



LEGAL UPDATE

CIRCULAR 27 ON SELF-CERTIFICATION OF GOODS ORIGIN IN THE AEC

In 2015 the ASEAN Economic Community (**AEC**) entered into force with a free flow of goods within the ASEAN single market. Therefore, rules of origin became important. To facilitate this free flow of goods, a pilot project was put into place for self-certification of country of origin based on No. 28/2015/TT-BCT (**Circular 28**).

The Ministry of Industry and Trade (**MoIT**) issued Circular No. 27/2017/TT-BCT (**Circular 27**) to supplement and amend parts of Circular 28.

Circular 2017 entered into force on 6 December 2017.

1. Self-certification requirements

1.1. Annual export turnover

Based on Circular 28 a company could only conduct self-certification of goods origin if its total export turnover to ASEAN member states was at least USD10 million in the preceding year. This hindered especially small- and medium-sized enterprise (**SMEs**) to fully take advantage of the AEC as of early 2015. Even larger companies could often not meet the export revenue requirement as most companies export to the US, the EU, China, the Republic of Korea, and Japan, and not to ASEAN countries.

1.2. Remaining requirements

In Circular 27, this amount has been removed which allows SMEs to conduct self-certification. The requirement now is that to be entitled to self-certification of goods origin, a company:

- a. must be the producer and the exporter of the produced goods;
- b. should not have committed violations against goods origin regulations in the two years preceding the application date; and
- c. should have at least one of its employees complete a training course in goods origin certification from MoIT's Department of Export and Import, or a government-appointed training institution.

This is an important development for the Vietnamese economy as about 98% of Vietnamese companies is an SME and provide for 50% of the jobs, contribute 40% of the GDP and 30% of the state budget.

1.3. Document for self-certification

Self-certification of country of origin means companies may declare the origins of goods on their commercial invoice instead of country of origin form D. Till now companies often had to ask an agency to provide this document.

2. Impact on export

The possibility to self-certify will reduce the required documentation and handling time for companies. At the same time, they can enjoy preferential tariff treatment as they can get access to the ASEAN Trade in Goods Agreement (**ATIGA**). This is expected to increase exports to the ASEAN markets.

In 2017 the trade value between Vietnam and ASEAN was, according to the General Statistics Office (**GSO**), about USD49.7 billion. Compared to 2016 export (USD21.7 billion) was up 24.5% and import (USD28 billion) was up 16.4%. Major ASEAN countries Vietnam exports to include Thailand, Malaysia, Singapore, Indonesia, and the Philippines.

Besides boosting export to ASEAN countries and increased competitiveness, it is also expected that self-certification will allow Vietnam to take advantage of other free trade agreements in upcoming years.

For more information, please contact:

Mark Oakley / Managing Partner
mark.oakley@acsvlegal.com

Hieu Pham / Associate
hieu.pham@acsvlegal.com