



**U.S. Senate  
Committee on Finance**

**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**

**U.S. Chamber of Commerce  
And  
American Chamber of Commerce in Vietnam**

On behalf of the U.S. Chamber of Commerce and the American Chamber of Commerce in Vietnam, we are pleased to present the Senate Committee on Finance with testimony supporting Permanent Normal Trade Relations (PNTR) for Vietnam. International trade plays a vital role in the expansion of economic opportunities for American workers, farmers and businesses.

As the world's largest business federation — representing more than three million businesses and organizations of every size, sector and region — the U.S. Chamber views efforts to expand trade opportunities as a national priority.

AmCham Vietnam has over 1,000 members, making it the largest foreign business association in Vietnam. Its primary objective is to promote trade and investment opportunities for American companies in this dynamic country.

### **Permanent Normal Trade Relations with Vietnam**

Granting PNTR to Vietnam will provide U.S. businesses increased access into the fastest growing major Southeast Asian country. With Vietnam's accession into the World Trade Organization scheduled for this year, it is vital that we allow our companies to take advantage of the country's integration into the global trading community. On behalf of our members, the Chamber and AmCham Vietnam urge Congress to pass this bill before the August recess, in time for President Bush's trip to Vietnam in November for the Asia Pacific Economic Cooperation summit.

Vietnam is an important trading partner with and strategic market for the United States. Two-way trade totaled more than \$7.8 billion in 2005, a five-fold increase since 2001. U.S. exports to Vietnam increased 24% between 2004 and 2005, reaching \$1.2 billion. Vietnam's gross domestic product has increased 50% over the last five years. The country has the two most important characteristics of any stable economy: it is rich in resources and has a skilled and educated workforce.

Vietnam is expected to accede to the WTO in October. Through the process of its accession, Vietnam has undergone major market reforms and introduced wide ranging legal reforms. On May 31, the U.S. and Vietnam signed a bilateral market access agreement, which removes trade and investment barriers and cuts the country's export subsidies.

This agreement will create increased access for U.S. exporters of goods and services into a vibrant and growing market. As noted above, the United States has a large trade deficit with Vietnam today, which reflects both the openness of the U.S. economy and the significant barriers facing U.S. firms wishing to access the Vietnamese market. This agreement will do much to level the playing field between our two countries by requiring Vietnam to undertake extensive reforms to open its market to U.S. manufactured goods, service providers and agricultural products. By

contrast, the legislation requires no additional opening of the U.S. market to Vietnamese exports.

Access for U.S. industrial goods, services and agricultural products were all improved through the agreement. Our negotiators won major concessions, and we now want to see these rules put into practice for the benefit of American businesses and increased U.S. competitiveness in the region.

Under the agreement, Vietnam has agreed to significantly reduce tariffs on manufactured goods, allowing 94% of U.S. goods to face duties of 15% or less. In services, our negotiators achieved national treatment for U.S. companies across a wide range of sectors, including banking and securities, telecommunications, insurance and professional services.

In the agricultural sector, Vietnam has agreed to slash tariffs on priority U.S. agricultural products, including beef, pork, dairy products, fruits, nuts, cotton and soybeans. Duties on most agricultural goods will be cut 5%-10%, eventually falling to less than 15% for three-fourths of U.S. agricultural exports.

By withholding PNTR from Vietnam, it will be U.S. companies that are disadvantaged, because they will be prevented from trading under the terms of the agreement. The other 148 WTO member countries, which have granted Vietnam nondiscriminatory treatment, will secure significant competitive advantages over U.S. firms.

Concerns about the potential negative impact of PNTR on U.S. textile manufacturers were taken into account by U.S. negotiators. In 2005, Vietnamese textile and apparel exports accounted for less than 2% of the garment imports into the U.S. market. Even with the elimination of 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. Further, Vietnam has agreed as part of its WTO accession to terminate all subsidies to textile companies. If Vietnam reinstates subsidies down the road, WTO rules allow member countries to enforce quotas as a means of enforcing Vietnam's compliance.

## **Conclusion**

U.S. involvement in trade and investment in Asia is imperative. Our country cannot afford to pass up opportunities to increase our market access and improve our competitiveness in Asia. U.S. business is quite capable of competing and winning against anyone in the world when markets are open and the playing field is level.

The Chamber and AmCham Vietnam believe PNTR represents the final chapter in the normalization of relations between our two countries. Vietnam and the United States have a complex history, but ties between us have steadily improved

over the past 15 years. This process has enjoyed bipartisan support at every step, and we hope members of Congress will see PNTR as the next logical step forward.

The U.S. Chamber and AmCham Vietnam appreciate the leadership of the Senate Finance Committee in advancing the U.S. international trade agenda, and we applaud your efforts to move forward with PNTR for Vietnam. We stand ready to work with you to build support for this agreement and tackle other trade challenges in the year ahead.

Thank you.