



October 6, 2006

The Honorable
Susan Schwab
United States Trade Representative
Washington DC

Dear Ambassador Schwab:

On March 17 and again on May 9, 2006, AmCham Vietnam wrote to request that the U.S. Government consider, in its bilateral WTO accession negotiations with Vietnam, transitional measures that would allow Vietnam to bring its system of tax incentives for exporters into line with WTO requirements without causing serious economic dislocations in Vietnam. This is particularly important for the textile and apparel industry, where U.S. imports of textiles and apparel account for nearly half of total U.S. imports from Vietnam (\$2.9 billion of \$6.6 billion in 2005).

Given the profoundly adverse impact this issue could have on Vietnam's economic development, we expressed our concern that many in Vietnam would question the benefits of joining the WTO at all.

In the U.S.-Vietnam WTO Bilateral Market Access Agreement, signed in Ho Chi Minh City on May 31, 2006, Vietnam agreed to eliminate all "red-light" subsidies for the textile and apparel sector by the date of accession (including tax incentives granted to US and other investors in this sector). This already represents a profound concession on Vietnam's part and we remain concerned about its impact on employment and growth, though we were pleased that transitional measures were allowed to mitigate this impact on other industries.

We noted in particular in the Agreement the special and unique monitoring and enforcement mechanism through which the United States could re-impose quotas on Vietnam if it was determined, by a neutral arbiter, that Vietnam had not met its commitments to eliminate WTO prohibited subsidies for the textile and apparel sectors.

We also noted in the Agreement Vietnam's commitment to notify the United States and other WTO Members of the elimination of prohibited subsidies, of the establishment of any new subsidies, to ensure that the changes are WTO compliant, and to provide a subsidy notification to the WTO Committee on Subsidies and Countervailing Measures by the date of accession.

We have recently learned about the September 28 letter from U.S. Trade Representative Schwab and Commerce Secretary Gutierrez to Senators Dole and Graham announcing

that Administration will closely monitor and review imports of textiles and apparel from Vietnam, review every six months as to whether there is sufficient evidence to initiate an antidumping investigation of any textile or apparel goods from Vietnam, whether critical circumstances exist that would allow for preliminary duties to be repaid retroactively, and, if dumping exists and material injury is caused by such imports, the Department of Commerce will self-initiate anti-dumping investigations with respect to the relevant products.

The Dole / Graham press release announcing the letter states that “the Commerce Department has agreed to self-initiate antidumping investigations on textile and apparel imports from Vietnam ‘if the data suggests that dumping is occurring.’”

We are concerned that the promised program may be a discriminatory harassment action, introducing a politicization so wisely avoided in the prohibited subsidies enforcement mechanism, which would create so much uncertainty and business risk that it will discourage exports from Vietnam of these products. Already, factories in Vietnam and U.S. importers/retailers have talked of “moving orders out of Vietnam” into other supplying countries that are not subject to this same program.

We are also concerned that this new and unique program, on top of Vietnam’s extensive commitments concerning textile and apparel in the May 31, 2006 Agreement, will indeed cause Vietnam’s textile and apparel industry and possibly other industries in Vietnam, once again, to question the benefits of joining the WTO. Given the role of the textile and apparel sector in Vietnam’s economy, other sectors will be negatively affected if the textile and apparel sector declines.

And the prospective loss of export earnings from Vietnam’s largest export industry, together with delays in joining WTO, would naturally lead to significant losses of export opportunities in the Vietnam market for U.S. producers and exporters of industrial and agricultural goods, as well as U.S. service providers, which were obtained in the U.S. – Vietnam WTO Bilateral Market Access Agreement.

We respectfully request that the U.S. Government review and clarify the September 28 letter to Senators Dole and Graham, in order to reassure Vietnamese industry and government, as well as U.S. importers and retailers, that the promised actions will be insulated from the political arena and conducted fully in accordance with U.S. law and WTO rules.

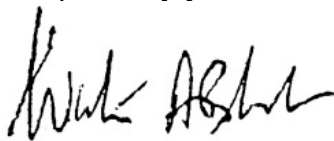
In closing, we would like to express appreciation for the vigorous efforts that the U.S. Government has made in the multilateral negotiations on Vietnam’s WTO accession to obtain significantly better market access for U.S. exporters of goods and services, including greater trading and distribution rights generally, and limits on Vietnam’s use of quantitative restrictions disguised as prudential measures in the financial sector (e.g. absolute ceilings or floors on financial size vs. risk weighted measures for U.S. banks). We also appreciate the efforts that are being made to ensure that these concessions can be turned into reality and that they do not meet with the same technical obstacles to

implementation that have thwarted implementation of similar concessions in the 2001 Bilateral Trade Agreement.

We would also like to express appreciation for the significant efforts that the U.S. Government has made in demonstrating its commitment to establishing the architecture that will facilitate an even more vigorous U.S. economic engagement in the ASEAN region, including especially the “U.S.-ASEAN Trade and Investment Framework Agreement,” signed August 25, 2006 and the “Plan of Action” announced July 27, 2006.

Finally, we would like to emphasize our mutual recognition, which we share with the Administration, that an important goal of PNTR and WTO accession is to further U.S. economic and national security interests in the ASEAN and APEC region. As Deputy Assistant Secretary Eric John testified to the Senate Finance Committee on July 12, Vietnam is an “increasingly responsible player and a potential partner in the region,” a “strong member of ASEAN” and “an increasingly positive force” in Southeast Asia on issues such as trade and security. WTO accession and PNTR status will keep Vietnam committed to its “very positive course,” John said, and “[h]elping Vietnam stay on that course is very much in our interest.”

Respectfully yours,



Walter A. Blocker
Chairman
AmCham Vietnam – HCM City



Thomas O'Dore
Chairman
AmCham Vietnam – Hanoi