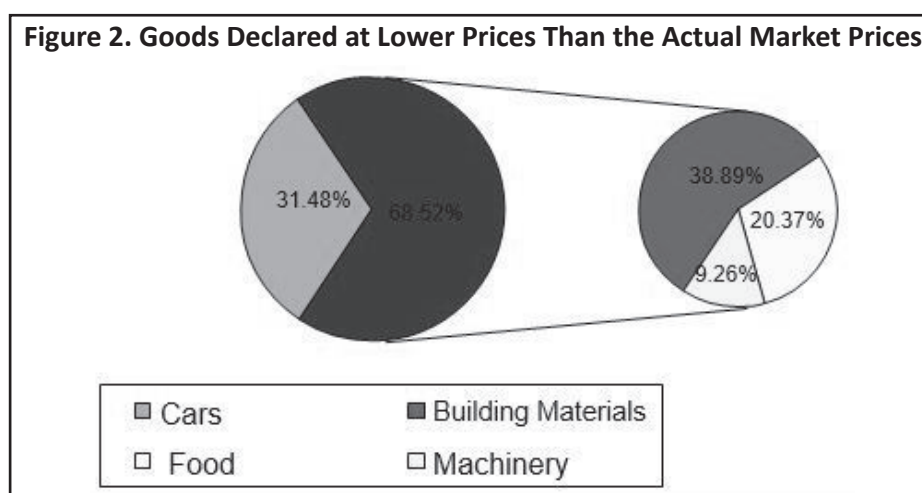
(1) Methodology: The study was conducted on the basis of qualitative analysis, making use of both primary and secondary data from the period from 2007- 2017. A systematic study was carried out on the basis of documents related to international trade, WTO principles, tax legislation, and custom valuation in practice in Vietnam. In addition, comparative analysis methods were applied to identify the discrepancy between the Vietnamese law compliance process and CVA laws and regulations. To perform research at the Da Nang Port, the survey and investigation method was utilized to explore how customs authorities determined the dutiable value of imported goods as well as how they inspected importers' declarations. All above come under primary data collection on the basis of valuation fraud, trends of tax fraud, and characteristics of tax invaded goods.

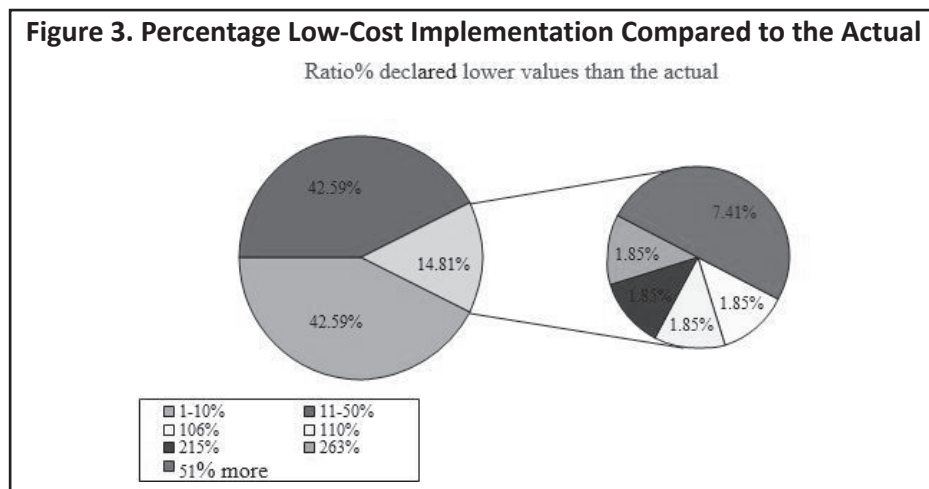
(2) Survey Design

✎ **Interview Method :** 8 customs officers.

✎ **Inspection Method :** Inspection of 54 dossiers of shipment of importers continuous in the last 7 months to explore their methodology in identifying tax fraud at Da Nang Port.

(3) Analysis and Results : According to a survey in 2017 at the Department of Da Nang Customs, post clearance auditing was conducted throughout the year, and in the first 7 months of 2017 at Da Nang Port, the Department discovered 54 cases in which enterprises had declared lower value than actual market value of their imported goods and services (Figure 2). Among these 54 cases, 17 shipments (31.48% of the total cases) were imported cars and 37 shipments were machinery, equipment, materials, food, and other commodities. To compare with market prices, 23 cases (42% of the discovered trade frauds) were 1% -10% lower than the market value, 23 cases (42%)





were 11% - 50% lower than the market value, and 8 cases (16%) were 51% or lower than the market value (Figure 3). By examining the declared value of enterprises, the Da Nang Customs held a consultation and rejected the shipments that had declared unreasonable low values. Some of these rejected shipments had a value that was 3.6 times less than the transaction price, and some of these shipments were sensitive import items, such as automobiles, motorcycles, etc.

Discussion

Since Vietnam joined the WTO, the country is out of time to reserve a minimum content of the Agreement on Customs Valuation, including incentives for developing countries. On the other hand, research results demonstrate that the implementation of the Agreement on Customs Valuation, besides facilitating import and export activities, is raising Vietnam's prestige in increasing tax revenue for the budget. Also, under conditions of Vietnam integrating into the world economy, it is necessary to enhance the policy of "openness" in order to improve national competitiveness.

Prior to officially joining the Customs Valuation Agreement, Vietnam mainly applied the mechanism to determine the value of imported goods tax calculation based on the minimum tariffs and the definition of Brussels's BDV (Brussels's definition of value). The system for determining the taxable price is based on the minimum price charged by the regulator. The prices are rigidly regulated, do not match the sensitivity of market prices, as well as don't respect the price negotiation efforts of importers. On the other hand, they do not prevent and limit trade fraud and create an environment of unfair competition. The state still loses taxes and does not facilitate towards the higher development of international trade. Meanwhile, the BDV provides a simple definition and hands over a great deal of discretionary power to the Customs. Therefore, there are some subjective, inequitable, and inaccurate assessments in determining the dutiable value, and the uncertainty factor is not convenient for world trade. On the other hand, BDV lacks consistency in the application of cases where transaction values are unacceptable, especially for transactions between firms with a special relationship, while transactions among these companies were increasing in the current period.

(i) Advantages of ACV: The application of the valuation of import duties under the ACV has brought significant change in the tax calculation in general and the determination of dutiable value in particular. It is a modern valuation system based on the principles of neutrality, objectivity, simplicity, and consistency with international

trade practices, not discriminating against all economic sectors and types of businesses (Kashyap, 2015). At the same time, the method does not limit the right to check the truthfulness of the declared value of the customs office. The ACV has achieved its goal of facilitating investment, trade, and services. This new valuation system also satisfies the general requirements for developing countries, such as securing revenues for the national budget and accurately reflecting actual purchase prices.

(ii) Limitations of ACV: The limitations of the ACV are that it requires a coherent legal framework, both in terms of judicial review and administrative procedures, in terms of organizational structure, training, and level of facility modernization, and material and technical aspects in customs management. Therefore, implementation of ACV is very difficult for early adopters, especially for developing and underdeveloped countries like Vietnam. To prove this, an experimental method was utilized to check the value of imported goods under the principles of the ACV agreement at the Customs Sub-Department of Da Nang Port during 2017.

As a side note, the application of customs valuation in accordance with the ACV principles has been abused. The violations are mainly to declare import prices lower than the actual value and focus on sensitive items. Experimental and published results have contributed to the warning and enhancement of the capacity to implement the ACV agreement to achieve the objectives set out in this agreement as well as in other agreements.

Suggestions for the Improvement of the Customs Valuation Agreement (CVA)

Considering the issue of inappropriate price valuation of imported goods, there is a need to improve import & export policies and standards continuously at par with international commitments, including the Agreement on Customs Valuation to ensure compliance with international commitments and interests of WTO members.

The following points highlight the need for continuous improvement :

✎ First, there is a need to adhere to the principles of absolute clarity, transparency, and non-discrimination on the types of trade and export & import goods in the application of valuation methods, and enhancing effective detection to combat acts of abuse of declaring lower values than the actual values to make illicit profits.

✎ Second, customs need to finish the sixth parallel approach by improving the management and deployment of tools to support the effective implementation of the valuation, in particular, to further improve the system of specialized data "available" with modern technology to an international level to ensure effective control of all the methods applied in price declaration. Experience shows that countries, to actively implement the Agreement on Customs Valuation, need to acquire price data from other economies. The Government of Vietnam needs to set up customs representatives in countries and key markets to actively obtain information on actual transactions from outside the national territory, especially catering to the valuation methodology that is common and complex.

✎ Third, there is a need to complement the rules relating to the valuation and tariff with the law on export, import tax, the tax administration law, and customs law, especially the documents specified in valuation, in order to create synchronized help to effectively and conveniently implement, for customs authorities in the field, the guidelines of customs valuation and import- export tax.

✎ Fourth, further improvement is required of the processes determining the dutiable value and combating commercial fraud on price to suit the new legal framework. In particular, it should be a priority to complete the database of commodity values towards a rich, diversified, and utilitarian criterion. Data sources should be developed according to the categories and markets, at both domestic and international levels, taking into account trade, the share of goods, value and number of importers, manufacturers, sensitive goods, and often imported

items, including information on goods intended to be used in conversion to other goods after clearance. At the same time, there is a need to build a versatile, highly integrated system linked with other software applications to better serve consultations, price management, and statistics.

↵ Fifth, customs authorities need to calculate and document the percentage of the consultation provisions of its internal, simplified procedures for valuation, especially concerning the valuation of goods for exports. In particular, research is required to issue the type of records and professional hard copy printouts and declarations to determine the direction of reduced-price criteria and content (six valuation methods generally use a form) to facilitate business conditions and facilitate the inspection and management of the customs statistics.

↵ Sixth, businesses need to be informed to gain clear understanding of the principles determining the dutiable value of the Agreement on Customs Valuation, since businesses will use this information as a tool to protect their own interest when exporting and importing goods, in particular and to promote healthy competition in business activities in general. At the same time, the state should adopt policies that reward and encourage businesses and stakeholders producing accurate value declarations, putting them in the enterprise priority customs clearance, and publishing in mass media to motivate and educate them.

Research Implications and Conclusion

Our main aim of this study was to analyze the impact of the Custom Valuation Agreement (CVA) implementation on trade policy in Vietnam. We have done so by conducting the study of post clearance auditing at Department of Da Nang Customs at Da Nang Port via interview and inspection method.

Accordingly, the first major practical contribution of the present research is that it provides the much - needed data to study the impact of the CVA agreement, that is, the pros and cons of its implementation in a developing country like Vietnam. This information is highly important for the Government of Vietnam, especially the Ministry of Finance and Ministry of Trade cum Customs to analyze the CVA policy and make some changes in existing policies to enhance international trade relations. A second important attribute of our study is derived from the interview and inspection method via primary and secondary data and points to various information sources from the Government of Vietnam - Customs, Finance, Trade, etc., which sets the work apart and provides solutions for policy makers to take decisions regarding the lags and enhance the CVA policies of the government that are beneficial to small traders and big commercial enterprises. The third implication supports framing some suggestions considering the existing backdoor in CVA policies which, in fact, is good knowledge mobilization for policy makers to introduce changes so that it is beneficial for the government in precise tax collection, reducing trade frauds, information leakage as well as for commercial enterprises to reduce loss of sensitive information, impart good trade practices, and enhance global relations.

The international agreements into national law, including the WTO Customs Valuation Agreement must undergo a long process for each country, especially developing countries like Vietnam. On the other hand, the success of the application of international agreements depends on the determination of the government and actions of the import and export businesses. The WTO Agreement on Customs Valuation aims at a system of fair, uniform, and neutral valuation of goods for customs purposes - a system in accordance with commercial practices. However, for personal benefits, some businesses still find ways to cheat using incorrect valuation declarations of the real price of imported goods in order to evade taxes. Therefore, the risk of loss of state revenue will be huge by declaring the customs value lower than the actual without appropriate control measures.

Limitations of the Study and Directions for Future Research

Further work is necessary to examine the practices of knowledge mobilization and information work at the level of the Government of Vietnam by considering the perspectives of traders. The following are the limitations of the study conducted: the study is limited to the Da Nang port only. The study makes use of only two methods for primary and secondary data collection - interview and survey method and using data from government documents via circulars. Only 54 dossiers of shipments were inspected, limiting the study towards few commodities and transportation cum basic consumer goods.

So far, Vietnam has signed and implemented 10 FTAs, concluded two FTA negotiations, and is currently negotiating four other FTAs, in particular, the Regional Comprehensive Partnership Agreement (RCEP) and the Comprehensive Partnership for Trans-Pacific Partnership (CPTPP). The implementation of these FTAs has contributed positively to economic development, expanding export markets, helping Vietnam to deepen its involvement in value chains and global production networks, and also to improve the business environment ; improve the competitiveness ; invest capital, knowledge technology, and management experience, and create more jobs. Therefore, it is necessary to continue research - reviewing and evaluating the implementation of international agreements to which Vietnam is a party to overcome limitations in order to achieve its growth objectives.

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