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The Case for Permanent Normal Trading Relations with Vietnam

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On May 31, America and Vietnam signed a bilateral market access agreement detailing the requirements for Vietnam's accession to the World Trade Organization (WTO). Vietnam will now work to finalize a multilateral draft Protocol of Accession that must be approved by the WTO General Council before it can become a WTO member. In order for the U.S. to share in the benefits of Vietnam's accession to the WTO, Congress must ratify Permanent Normal Trading Relations (PNTR) for Vietnam. On June 13, legislation was introduced in both the U.S. Senate and the House to do just that.¹ Permanent Normal Trading Relations would be an important step in normalizing the U.S.-Vietnam economic relationship and, no less significantly, the two countries' political relationship.

The Case for PNTR

As a member of the WTO, the United States is generally obligated to provide reciprocal, unconditioned most-favored-nation (MFN) treatment to all other WTO members. The U.S., then, must either vote to extend PNTR to Vietnam or must invoke the non-application provision of Article XIII of the WTO Agreement. The non-application provision allows for member countries to exclude other members from MFN benefits at the risk of reciprocal treatment.

If the U.S. opts to invoke non-application, Vietnam would have the right to deny the U.S. equal treatment under the WTO agreement. The U.S.

would be left on the sidelines to watch other countries reap the benefits of the hard work done to execute a strong agreement for Vietnam's accession. Vietnam is one of the fastest growing economies in Southeast Asia, and the U.S. is Vietnam's largest investor, as well as a major trading partner. The cost of exclusion would be significant to both countries.

In an effort to avoid the compliance problems associated with China's accession to the WTO, the countries negotiating Vietnam's membership have required it to make solid commitments to liberalization and to show proof of progress on those commitments as a condition of moving forward in the accession process.

The recently negotiated U.S.-Vietnam bilateral agreement is especially effective in ensuring that accession will result in greater trade opportunities for all WTO countries. Farmers, manufacturers, and service exporters will gain meaningful market access in Vietnam. Tariffs and non-tariff barriers to trade will have to be reduced or dismantled. Vietnam will have to operate according to international rules of trade or be subject to action under the

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WTO dispute settlement process. Intellectual property rights protection will be strengthened. Importantly, Vietnam's ability to push forward with continued domestic economic reform will be enhanced, adding to the competitive benefits of freer trade for the country.

More than Economics

Failing to approve PNTR for Vietnam would mark a distinct reversal of the opening of trade between the U.S. and Vietnam and would have real consequences for the strategic relationship between the two countries. As Senator Max Baucus explained at the introduction of the Vietnam PNTR bill, "Granting permanent normal trade relations status to Vietnam will complete the process of reconciliation begun 15 years ago and worked for by Democrats and Republicans alike, on Capitol Hill and in the White House. This step will allow America to deepen its relationship with one of the most dynamic and successful emerging markets in a key region of Asia."²

American interests in Vietnam extend beyond trade. The United States is intensely interested in fully accounting for American soldiers missing in action during the war, improved human rights conditions, and democracy for the beleaguered Vietnamese people. Normal trade relations will assist in obtaining these objectives.

The government of Vietnam has been a strong partner in attempts to recover the remains of America's fallen soldiers. In fact, hundreds of remains have been recovered since the effort began, and the Department of Defense has stated that it would not have had that success without active cooperation of the Vietnamese government and people.

And while no trade agreement, no matter how comprehensive, can itself install democracy or solve a country's human rights problems, trade

agreements can force governments to enforce the rule of law. The rule of law only works when the government is held accountable. There are signs that this is happening in Vietnam.

In recent years, the Communist Party has significantly reduced its formal involvement in government operations, leaving government officials wider latitude to implement policy. Although elections in Vietnam are neither free nor fair, there have been some improvements. For example, the 2002 national elections marked the first time non-Communist candidates were elected to the national legislature.

Human rights in Vietnam have made steady, albeit slow, improvement since the bilateral trade agreement came into force. The national legislature has passed laws protecting Vietnamese from religious persecution and physical abuse by police. Unfortunately, however, enforcement of those laws is inconsistent. The improvements to date have not been not earthshaking or even sufficient, but without Vietnam's active pursuit of WTO membership, it would still be locked in North Korea-like despotism.

Conclusion

Permanent normal trade relations with Vietnam will successfully conclude 15 years of diplomacy and negotiations. The United States will gain greatly enhanced access to Vietnam's markets and place Vietnam in an international rules-based trading system that can also help attain American political objectives in that country.

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1. The Senate bill (S.3495) was introduced by Sen. Max Baucus (MT) with seven cosponsors. The House bill (H.R.5602) was introduced by Rep. Jim Ramstad (MN) with 40 cosponsors.
2. United States Senate, "Baucus, Smith Lead Introduction of Vietnam PNTR Bill: Senators Push Historic Last Step to U.S.-Vietnam Normalization", at <http://www.senate.gov/~finance/press/Bpress/2005press/prb061306.pdf> (July 11, 2006).