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Self-Certification: Advantages and Difficulties for a Developing Economy

Submitted by: Viet Nam



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Self-Certification : Advantages and Difficulties for a Developing Economy

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Content

- Why Self – Certification ?
- Advantages and Difficulties
- Consideration of Self-Certification Regime in Vietnam : possible barriers ?



Conventional System



1. The origin certification was made by a third party
2. **Advantages:**
 - reliability to the greatest extent possible
 - faster origin verification through competent authorities' co-operation
3. **Disadvantages:**
 - higher transaction costs and compliance requirements
 - certain procedures and formalities lead to time consuming

Self-Certification



- Why Self-Certification ?
 - manufacturers and producers know better than any other party what they are making, where the inputs they use are sourced from and how the product is made.
- Objectives:
 - to provide a simple certification system that enables the reduction of transaction costs, speeds up export procedures and formalities and, as a result, significantly increases the rate of utilization of an FTA.

Advantages



- reduce the administrative costs, transaction time and costs and compliance requirements for customs at the border
- enable businesses to better utilise preferential tariff rates offered under an FTA
- improve the origin knowledge and origin skills of manufacturers and traders
- increases importers' responsibilities

Difficulties



- 1. Awareness and Compliance by importers/exporters or producers:**
 - unfamiliar with rules of origin : the private sector might know more about how goods are made, they are often less knowledgeable about rules of origin
 - no experience in self-certification
 - untraceable record-keeping : difficult for verification and audit purposes
 - difficulty in securing a self-certificate of origin from a big supplier, or in resisting or refusing the origin requests of larger clients

Difficulties



2. Enforcement:

- Customs capacity and confidence in reviewing and verifying the origin of goods
 - site inspection : travel and overcoming language issues can be expensive
- Poor profiling on importers, suppliers and commodities : not computerised systematically
- No “industry complaints” system – a source of intelligence on unfair trade

Difficulties



3. Legal and Institutional Mechanism

- Lack of legislation: self-certification not provided in the Customs Law, Export-Import Duty Law, Trade Law and Decree on the Rules of Origin
- Lack of incentives for importer compliance
- Inappropriate penalties and sanctions for non-compliance and fraud
- No procedures for voluntary disclosure
- Difficulties in recovery and assessment of duty claims following a post-clearance audit

Possible Barriers



- Increasing erroneous or fraudulent claims due to unawareness or non-compliance
- Inappropriate powers to deter fraudulence and transshipment
- Lack of capacity and confidence of customs officers
- Unavailable procedures for post-import verification and record-keeping requirements

Consideration for Self-Certification Implementation



CONDITIONS TO IMPLEMENT:

- Clear, transparent legislation : procedures, obligations, record keeping requirements (5 years?), verification
- A risk-based post-export audit system
- Strong cooperation between Parties' Customs authorities/designated competent authorities
- Confidence and trust between designated competent authorities and traders

Consideration for Self-Certification Implementation



CONDITIONS TO IMPLEMENT :

- Awareness of Importers/Exporters about origin criteria and how to apply them
- Guidance, education and information for traders
- Penalties for non-compliance
- Availability and accessibility of advance rulings

Approaching



- Experience sharing from other economies
- Technical support for administrative and organizational structures required for self-certification
- Initiation of self-certification legislation, regulations and policies :
 - Develop origin risk programs and parameters and origin advance ruling mechanism
 - Define rights and obligations of the exporters/importers to reduce or eliminate duty payments at time of entry

Approaching



- Increasing traders' awareness and compliance
- Pilot program for “approved exporters” : limited number of exporters/importers during the transitional period
- Maintain the dual system for a period of time
- Reviews and recommendations
- Full implementation of self-certification

Thank you!

