



Coalition of Service Industries

July 12, 2006

**Statement by the
Coalition of Service Industries on the
Extension of Permanent Normal Trade
Relations Treatment to Vietnam
Senate Finance Committee Hearing**

Dear Mr. Chairman and Members of the Committee,

Members of the Coalition of Service Industries greatly appreciate the opportunity to express our support for the extension of permanent normal trade relations (PNTR) treatment to Vietnam as part of its WTO accession. The Coalition of Service Industries (CSI) represents the interests of US corporations in key services sectors, such as financial, express delivery, audiovisual, professional, business, transportation and telecommunications services. CSI members account for almost \$1 billion in revenues and 2.3 million jobs worldwide.

The US is strongly competitive in services, with a cross-border trade surplus of \$66 billion last year. US services sales through affiliates abroad reached \$477 billion in 2003, resulting in a \$96 billion surplus. The share of services in the US economy has been increasing steadily and now accounts for almost 78% of private sector GDP. Service companies are also responsible for 90 million jobs, a substantial portion of which are linked to the expanding US trade.

CSI members strongly urge the Committee to support PNTR status for Vietnam. Vietnam's high-quality, commercially meaningful WTO accession agreement will benefit the US economy and will provide new market opportunities for US service companies.

We fully support Vietnam's accession commitment to improve its intellectual property laws and bring them into compliance with the Trade-Related Intellectual Property Rights (TRIPS) agreement. In fact, Vietnam has already passed a new IP law to meet some of its obligations, and is working on the implementing regulations to ensure TRIPS-compatible protection. Vietnam is willing to make further IP enforcement efforts to combat piracy of motion picture and entertainment products, pay television signals, software, and other audiovisual and digital products.

CSI members commend USTR negotiators for securing Vietnam's valuable services commitments, which build upon the US-Vietnam bilateral trade agreement of 2001. Under the WTO accession agreement, US companies will enjoy national treatment, and be able to establish and operate in the most suitable corporate form. US companies will benefit from Vietnam's services trade liberalization in the following sectors:

- **Banking.** Vietnam's commitments cover foreign bank branches, and as of April 1, 2007, US banks will also be able to establish wholly US-owned subsidiaries. The agreement will permit service through ATMs.
- **Insurance.** US insurers will be able to establish 100% US-owned subsidiaries upon accession, and open direct branches in non-life after 5 years. Certain lines of statutory insurance will be open to foreigners one year after accession.
- **Securities.** In 5 years after Vietnam's accession, foreign securities firms will be able to operate as wholly foreign-owned enterprises or branches in key sub-sectors, such as asset management, advisory, and settlement and clearing services.
- **Energy.** Vietnam will phase out barriers to foreign participation after 3 to 5 years depending on the sector. Contractual suppliers will not be required to establish commercial presence. US energy services firms will be able to compete for energy projects in exploration, development, and other energy services on a national treatment basis.
- **Express Delivery.** The agreement creates a level playing field with the local postal monopoly. Vietnam will allow joint ventures with foreign majority ownership upon accession, and wholly foreign-owned enterprises will be allowed after 5 years.
- **Telecommunications.** Vietnam joined the Basic Telecom Reference Paper, which provides for a level playing field with local telecom monopolies, and ensures independent regulation and transparency. US companies will be able to have majority ownership in key telecom sectors.
- **Business Services.** Vietnam's commitments cover legal, accounting, architectural, engineering, consulting, computer and related services, and others. US service providers will be allowed to operate as 100% US-owned enterprises in professional and business services, either upon accession or after a short phase-in period.
- **Distribution.** The agreement provides for opening of wholesale, retail, direct sale, and franchising services. US distributors will be allowed to distribute imported and domestically produced goods. Wholly foreign-owned subsidiaries will be allowed in 2009.
- **Transportation.** US companies will be able to provide aircraft maintenance and repair services through joint ventures upon accession or as wholly US-owned companies after 5 years.
- **Environmental Services.** Vietnam will allow US providers through joint ventures upon accession, or as 100% US-owned enterprises after 5 years.
- **Hotels and Restaurants.** The agreement provides market access to US lodging and hotel management companies.

We would also like to highlight that under the US-Vietnam agreement US enterprises that are already operating in Vietnam will be able to continue to operate after accession under the conditions stipulated in their licenses. This acquired rights provision is an important concession, which our industry seeks from all aspiring WTO members.

It is also important to stress that Vietnam has made valuable accession commitments that will strengthen the rule of law, encourage economic decision-making based on market principles, and usher in greater transparency. For example, Vietnam has made

commitments that enhance its regulatory transparency and provide for prior public notice and comment.

We would also like to stress the importance of high-quality WTO accession agreements, similar to Vietnam's, in leveraging meaningful outcomes of WTO negotiations. As you know, the Doha Round is currently going through a difficult phase, and US efforts to obtain improved services offers from key developing countries face severe resistance. Commercially ambitious agreements, like Vietnam's, will help build up the critical mass of WTO members with strong commitments, who are interested in similarly strong concessions from other countries.

Granting PNTR to Vietnam is an important opportunity to improve our bilateral relations in general. The Vietnamese leadership is very eager to strengthen its good relations with the US and continue its comprehensive sectoral reforms. Securing Vietnam's PNTR will reinforce these processes. Therefore, we strongly urge the Congress to approve Vietnam's PNTR as soon as possible, and allow US companies to reap the many benefits of Vietnam's WTO membership.