



**U.S. Senate
Finance Committee**

**Hearing on “S.3495—A bill to authorize the extension of nondiscriminatory treatment
(normal trade relations treatment) to the products of Vietnam”**

**Wednesday, July 12, 2006
10:00 a.m.
215 Dirksen Senate Office Building**

Testimony for the record by the

**American Chamber of Commerce in Vietnam
(Ho Chi Minh City Chapter)
New World Hotel Saigon, Suite 323
76 Le Lai Street, District 1
Ho Chi Minh City, Vietnam**

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On behalf of the American Chamber of Commerce in Vietnam, Ho Chi Minh City Chapter, we are pleased to present the Senate Finance Committee with testimony supporting Permanent Normal Trade Relations (PNTR) for Vietnam.

We represent more than 350 American and international companies with operations in Vietnam,—from large multinationals that have invested hundreds of millions of dollars in Vietnam to very small companies that are importing a wide range of products from the United States to sell in Vietnam. We believe that efforts to expand trade opportunities will help workers, farmers, and consumers in both the United States and Vietnam.

Starting in December 1996, AmCham Vietnam and its U.S. member companies have led the way in advising the U.S. Trade Representative on key issues for negotiating trade agreements with Vietnam. Our December 1996 recommendations helped formed the basis for the U.S.-Vietnam Bilateral Trade Agreement (BTA) that was signed in July 2000. And AmCham Vietnam recommendations in September 2004, September 2005, March and May 2006 played an important role in establishing the framework for the U.S.-Vietnam WTO Bilateral Market Access Agreement that was signed in Ho Chi Minh City on May 31, 2006.

Few could imagine the remarkable results that have been achieved since the Bilateral Trade Agreement went into effect in December 2001. Since then, U.S. imports from Vietnam have increased from US\$ 1.1 billion in 2001 to US\$ 6.6 billion in 2005. And U.S.-related investment in Vietnam reached US\$ 2.4 billion by the end of 2004. U.S. exports to Vietnam have also increased substantially to nearly US\$ 1.2 billion in 2005, led by aircraft sales.

And U.S. firms are successfully pursuing business opportunities in Vietnam, for example Intel Semiconductor’s US\$ 300 million investment in an assembly and test facility, Lockheed-Martin \$100 million contract to launch Vietnam Satellite (VINASAT), Alcoa’s feasibility study for a US\$ 2 billion bauxite/alumina smelter, Time-Warner and MegaStar’s investment in hundreds of cineplexes in Vietnam. Joining them are many smaller U.S.-owned companies such as Jeff Leach’s, which imports popcorn into Vietnam by the container load from Morrison Popcorn in Clearwater, Nebraska.

With the U.S.-Vietnam WTO Bilateral Market Access Agreement, Vietnam’s pending entry into the World Trade Organization (WTO), and Permanent Normal Trade Relations, trade and investment between Vietnam and the United States will increase even more substantially in the next five years, and in ten years could approach the level of other countries in the Southeast Asia region. Total U.S. trade with Southeast Asia was \$146.6 billion in 2005; U.S. exports US\$ 49.5 billion and U.S. imports US\$ 90.6 billion. Southeast Asia is a larger market for U.S. exports than China and just behind Japan.

The U.S.-Vietnam WTO Bilateral Market Access Agreement, signed on March 31, 2006, removes Vietnam’s trade and investment barriers and eliminates Vietnam’s export subsidies. The agreement will create increased access for U.S. exporters of goods and services into a vibrant and growing market. With an ambitious program of economic

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reform underway, Vietnam is the fastest growing major economy in Southeast Asia. (GDP has increased almost 50 percent since 2001).

Our AmCham members will benefit from the following Vietnamese commitments:

- **Industrial goods:** about 94% of Vietnam’s imports from the United States will face duties of 15% or less. On key products in the construction equipment, pharmaceuticals and aircraft sectors duties are 0-5%.
- **Agricultural goods:** approximately three-fourths of U.S. agricultural exports to Vietnam will face bound duty rates of 15% or less. Products subject to these reduced tariffs include cotton, selected beef, pork, and variety meats, whey, grapes, apples and pears, and soybeans.
- **Services:** Vietnam has made substantial commitments to open up key sectors, like telecom (including satellite services), distribution, financial services, and energy services to foreign participation. Vietnam has offered to open up for branching in insurance (non-life) and securities, and it already provides for bank branching.
- **State Trading.** Vietnam is reducing the role of state enterprises in commercial activities (including eliminating the role of the state as the sole importer of certain products). In addition, U.S. firms will have access to the market to supply goods and services to Vietnam’s state-owned and controlled enterprises, which will be obligated to make purchases and sales of goods and services based on commercial considerations.
- **Trading Rights.** Vietnam will eliminate restrictions on imports that foreign-invested companies can import. A very limited number of products are subject to a short transition period before trading rights will be granted and importation of a few products will be through state trading enterprises.
- **Non-Market Economy Status.** Nothing in the accession agreement will change Vietnam’s status as a non-market economy (NME) for U.S. trade remedy purposes. The U.S. Government will continue to use non-market methodology in antidumping cases until such time as Vietnam is no longer treated as a non-market economy or for 12 years after Vietnam becomes a WTO member.
- **Intellectual Property Protection.** Vietnam is finalizing intellectual property legislation and regulations. The U.S. Government and AmCham will continue to work with Vietnam on the new intellectual property law to ensure that it is consistent with and fully implements the TRIPs Agreement.
- **Industrial subsidies.** Vietnam will eliminate WTO-prohibited subsidies that it provides to its industries. For textile and garment industries, this will be in effect immediately upon accession, and for other industries, Vietnam will eliminate all prohibited subsidies on accession, except for two programs, where benefits to current recipients will be phased out over a five-year period.

(We believe that concerns about the potential negative impact of PNTR on U.S. textile manufacturers are over-stated. In 2005, Vietnamese textile and apparel exports accounted for less than 4% of the garment imports into the U.S. market. Even with the elimination of

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quotas, it is unlikely that Vietnam’s share will increase dramatically because its textile industry is still smaller than that of many of its neighbors. Moreover, Vietnam has agreed as part of its WTO accession, to terminate all subsidies to textile and apparel companies. If Vietnam re-instates subsidies down the road, the Bilateral Market Access Agreement and WTO rules allow member countries to enforce quotas as a means of regulating Vietnam’s compliance.)

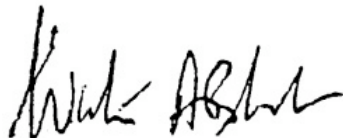
It is important to recognize that the Bilateral Market Access Agreement, WTO Accession, and approval of PNTR will strengthen U.S. relations with a strategically and economically important region. The region represented by the Association of Southeast Asian Nations (ASEAN) – with a population of 570 million – has been an engine of economic growth, and is our second largest export market (US\$ 49.5 billion in 2005) in Asia — just slightly behind Japan (US\$ 55.5 billion), and ahead of China (US\$ 41.9 billion), South Korea (US\$ 27.8 billion), and India (US\$ 8.0 billion). WTO membership and PNTR further encourage the growth of Vietnam within ASEAN as an emerging alternative market for the U.S., and it is important to our member companies to take advantage of the country’s integration into the global trading community.

If PNTR is not authorized, it will be U.S. companies, including AmCham members, that will be disadvantaged, because they will be prevented from trading under the terms of the agreement. The other WTO member countries, especially China, Japan, India and Brazil, and the European Union members, which have granted Vietnam nondiscriminatory treatment, will be significantly more competitive than U.S. firms.

On behalf of our members, the American Chamber of Commerce in Vietnam, Ho Chi Minh City Chapter urges Congress to pass the “bill to authorize the extension of nondiscriminatory treatment (normal trade relations treatment) to the products of Vietnam” before the August recess, without any amendments, in time for President Bush’s trip to Vietnam in November for the Asia Pacific Economic Cooperation summit.

AmCham Vietnam in HCM City believes PNTR represents the final chapter in the normalization of relations between our two countries. AmCham and its member companies have played a daily on-the-ground role in advancing this normalization. We have enjoyed bipartisan support at every step and we hope members of Congress will approve PNTR as the next step forward.

Thank you.



Walter A. Blocker, Chairman
AmCham Vietnam in Ho Chi Minh City