



31 May 2006

U.S. and Vietnam Sign Bilateral Market-Access Agreement

Normalization of relations will advance Vietnam's World Trade Organization bid

By Susan Krause
Washington File Staff Writer

Washington -- The United States and Vietnam have concluded a market-access agreement that is a significant step forward in normalizing bilateral relations and essential to achieving the mutual goal of Vietnam's accession to the World Trade Organization (WTO), according to the Office of the United States Trade Representative.

Deputy U.S. Trade Representative (USTR) Karan Bhatia and Vietnamese Deputy Minister of Trade Luong Van Tu formally signed the agreement in Ho Chi Minh City, Vietnam, on May 31. "This is a great agreement for the United States," Bhatia said. "It opens a vibrant and growing market for American agricultural goods, a range of services, and manufactured products. It also opens the door for Vietnam to join the international rules-based trading system."

Under the agreement, Bhatia said, Vietnam's regulatory trade practices will become more transparent, foreign companies will be treated more fairly and the Vietnamese people will enjoy greater economic freedom.

ROAD TO NORMALIZATION

Diplomatic relations between the United States and Vietnam were restored July 11, 1995, after a 20-year hiatus. In the years since, the relationship has continued to expand and deepen.

Following close bilateral cooperation on prisoner of war/missing-in-action issues from the 1954-75 Indochina War, the United States lifted a long-standing trade embargo on Vietnam in 1994.

In October 2000, then-President Bill Clinton became the first U.S. president to visit Vietnam since the end of the war.

A bilateral trade agreement took effect in December 2001, followed by agreements in civil aviation and textiles.

Two-way trade increased nearly 22 percent in 2005, reaching nearly \$8 billion, and U.S. direct investment in Vietnam was \$66 million in 2004.

Bhatia called the new market-access agreement a "historic step" in the relationship between the two countries. "It marks the passing of another milestone on the road to full normalization of relations between our two countries," he said.

CONGRESSIONAL ACTION NECESSARY

Congressional action is required for the agreement to take effect. Bhatia said the USTR would work closely with Congress to seek approval of Permanent Normal Trade Relations (PNTR) status for Vietnam, authorizing trade advantages that the United States grants to most trading partners.

"We believe there is strong bipartisan support for the PNTR," Bhatia said.

In order to authorize PNTR, the USTR office said it would be necessary for Congress to terminate application to Vietnam of the Jackson-Vanik amendment to the Trade Act of 1974. The Jackson-Vanik provision denies normal trade relations to certain countries with nonmarket economies and restrictions on emigration rights.

The president has the authority to waive the Jackson-Vanik provisions on a yearly basis, and Vietnam has been granted such waivers since 1998.

AGREEMENT REDUCES TARIFFS, EXPANDS ACCESS

The new agreement would take effect on Vietnam's accession to the WTO.

Under the agreement, Vietnam would expand market access for U.S. exports by reducing tariffs on manufactured goods. "More than 94 percent of U.S. exports of manufactured goods will face duties of 15 percent or less upon implementation of Vietnam's WTO accession commitments," a USTR fact sheet says.

Vietnam agreed to join the WTO's Information Technology Agreement, which eliminates tariffs on information technology products such as computers, cell phones and modems. Vietnam also agreed to participate in an initiative harmonizing tariff rates on chemical products, including cosmetics and pharmaceuticals.

The agreement provides for the reduction or elimination of tariffs on airplanes and engines, auto parts and vehicles, agriculture and construction equipment, medical and scientific equipment, and wood products.

Vietnam will increase market access for U.S. service providers in areas such as telecommunications, securities, insurance, energy, transportation, accounting, engineering, law, advertising and marketing, distribution, environmental protection, and hospitality.

In the area of agriculture, Vietnam has agreed to reduce tariffs on more than 75 percent of U.S. products and to improve its implementation of sanitary and phytosanitary (food safety) measures that might discriminate against foreign products.

The [text](#) of a USTR press release can be found at the USTR Web site.

Fact sheets on the market-access agreement's handling of [agricultural goods](#) (PDF, 2 pages), [industrial goods](#) (PDF, 2 pages) and [services](#) (PDF, 3 pages) also are available from the USTR Web site.

(The Washington File is a product of the Bureau of International Information Programs, U.S. Department of State. Web site: <http://usinfo.state.gov>)