The effects of globalization on vietnam

Nowadays, globalization is spread out. Many things change together with it. One of them is that with the steady decrease in worldwide tariffs accomplished in the various rounds of multilateral trade negotiations over the past several decades, but the non-tariff barriers were used more and more popular. The attention of both policymakers and economists has turned to the role of non-tariff barriers (NTBs). 1 NTBs represent a major challenge for the multilateral trading system both because they are difficult to negotiate and because they threaten to undermine the tariff commitments already made. The knowledge about non-tariff barrier become important for international trade in new world, especially with the economy is in the process of integration as Vietnam.

In parallel with the WTO accession, Vietnam is at risk of injury greater with the price shocks, trade barrier and change policies of the importing country. The level of commercial open higher but with the weakness identified by many economists, agricultural sector and rural areas are suffering many adverse effects after Vietnam joins the WTO.

In recent years, Vietnam’s exports continued to deal with non-tariff barriers, the anti-dumping cases, anti-subsidy…. of many countries, while in the reverse direction, Vietnam have so few technical barriers to limit imports and good quality control.

The identification of gap in the establishment of non-tariff barriers to protect the relevant domestic producers as well as deal with these barriers in the importing market becomes necessary and

the use of non-tariff barriers in Vietnam in the recent past

Because of that, this essay would like to give a short view about non – tariff and the practical situation of Vietnam. The outline of the essay include 2 main part:

Non – tariff barrier

The use of non-tariff barriers in Vietnam in the recent years.

CHAPTER 1: THEORY OF NON – TARIFF BARRIER

DEFINITION

There are a lot of definitions about non – tariff barrier. The writer would like to extract some popular views as follow:

The basic definition of non-tariff barriers (NTBs) is provided by the OECD (1997, p. 69) as " those border measures other than tariffs that may be used by countries, usually on a selective basis, to restrict imports"

" Non-tariff barriers (NTBs) are the scourge of any trade bloc which has committed itself to trade liberalisation. The eradication of these impediments is the next most pressing issue that ASEAN faces if AFTA is to become a truly effective trading area." (Economist Intelligence Unit, 1997, p. 58)

The UNCTAD Trade Analysis and Information System (TRAINS) database includes mainly only border measures34. This approach largely ignores export-related measures and internal measures (such as local content rules, subsidies, tax concessions, discriminatory government procurement and anti-competitive private practices). In fact, the border measures approach is adopted more for reasons of expediency than intellectual rigour. If the subject of investigation is NTBs (or NTMs), then whether they are border measures or otherwise should not be relevant.

The PECC study described NTBs as " any non-tariff instrument that interferes with trade, thereby distorting domestic production." (PECC 1995a, p. 39). Baldwin (1970, quoted in Laird 1996, p. 5), however, probably provides the most conceptually acceptable definition of a " non-tariff distortion" as " any measure (public or private) that causes internationally traded goods and services, or resources devoted to the production of these goods and services, to be allocated in such a way as to reduce potential real world income." The problem with adopting such a broad definition is in then developing a precise definition for analytical purposes. As Deardorff and Stern note: " In view of the vast array of formal and/or informal NTBs that may exist, there may not be a single analytical methodology capable of dealing completely with the entire spectrum of NTBs" (p. 6).

NTBs provide revenue for the government, improve economic returns to firms and suppliers of resources to domestic industry that face competition from foreign imports. They are widely used to protect domestic producers' incomes from foreign competition. They represent a major challenge for the multilateral trading system both because they are difficult to negotiate and because they threaten to undermine the tariff commitments already made.

SOME KIND OF NON – TARIFF BARRIER

Import quota:

" An import quota is a physical restriction on the quantity of goods that may be imported during a specific time period; the quota generally limits imports to a level below that which occur under free-trade conditions" (Robert J. Carbaugh, international economics, page 148).

The government require the importer to fill the form and wait for official permission about import licenses. Some cases, the importer have to buy the import license at a competitive price. Therefore, it provides incentives for political lobbying and bribery. Each license specifies the volume of imports allowed. An the total volume should not exceed the quota.

Import quota are usually allocated to specific countries that is known as a selective quota. And it may lead to domestic monopoly of production and higher price. The result is a decrease in consumer surplus. The welfare loss to the importing nation consists of the protective effect, the consumption effect and that portion of the revenue effect that is captured be the foreign export.

An import quota is more restrictive trade barrier than an import tariff. Under a quota, the government arbitrarily limits the quantity of imports. Under a tariff, the domestic price an rise above the world price only by the amount of the tariff.

Tariff – rate quota

A tariff – rate quota displays both tariff-like and quota-like characteristics. It allows a specified quantity of goods to be imported at once tariff rate, whereas any imports above this level face a higher tariff rate. The over-quota tariff rate is often set high enough to prohibit the importation of the affected product into the domestic market.

Under a tariff quota, importer can exceed the specified quantity of good. But in practice, many over-quota tariffs are prohibitively high and effectively exclude imports in excess of the quota.

The most common technique for the quotas is license on demand allocation. Under this system, licenses are required to import at the within-quota tariff.

Export quota

The export quota have effect to restraint trade. When doing, a voluntary export restraint agreement is negotiated. It moderate the intensity of international competition, allowing less efficient domestic producers to participate in markets that would otherwise have been lost to foreign producers that sell a superior product at a low price.

The revenue of the export quota is captured by the exporting nation.

Domestic content requirements

Domestic content requirements stipulate the minimum percentages of a product’s total value that must be produced domestically if the product is to quality for zero tariff rates. It pressure both domestic and foreign firms that sell products in the home country to use domestic input in the production of those products. The demand for domestic input increase and their price also increase.

The most attention of domestic content requirements is in the automobile industry. Developing countries usually use it to foster domestic automobile production.

Subsidies

The subsidies is granted by the government to improve the national market position. With subsidies, the net price actually received by the producer equal the price paid by the purchaser plus the subsidy. Therefore, they can supply a greater quantity at each consumer's price. It include two types: domestic production subsidies and export subsidies.

Domestic production subsidies

Domestic production subsidies encourage the output and vitality of import-competing producers. A subsidy tends to yield the same result for domestic producers as does an equivalent tariff or quota, but at a lower cost in terms of national welfare. The direct cost of the subsidy is a burden that must be financed out of tax revenues paid by the public.

Export subsidies

The most common product groups where export subsidies are applied are agricultural and dairy products. The export subsidy result in a decrease in consumer surplus and an increase in producer surplus. . It entails a deadweight loss of welfare to the economy due to increasing domestic cost of producing and due to lost consumer surplus because price has increased.

Dumping

Dumping occurs when foreign buyers are charged lower prices than domestic buyers for an identical product, after allowing for transportation costs and tariff duties, or selling in foreign market at a price below the cost of production. There are three kinds of dumping:

Sporadic dumping: occurs when a firm disposed of excess inventories on foreign market by selling abroad at lower price than at home. It may be beneficial to importing consumers, it can be quite disruptive to import-competing producers, who face falling sales and short run losses. Because it has minor effects on international trade, government are reluctant to grant tariff protection.

Predatory dumping: occurs when a producer temporarily reduces the price charged abroad to drive foreign competitor out of business. It the producer succeeds, the price are raised to offset any losses that occurred during the period of cutthroat pricing.

Persistent dumping: occurs when a producer consistently sell abroad at lower prices than at home to maximize economic profits. It charging a higher price at home where competition is weak and demand is less elastic, and a lower price for the same product in foreign market to meet competition. It result in increased revenues and profits for the firm as compared to what would occur in the absence of price discrimination.

Government procurement policies

Government favor domestic suppliers over lower cost foreign once in the procurement of materials and products in the form of buy-national policies. It yields a higher cost for government projects and deadweight welfare losses for the nation in the form of the protective effects and consumption effects.

Social regulations

Social regulations applied to a particular issue, say environmental quality, and affect the behavior of firms in many industries such as automobiles, steel, and chemicals.