

US-VIETNAM WTO COALITION



U.S.-Vietnam Trade – Myths and Realities

Integrating Vietnam into the international economy is good for all of Southeast Asia, good for the United States, and for the world. Vietnam is an engine of economic growth in the region, and offers significant opportunities for U.S. business and agriculture seeking to expand operations throughout Asia.

Myth: The United States has little to gain by granting Permanent Normal Trade Relations (PNTR) to Vietnam.

Reality:

- Vietnam will join the World Trade Organization whether the United States grants PNTR or not. However, in order for the U.S. to benefit from the market access concessions Vietnam has made to become a WTO member, the U.S. must first grant PNTR.
- If PNTR is not approved, we will be accepting higher tariff levels on our agricultural, manufactured and services companies while all other WTO nations enjoy immediate tariff reductions and eventual removal. American farmers, manufacturers and service providers will be at a significant disadvantage in the fastest growing economy in Southeast Asia.
- Vietnam's GDP has increased from \$31 billion to \$52 billion over the last five years, and two-way trade between the U.S. and Vietnam has increased more than 400%, to \$7.8 billion, since 2001.
- Vietnam is a resource-rich country with an educated work-force, strategically located in Southeast Asia and is poised to become the next "Asian Tiger." PNTR is necessary to ensure opportunities for U.S. exporters continue to grow.

Myth: PNTR would remove economic incentives to pressure Vietnam to improve human rights and labor rights practices.

Reality:

- Vietnam's human rights record has improved enormously since the post-war era. Today's Vietnam, while still ruled by a Communist regime, welcomes outsiders, and foreign trade and investment.
- Since 1988, the United States has taken steps to normalize the U.S. relationship with Vietnam, an effort that has continued to progress through the Reagan, Bush I, Clinton,

and Bush II Administrations. High-level engagement with Vietnam allows us to continue to encourage progress on labor, human rights and religious freedom. PNTR will strengthen our position.

- Vietnam authorities enacted a “Renovation” policy in 1986, committing the nation to economic liberalization. Today, Vietnam continues to develop rapidly, reflecting the government’s major commitment to stability, the rule of law, and transparency in business dealings.
- With an ambitious program of economic reform underway, Vietnam is the fastest growing major economy in Southeast Asia, with a GDP that increased by almost 50% since 2001. This kind of progress raises incomes and living standards. It also requires the rule of law to protect investment, facilities, workers and products.
- With PNTR, American presence will increase in Vietnam and the laws and regulations in Vietnam will become more and more transparent. In addition, American companies in Vietnam have undertaken and publicized independent “labor rights audits” to guide their own behavior and that of national and local officials.

Myth: Vietnam is among the worst violators of intellectual property rights. PNTR will only make matters worse as U.S. companies are “robbed” and “pirated” of their inventions, brand names and products.

Reality:

- Vietnam’s accession to the WTO, and U.S. extension of PNTR both require that country’s adherence to international rules, and provide for dispute settlement and for penalties in case of violations. The internationally negotiated WTO conditions and agreements, and the U.S.-Vietnam bilateral agreement represent great steps forward in terms of comprehensive, transparent rules and laws on intellectual property rights.
- Vietnam is finalizing intellectual property legislation and regulations. The USTR continues to work with the Vietnamese Government to ensure that the legislation and regulations are consistent with, and fully implement, the international Intellectual Property Agreement.
- In addition, under the WTO agreement, and with additional conditions under the US-Vietnamese bilateral agreement, the U.S. will be able to pursue its rights through WTO dispute settlement procedures. There are significant penalties in cases of violations.

Myth: Vietnam has hidden or desecrated US POW/MIAs for 30 years and refuses to assist American families come to closure on the fate of their loved ones.

Reality:

- Vietnam has been extraordinarily forthcoming in assisting the U.S. Government, NGOs and American families to recover remains or discover the fate of Americans still listed as POW/MIAs.

- In 1992, the U.S. and Vietnam established a joint task force for cooperative excavation and recovery, and continued progress on seeking our Missing in Action (MIAs).

Myth: Vietnam's agriculture, fisheries and livestock practices are not nearly up to U.S. standards. They will virtually guarantee that we import Avian Flu and other grave health risks if we open up our trade with them.

Reality:

- The international negotiations relating to Vietnamese accession to the WTO require Vietnam to implement the WTO Agreement on Sanitary and Phytosanitary Measures upon accession. Thus Vietnam will apply science-based sanitary and phytosanitary standards to all agricultural and food goods.
- Vietnam will recognize U.S. food safety inspection systems for beef, pork and poultry as equivalent to its inspection systems and will implement regulations on shelf-life and biotech in a non trade-disruptive manner, consulting with the U.S. before any changes to current practices.
- Vietnam has already established a Sanitary and Phytosanitary Standards inquiry point, ensuring transparency and responsiveness with regard to SPS regulatory affairs.

Myth: If we extend PNTR to Vietnam we will condemn U.S. companies to be "second-tier" investors since they will never be able to be more than minority partners and will be forced to compete with Vietnamese national companies.

Reality:

- Under the internationally-negotiated WTO agreements, Vietnam has made substantial commitments to open key sectors such as telecom (including satellite), financial and energy services to participation by foreign investors. Vietnam has offered to open up for insurance and securities branches, and already provides for branch banking. In those financial services areas, U.S. companies will have full rights to open branch offices and not "partner" with national companies.
- Vietnam is following a typical arrangement with foreign energy companies; the Vietnamese National Oil and Gas Company participates in leases, and exploration and development, usually at 15% or thereabouts. The foreign companies "carry" the national company in the investment phases, but gain back those funds before all parties begin to share in the later revenues (on a pro-rata basis). This arrangement is widespread, and has proven effective from the point of view of both the nation and the foreign companies.

Myth: Granting PNTR to Vietnam will result in a flood of imports from that country's subsidized textile industry – providing unfair competition for U.S. textile manufacturers.

Reality:

- In response to concerns raised by the U.S. textile industry, Vietnam has agreed to immediately eliminate all WTO-prohibited subsidies to its textile and apparel industries, and to be subject to a WTO-consistent enforcement mechanism to ensure it abides by this commitment.
- The commitment by Vietnam to immediately eliminate prohibited subsidies for the textile and apparel sector, with no “phase-in” periods, and to accept a tough, expedited enforcement mechanism to ensure that it fulfills its commitment to eliminate those subsidies, is unprecedented.
- Vietnam has never been a major supplier of textiles and apparel to the United States. In 2005, Vietnam accounted for only 1.9 percent (by volume) of textile and apparel imports to the U.S. market. An increase in Vietnamese imports will never amount to a flood.
- Continuing U.S. quotas on textile and apparel imports from Vietnam will have no impact on the overall level of imports into the United States, and will merely result in the shifting of trade to other Asian supplier.
- Trade is a two-way street, with the U.S. cotton industry exporting close to \$10 million to Vietnam textile manufacturers during the first quarter of 2006.

Myth: This is a Communist country; it will never change; we should not be trading with it – especially on the basis of Permanent Normal Trade Relations.

Reality:

- Vietnam has a one-party government and there are many historical examples of one-party systems becoming more open and democratic. It is important to note, for example, that Vietnam embarked upon its policy of economic reform three years before the fall of the Berlin Wall.
- It is much easier for non-democratic governments to endure when the population has little or no hope; but as prosperity grows, democratic tendencies and institutions grow, as well. We are seeing this in China, and we are already seeing it in Vietnam.

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