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**Conference Call on the  
US-Vietnam Bilateral WTO Accession Agreement on Market Access  
May 14, 2006  
Washington, D.C.**

Official 1: Thanks, Steve, and thank you everybody for joining us. You may have seen the press release that was put out late last night. In a nutshell, we and Vietnam have reached an agreement in principle on the Bilateral Market Access Agreement that we have been negotiating with Vietnam in the context of their WTO accession.

Let me just make a few points about the agreement and then [Official 2], if you want to add anything, and then we'll open it up for Q&A.

The first point I'd like to make is that this is a very important deal for the United States economically. It's a great deal for the US economically in all of the different sectors on manufactured goods. It's an agreement that will afford US manufacturers greater access to the fast-growing Vietnamese market.

For those of you who don't follow Vietnamese economic statistics, I can tell you that its GDP has increased by about 50 percent over the last four years, from \$31 billion to \$45 billion. Its growth last year alone was 8.4 percent, the fastest in Southeast Asia.

Its imports have been growing dramatically. With respect to the US in particular, two-way trade has grown to more than \$7.8 billion which is an increase of more than 400 percent since 2001.

Last year our exports to Vietnam totaled \$1.2 billion, up 24 percent, of which agricultural exports were approximately \$192 million.

So first of all, to go back, on the manufactured goods side we believe this is a strong deal. As a result of the agreement that's been negotiated, a result of negotiations, about

94 percent of Vietnam's imports from the United States will face duties 15 percent or less.

On a number of [inaudible] products like construction equipment, pharmaceuticals and aircraft, we negotiated very low duties of between zero and five percent.

Vietnam, like other WTO applicants, has agreed to join the ITA and to embrace more than 75 percent of the Chemical Harmonization Initiative, so our information technology and chemicals industries will gain greater access. They have also committed to implement low duties immediately upon accession on nearly all medical equipment.

So these are just some examples of how it is a strong agreement for our manufacturing sector.

On agricultural goods the story is similarly positive. About three-fourths of US agricultural exports to Vietnam will face bound duty rates of 15 percent or less. Products subject to these reduced tariffs include everything from cotton to selected beef products, pork, variety meats, whey, grapes, apples, pears and soy beans.

Also as a result of the negotiation Vietnam has made numerous improvements to its implementation of WTO rules on sanitary and phyto-sanitary measures including the establishment of a WTO-consistent inquiry point. They've also agreed to recognize US systems of inspecting beef, pork and poultry as equivalent to its inspection systems. The point of equivalence is quite important to our industry.

So agriculturally we believe this is also a very strong agreement.

Finally in the area of services, Vietnam has made substantial commitments to open up key sectors like telecom, distribution, financial service, and energy services to foreign participation. They have offered to open up branching in insurance, the non-life insurance sector, and in securities. Vietnam already provides for bank branching.

So the first message, it's a good deal for the US economically.

Secondly, it's an important development for the US-Vietnam bilateral relationship more broadly.

This agreement really is going to mark a major accomplishment in a 20 year process of normalization of bilateral relations between the US and Vietnam. The US had been, remains I guess until this agreement is finally signed, but it remains the only country that Vietnam had not concluded or has not concluded a bilateral agreement with that is necessary for WTO accession. So with this agreement we can now turn to the multilateral aspects of the negotiation. Let me just pause on that.

First of all, the Market Access Agreement was done carefully to ensure that Vietnam is on track to implement multilateral rules upon accession. Once a member, obviously

Vietnam's trade regime will be subject to WTO rules and it will be obligated to implement and enforce the rules or risk WTO sanctions including dispute settlement. Our work in Geneva with other trading partners will focus on making sure that they complete their multilateral accession process.

Secondly, it is a significant step in the process of normalization of the US-Vietnam bilateral relationship.

Third, this agreement upon full accession into the WTO, Vietnam will really be brought into the global rules-based trading system and that will support the process of reform going on within Vietnam. In a nutshell, WTO membership means that Vietnam will be a part of that rules-based trading system. That system requires transparency. It creates economic freedoms. It commits them to rule of law. All of these are things that will reinforce and further reforms that frankly have been underway in Vietnam for the past number of years in any event. So we believe it is good for Vietnam and its ongoing process of reform.

A final point that I would make is that it is important that upon final signing of this agreement that Congress act quickly to grant Vietnam PNTR. Those of you on the call probably know Vietnam's WTO accession will require a vote by Congress to grant Vietnam Permanent Normal Trade Relations status. I should point out that we have already been in a process of consultation with the Hill. We will continue to consult with them in the cause of securing swift approval of Vietnam's PNTR. We believe there is bipartisan support for a PNTR and we will work hard with those on both sides of the aisle.

We don't believe that this should be a contentious vote. We are hoping for swift approval.

Just a final point by way of background for everybody, Vietnam is the Chair of APEC this year and we have been working with Vietnam, we'll continue to work with Vietnam to ensure for a successful APEC summit later this year. But one of the many benefits that we believe are going to be derived from Vietnam's accession to the WTO and from the conclusion of this bilateral agreement, is that they will be in a stronger position, we believe, to use their status as APEC Chair and specifically in the trade area, Chair of the Trade Ministerial, to put forward the APEC group to support a successful conclusion of the Doha negotiations this year, in addition to have them in a stronger position to put forward for a number of trade-related initiatives that we've currently got our eyes on in the APEC area.

With that, let me see if [Official 2] has anything you want to add before we open it up for questions.

Official 2: No, I think you did great.

Question: I'm not sure, the bilateral agreement we just concluded, does that deal with transparency and rule of law provisions, or is the United States, I assume, comfortable with the state of play in Vietnam?

Official 1: I'm sorry, I'm getting drowned out on the questions.

Official 2: I think I can answer it.

The question was whether or not the provisions that we've negotiated in the bilateral deal with rule of law issues. They do. Particularly dealing with things like transparency, how Vietnam is going to ensure that, for example, in the services area it is going to have an open and transparent licensing regime and some of those things that we've agreed that we'll do together in the multilateral negotiations to put forward for the working party report. So that's very much been an issue for us, to make sure that not only do they make concessions but that they're concessions that can be implemented. It's all about transparency, due process, and following WTO rules.

Question: I wanted to follow up on the services area in terms of distribution, and I wanted to ask what is the arrangement, that was one of the last issues, distribution and the right to participate in the retail sector. How did that get settled?

And could somebody briefly repeat this branching issue? They allowed branching for non-live and already allow branching for banking? I got lost there a bit.

Official 2: In terms of distribution, that's been an issue in the negotiations. We have secured improvements for our companies to participate in Vietnam in the retail area, but as well on the financial services side there are commitments now with respect to branching for insurance.

Vietnam already provided for branching for banks, but there are more opportunities that have been created for retail banking in Vietnam.

Question: What about the improvements? Obviously you wouldn't have gone out and done the opposite of securing improvements. How are the distribution commitments structured? Can you give us a little bit more than that you've gone out and secured improvements?

The issue was you needed to get a license and the licenses were given on an ad hoc basis. How did you address this issue? Do I still need a license if I want to do distribution in Vietnam under this set of rules that you have agreed?

Official 2: I think what I'd prefer to do is to stick with saying that we've made improvements to have a more transparent and open way to have access for our services providers to get into the market. I don't want to confuse the concern about having a license with a concern about having a business registration which as you know most countries require.

We're still trying to finalize all the details, so I would say you probably need to sit on the edge of your seat for a little while longer while we confirm these commitments in the schedules.

Question: And when do you think that will be? How long will I have to sit at the edge of my seat? And when do you think this agreement in principle gets translated into the details? What's your timeframe for that?

Official 1: I think what we'll say about that is, as we said, we have reached an agreement in principle. It is our hope that this agreement, that we would be in a position to finally sign the agreement in the near future.

In the interim period we are, both sides are consulting with Congress and with others as required. I'm not going to have anything more specific than that.

Question: I think I saw in Reuters or somewhere, maybe it's the Vietnam side saying that the agreement might be signed in June, perhaps early June? Does that sound --

Official 1: It might be. We need to undertake, again, these consultations and there are a few things we need to undertake in the interim. But look, it's both of our sides desire to sign this as soon as we can, having undertaken the things we need to do in the interim.

Question: Have you reached agreement on this retail thing or not?

Official 1: I'm sorry, on which retail thing?

Question: On retailing. Whether Wal-Mart can go there or whatever.

Official 2: Yes.

Question: There is an agreement on it, you just don't want to tell us what it is.

Official 2: We're just working through all of the details of it.

Question: Working through with the Vietnamese or [inaudible].

When you say working through details do you mean you're still negotiating with them on some fine points and this really isn't final, or --

Official 2: Have you ever seen a services schedule? Part of it is just trying to put all of the details of the commitments together and to confirm all of them.

I'm going to switch phones.

Question: Can someone give us an example, perhaps, of what it means to reach an agreement in principle on something like retail? And what are the kinds of details --

Question: If there's an issue like Colombia where ten weeks after you declared the end of the negotiations you're now haggling over chicken hind quarters and you're reopening what the sensitive product commitments were? Or is it something different?

Official 1: I'm only hearing every other word.

The question I understand is about retailing?

Question: Right, and any indication, any evidence of what it means to have an agreement in principle and what kind of details remain to be worked out.

Official 1: I think what [Official 2] was saying is that there are schedules that need to be confirmed, there are certain things that need to be verified, but the substance of the deal has been reached. We are, principally what we need to do is fulfill our consultation obligation with Congress and the Vietnamese need to do the same with their National Assembly over the course of the next hopefully period of several weeks.

I don't want you all to come away with the misimpression that there are deal points that remain outstanding. We're in the point of frankly doing the technical work that needs to be done to put this thing in a position where it can be signed. The detail points have been negotiated, all of that stuff is done.

Question: Can you explain what the provisions are on textiles and apparel? Vietnam's now under quotas. What's happening with those once they join?

Official 2: Before you do that, can I just answer that retailing question?

Official 1: Fine. I don't know whether you were on or off, but I commented that I didn't want anybody to be left with the misimpression that there were big substantive deal points that remain outstanding. There are not. But go ahead.

Official 2: The question really is that foreign companies engaged in distribution are going to be able to engage in the wholesale and retail business and that's something that will be confirmed in the schedule that we are negotiating. There is some staging and there are commitments with respect to the opening of outlets for retail services.

But the commitment is clearly there. It's unequivocal. It's just trying to put in technical legal language all of those details. But the agreement is definitely there.

Official 1: You had raised the question about textiles, I think.

Question: Correct.

Official 1: When Vietnam accedes to the WTO, as you all may know, our quotas on Vietnamese textile and apparel exports will expire and that's consistent with a pre-existing bilateral textile agreement that we have with Vietnam, so that has been known all along that when they accede WTO they won't have quotas placed on them any more.

By way of an aside I should point out the United States is, to our knowledge, the only country that still has quotas on Vietnamese textile and apparel exports.

We have been in regular contact with our textile stakeholders during this negotiation process and they have expressed concerns to us about potential new in-flows of textiles from Vietnam and in particular about possible subsidies, prohibited subsidies that Vietnam might be providing to textile and apparel producers in the country.

So to address that concern we've done a couple of things. First of all we have secured a very tough commitment from Vietnam that they will completely abolish all prohibited subsidies to the textile industry before they accede to the WTO, and to some extent some of those actions will even commence prior to their WTO accession.

Secondly, we have, in addition to getting that commitment -- and by the way, I should point out there is not going to be any transition period for the phase-out of those prohibited subsidies. They will terminate at the day of accession.

Secondly, we have built in a really sort of unprecedented enforcement mechanism here. Sort of a suspenders and belt approach.

Of course we will have available to us the WTO dispute settlement mechanism once Vietnam accedes with respect to all of its commitments, but in addition in the area of textiles we've built in an unprecedented enforcement mechanism whereby we would have the ability to reimpose quotas for a period if they don't comply with their obligations within the first 12 months of accession.

So it is a strong enforcement tool to ensure that Vietnam does in fact eliminate all of its prohibited subsidies to the textile and apparel industry as they have promised to do.

Question: That is only in the 12-month post-accession? And what is the process? Does the United States government initiate the reimposition, or is there an application or petition process that the domestic industry would have to follow?

Official 1: The process is going to be one, again, without getting into all of the details here, but the process is basically one whereby if we believe that the Vietnamese have not complied with their obligation here we, first of all, will notify the Vietnamese of that and will seek consultations with them. If consultations are not successful we then have the ability to compel an expedited determination of whether they have in fact complied with their obligation or whether they are in compliance with that obligation. If they are not in compliance - and that determination would be made by a neutral third-party arbitrator.

Question: A WTO arbitrator?

Official 1: It would be a WTO arbitrator. If that process did not render in arbitration a decision that was timely, we would have the right immediately to impose quotas. If the decision also renders a determination that Vietnam is in violation, we would have the ability to reimpose quotas.

Question: What is timely in that context? If this decision does not render a timely decision, how is timely defined? Ninety days?

Official 1: [Official 2], the date we ultimately settled on there was?

Official 2: I'm sorry, I can't hear you.

Official 1: The date we ultimately settled on for whether timeliness on the WTO arbitration --

Official 2: 120 days.

Question: But this kind of enforcement is only for the first twelve months post-accession, is that correct?

Official 1: Yes, because first of all Vietnam needs to have complied with its obligation, its commitment is to do it as of the date of accession. So we will see whether it has done it as of the date of accession. If it has not done it as of the date of accession we would have available to us of course all of our remedies, but we would specifically have available to us the special remedy.

They need to basically dismantle this program. We're going to see whether that happens. Our belief is that that will happen frankly by the date of accession but we have given ourselves an additional 12 month period here in the event that it does not happen, to be able to reimpose quotas in an expedited fashion.

So what this really is destined to do is not to result in the reimposition of quotas, but to ensure that Vietnam takes very seriously its obligation to eliminate prohibited subsidies and we have every reason to believe that they will do that.

Question: Is there another safeguard mechanism in there? Is there, post the first 12 months another safeguard that is like the China-specific safeguard for textiles?

Official 1: No.

Question: Would the domestic industry have a right to apply within the first 12 months?

Official 1: They would bring to us any evidence that they have of a violation of the subsidies commitment.

Question: You said it's a program of subsidies that they have?

Question: And just to build on that, can you give us an amount? It sounds like it's four billion or something?

Official 1: If we can, let's try and address that.

The issue here is, it's not even a program it is a policy effectively that was put out by the Vietnamese in 2001 that encourages the development of its textile and apparel sector. The policy sort of exhorts the development of the sector. The \$4 billion number, let's make sure there's no misunderstanding on this. The \$4 billion is sort of an affirmational goal of Vietnam as to how much investment, private sector investment and so forth, would be able to be attracted there. This was put out years ago, but as part of that policy statement there was, as we understand it, there was a program of subsidies including prohibited subsidies, subsidies that are contingent on exports or subsidies that would have domestic content preferences in them. Those subsidies which are WTO prohibited subsidies, it's that program that we are talking about being terminated as of the date of accession.

Question: How much money, did you mean to say domestic funds and local content? Those are the two subsidies that are prohibited, contingent on exports and --

Official 1: Yes, exports and the domestic --

Question: Content.

Official 1: I'm sorry, what was the question?

Question: How much money in this program, the \$4 billion was the aspiration of investment. But how much is there on this program? Did you finally get sufficient evidence of that? Because from what I understood --

Official 1: We know that program exists. Our understanding is that it is in fact quite small. It is let's say nowhere even in the remote ballpark of the billions of dollars that has been bandied around. It is, we believe, and we have been told, a very [bold] program. But whatever it is, it needs to be eliminated. The Vietnamese have committed to us that it will be eliminated.

Question: Why was there not a safeguard provision like there is in the China textile safeguard provision with the Vietnamese since they're such a growing producer?

Official 1: First of all, they may be growing but they're a much much smaller producer and exporter.

Secondly, the reality is that it has been understood all along that when, and this was indeed sort of what's in our current bilateral textile agreement with them, that upon WTO accession they will have access to, they will not be subject to special safeguards, they will not be subject to quotas. That's what it means to be part of the WTO trading system.

There will be normal sort of legal rights available to both and there will be WTO mechanisms and we have a special enforcement mechanism now to ensure that they comply with their obligations related to prohibited subsidies. But -- Well, that sort of answers the question.

Question: Back to retail distribution for a second. Did you say you're still working on the staging of distribution? Is there agreement on the staging?

Official 2: We have a commitment on distribution and we are in the process of putting that into legal language. There are some phasing-in of, there are some products -- Vietnam for a long time had a lot of requirements that you couldn't necessarily get free access to distribution. So for some products they are phasing all of that in.

We have a good strong commitment from the Vietnamese on distribution, wholesale and retail, that is broadly applicable and we're working through how we just put that into legal language.

There are some requirements, for example, in terms of operating as a joint venture and phasing the capital limitations out over a time period.

Question: Do you have that time period, a framework --

Official 2: I'm sorry, my reluctance in getting into all of the numbers and details on all of this is that it's an agreement in principle that we're trying to put into legal language and you'll have an opportunity to look at the agreement when it's written down and confirmed in legal language.

The foreign companies that want to engage in wholesale and retail can do so. There are some product limitations there. Some of those product limitations get listed. But basically what you're looking at is within about a three year period of time as foreign companies that are interested in engaging in distribution will be able to do so for a large majority of products. Then there's the question of whether or not you can establish outlets for retail services. There are provisions that provide for that as well. They're subject to the licensing criteria which are non-discriminatory and objective.

Question: I just want to clarify. After the three years the companies will be able to engage in distribution for a large number of products, but those products, presumably those being traded by the state trading enterprises, will they ultimately also be subject to the distribution requirement? Or will they in perpetuity stay outside the scope of the distribution commitment?

Official 2: That's a pretty good question. For the most part they have lifted most of their distribution limitations over time. But for example, some things like some precious metals and cigarettes, some of those things that are still going to be the subject of distribution by state trading enterprises, that distribution would not be granted to the whole sale and retail --

Question: But it's not correct to think of it as everything that's distributed by STEs will in perpetuity --

Official 2: No. And they've basically tried to put to a schedule the lifting of a lot of their limitations so that they move gradually to remove all of their trading rights.

Question: On the question of subsidies, you addressed the question on textiles and apparel, but as a communist country I guess they have subsidies of a lot of industries. How are the rest of the industrial subsidies that they have addressed in the agreement?

Official 1: They have agreed to the elimination of all of their WTO-prohibited subsidies. The reason I was focusing on textiles was because you asked about those.

Question: That's true. I'm now going beyond.

Question: How did Harley Davidson make out?

Official 1: I'm sorry?

Official 2: Harley Davidson.

Official 1: Ah, go ahead, [Official 2].

Official 2: We've been working with Harley and also the Vietnamese on trying to address the concern. There had been a ban on importation of large motorcycles which in May by decree the Vietnamese have lifted. So there's an opportunity for Harley Davidson to sell into that market, so we've tried to address a number of things, whether it's distribution or the tariffs. And I think this is an example of where Harley has said, and they actually went to Vietnam to show the kinds of things they do to make sure that their vehicles are used responsibly. I think the Vietnamese are looking at how you actually give someone a license to operate a Harley, what kind of tests one takes to get a driver's license for a motorcycle, those kinds of things, and dealing with some of the safety issues that have been a concern to the Vietnamese.

Question: In terms of the distribution, what is the longest phase-out period? Is it a 15 year or 20 year phase-out, or what?

Official 2: No, we're talking, I think, and I'm sorry, just from memory, I think we're talking about within, I don't think there's anything longer than three years from accession. I think that's right.

Question: Could you just make a clarification on how the process would work with a special enforcement mechanism on textiles?

Official 1: I'm sorry, I didn't hear the question.

Question: I wondered if you could walk through the special enforcement mechanism on textiles and how from the entry to this final determination.

Official 1: Again, as I was describing before, there is a commitment by Vietnam to the complete elimination of its prohibited subsidies by the date of accession. If we believe that Vietnam is not in compliance with its commitment, we have the ability to - First of all, we would seek consultations with the Vietnamese. If those were not successful in determining whether they were or were not in fact in compliance with their obligations, and we continue to believe that they were in violation of those obligations, we would then be able to seek a determination by a WTO arbitrator in an expedited timeframe that Vietnam was in fact not in compliance with its commitment to eliminate the illegal or the prohibited subsidy.

If there is a determination in that expedited process that they are in violation of their obligation to eliminate those subsidies, we then, the United States, has the right to reimpose quotas upon the Vietnamese.

If the determination is that we are not right and that they have fulfilled their obligation, obviously we don't have the right to reimpose quotas.

Question: So for how long can you reimpose the quotas?

Official 1: The quotas would be reimposed for a period of one year.

Question: With growth rate or at the same level?

Official 1: It's at the level that's provided in the Bilateral Tariff Agreement.

Question: Are you hoping to finalize this so it can be signed at the APEC meeting in early June? And how come you're able to reach an agreement with Vietnam and you haven't been able to reach an agreement with Russia? What has Vietnam demonstrated that it can do that Russia has not?

Official 1: I'm going to let [Official 2] handle the Russia question.

In terms of timing it genuinely is our hope that this thing gets signed as soon as possible. If things could work out so it could be done in early June in Vietnam, that would be great. But at this point we're just in the phase of making sure that the paperwork is set and that we've fulfilled our consultation obligations. So we'll undertake that and hopefully, as I said, the signing will happen in the very near future.

Official 2: I think a number of the issues are the same that we've been talking to the Russians about. In terms of things like agriculture, they're difficult issues. The Vietnamese basically have decided that they want to transform their trade regime in agriculture to a regime that relies on science and they've done actually quite a lot of work to that end. I think our friends from Thailand are also working very closely with them.

A number of the issues are the same. I can't answer why the Russians haven't seen the merit of doing some of the things to liberalize. But clearly the Vietnamese have decided that as part of their integration effort they need to attract capital and they can't do that without really taking on some of the reforms that are needed to open up.

Voice: Folks, than you for your interest today. And just to underscore, this was on background, quotes attributable to US trade officials.

Question: You said senior trade officials earlier. [Laughter]. What is it then?

Voice: We can say senior.

Question: I don't care, I just want to be sure that you're not giving out conflicting messages.

Voice: Senior US trade officials. Thank you.

Question: Thanks.

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