

Supplement to the main report

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*Note for the website version: “Main report” means the *Industrialization Strategy of Viet Nam* (Japanese and Vietnamese versions).

In the main report, I presented some tariff policy options. Those were originally announced at the Hanoi Symposium in March 2002 and revised by the end of 2002. After that, the governmental policy and industrial organization varied somewhat. Though policy direction that I showed in the main report is still effective, concrete tariff scenarios should be revised.

Key considerations to revise the tariff scenarios are as follows:

+ Tariff policy of the government until now

In the main report, I made three policy options for long products and flat products respectively. Until now the government seems to select the pattern that is similar to my third option. On one hand, the government shows lofty attitude to keep the AFTA limitation. On the other, the government is keeping the high rates to non-AFTA countries. I respect that approach and narrow my recommendation to the third option.

In a related move, I supposed in the main report that the government would set tariff rates to non-AFTA countries equal to AFTA rates before 2006. But in fact, the government are reducing only AFTA rates now. This march of events eliminated the need for setting the non-AFTA rates equal to AFTA rates in my scenarios.

+ Delay in cold rolling mill(CRM) construction

In the main report, I supposed that new CRM starts in 2004. However, construction delayed and startup was put off until the end of 2004. Then the timing of temporal protection should be adjusted.

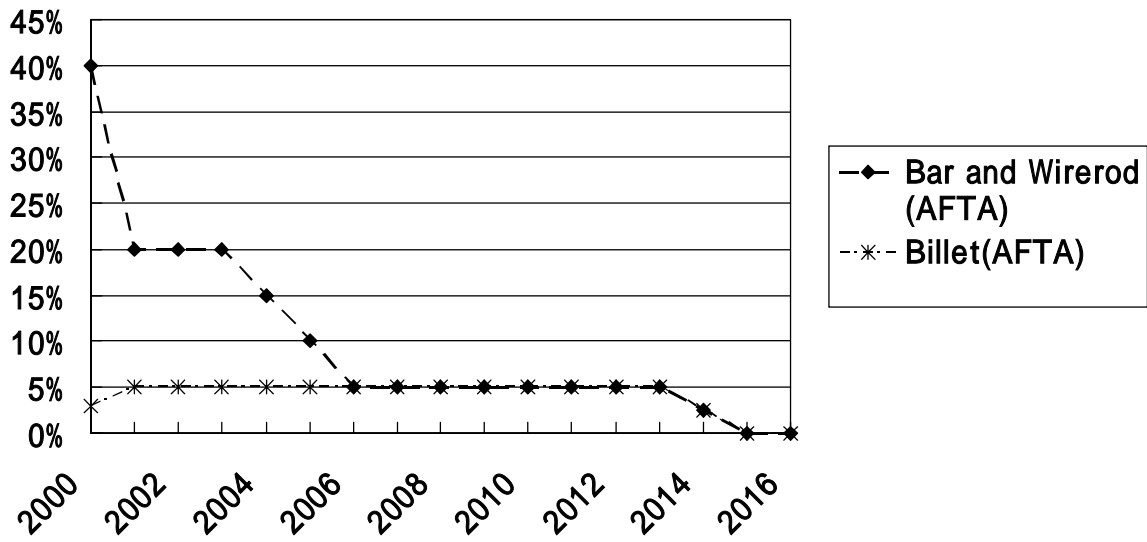
The government set the AFTA rate for cold rolled sheets zero percent until 2006. However, I propose the temporal protection for the new CRM by a slight raising to 5% in several years from 2005. It does not violate the AFTA scheme.

+ A risk of irrational profit squeeze of galvanizing plants

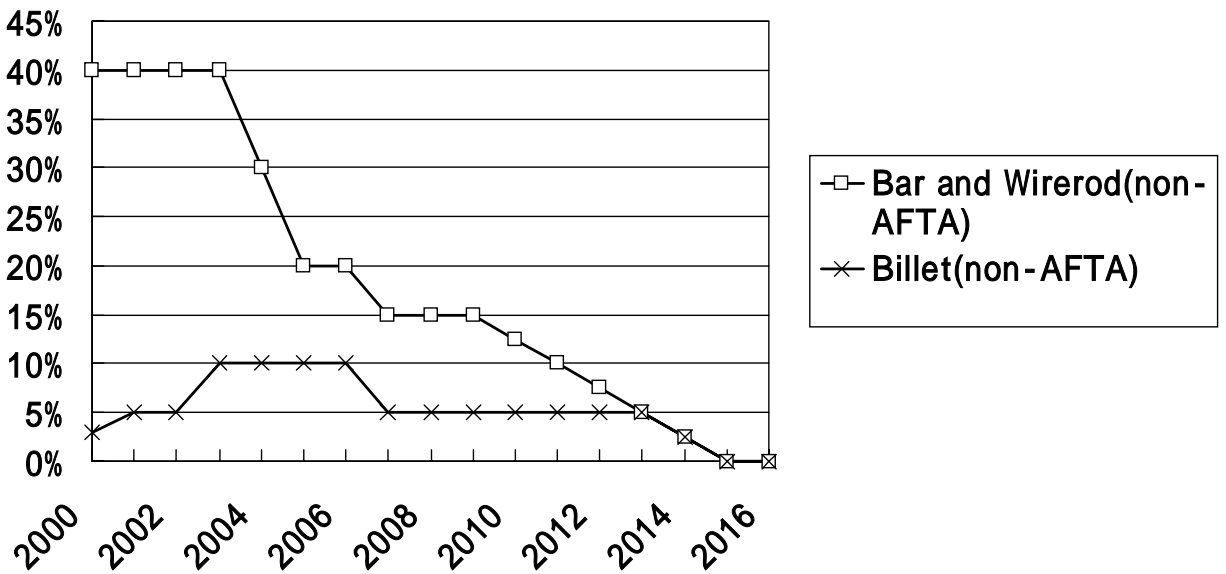
I adjusted the reduction pace of tariff rate for galvanized sheets. This adjustment allows for galvanizing producers to avoid the profit squeeze between the tariff reduction on galvanized sheets and the tariff raising on cold rolled sheets.

I present the new tariff scenarios as follows. The scenarios until 2006 should be fixed. After that flexible adjustment will be necessary.

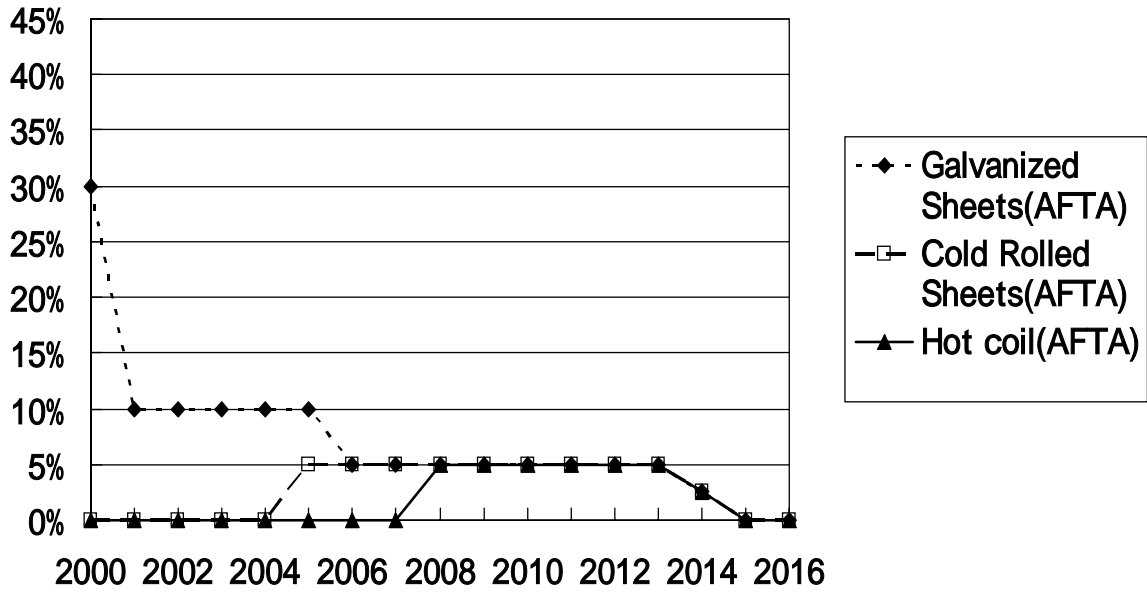
Tariff Scenario for Long Products (AFTA)



Tariff Scenario for Long Products (non-AFTA)



Tariff Scenario for Flat Products (AFTA)



Tariff Scenario for Flat Products (non-AFTA)

