



**Testimony Before the Senate Finance Committee on
S.3495—A Bill To Authorize the Extension of Nondiscriminatory
Treatment (Normal Trade Relations Treatment) to the Products of Vietnam
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I wish to express my appreciation to the committee for allowing me to submit written testimony on this important piece of legislation. AAFA, the national association of the apparel and footwear industries, strongly supports immediate approval and enactment of S. 3495, which would establish permanent normal trade relations (PNTR) between the United States and Vietnam.

Enactment of this legislation is important for the United States to avail itself of the full benefit of Vietnam's eventual entry into the World Trade Organization (WTO), an event that is expected to occur later this year. When that happens, the other 148 nations of the world will be able to trade with Vietnam under the rules of international commerce and will be able to gain substantially better access to the Vietnamese market. The United States can take advantage of those enhanced trade terms as well - but only if we have first enacted the PNTR legislation.

In our industry, there is particular importance for completing this process expeditiously. Vietnam is one of the few countries that face U.S. textile and apparel quotas. Once Vietnam joins the WTO, those quotas will be removed, which will provide U.S. consumers wider opportunities to buy more affordable clothing. Moreover, as Vietnam is able to grow its relatively small apparel industry - in 2005 it was the 6th largest source of apparel for the U.S. accounting for only about 4 percent of total imports - it will create new opportunities for the export of U.S. fabrics and cotton. Vietnam is 13th largest market for U.S. cotton, importing almost \$50 million worth of U.S. cotton in 2005. Over 80 percent of the cotton used in Vietnam comes from the United States. In addition, exports of U.S. fabric to Vietnam have more than doubled since 2003.

Further, by the end of this year, Vietnam will become the second largest supplier of footwear to U.S. market (after China), a market where well-over 98 percent of the footwear sold is imported. Integrating Vietnam into the international rules based trading system will offer U.S. footwear firms a stable and viable alternative to China for the footwear U.S. consumers demand at prices U.S. consumers can afford.

WTO accession will ensure that Vietnam plays by the rules in the future. Vietnam has made important commitments to provide U.S. firms better Intellectual Property Rights (IPR) protections as well as full distribution and market access rights in the 83 million person strong Vietnamese market, the fastest growing economy in Southeast Asia. Moreover, Vietnam has already begun to eliminate a trade distorting export subsidy program as part of its agreement to join the WTO.

To sum up, Vietnam accession to the WTO is a good thing that will greatly benefit our industry as well as the entire U.S. economy. We urge you to support the immediate approval and enactment of PNTR legislation so we can take full advantage of this benefit.