Trade Facts

Office of the United States Trade Representative **www.ustr.gov**
Trade Facts – May 2006

U.S.-VIETNAM BILATERAL WTO ACCESSION AGREEMENT
Ensuring a Level Playing Field for U.S. Textile and Apparel Industries

With its accession to the WTO, Vietnam's textile and apparel producers will have to compete fairly, according to international trade rules. The United States has negotiated tough commitments that will preclude Vietnam from providing WTO-prohibited subsidies to its textile and apparel industries and that will harshly penalize them if they do. At the same time, WTO accession means that Vietnam will no longer be subject to textile and apparel quotas. It is a tough but fair trade agreement.

- The United States currently is the only country in the world that imposes quotas on imports of textiles and apparels from Vietnam. Those quotas have limited the ability of U.S. retailers and consumers to acquire fabric and clothes from Vietnam, a potential competitor to China, India and other low-cost providers of textiles and apparel.

- Under a 2003 agreement, the U.S. agreed that it would remove quotas upon Vietnam's accession to the WTO.[1] That's only fair: we don't want our products subject to quotas by Vietnam or other WTO members.

- Once it accedes to the WTO, Vietnam – like all WTO members – will be subject to rules prescribing fair trade. It will also allow the U.S. and other countries to sue Vietnam if it violates the rules.

- But to ensure that Vietnam competes fairly in textiles and apparel, the U.S. insisted that Vietnam agree to special provisions governing textiles and apparels in the bilateral WTO accession agreement between the United States and Vietnam.

- In that bilateral agreement, Vietnam:

    - agreed to eliminate all WTO-prohibited subsidies received by the textile and apparel sector by the date of accession. These include all subsidies contingent upon export performance or the use of domestic over imported goods to the textile and apparel industries, including investment incentives contingent upon export performance for domestic businesses, investment incentives contingent upon export performance for foreign-invested enterprises, export promotion subsidies and trade promotion subsidies.

    - committed to rescind Prime Ministerial Decision 55 of 2001 which established a program to support development of Vietnam's textile and apparel export competitiveness.

    - addressed the concerns of the textile sector that they are hindered in their ability to use traditional remedies like antidumping cases by immediately ending all prohibited subsides upon accession.

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[1] The Agreement Relating to Trade in Cotton, Wool, Man-Made Fiber, Non-Cotton Vegetable Fiber and Silk Blend Textiles and Textile Products, extended by Memorandum of Understanding between the United States and Vietnam, will expire on the date of Vietnam's accession to the WTO and quotas under the Agreement will be removed as of that date.

- The agreement has a unique enforcement mechanism on the textile and apparel promises that is more effective for the textile and apparel industries than the traditional WTO remedies. Normally, the United States' recourse if Vietnam did not honor all of its promises to end illegal subsides would be to submit the issue to a WTO dispute settlement panel. In that instance, the remedy could be removal of the subsidy (after protracted litigation), or "countermeasures," such as higher import duties on Vietnamese products. In this agreement, however, Vietnam agreed:

    - to a monitoring and enforcement mechanism through which the United States could re-impose quotas on Vietnam if it was determined that Vietnam had not met its commitments to eliminate WTO prohibited subsidies for the textile and apparel sectors.

    - that if the United States finds evidence that Vietnam has not lived up to its commitment to end all WTO-prohibited subsidies the governments would enter into 60 days of consultations aimed at resolving the issue.

    - if after the consultation period has expired without a resolution to the issue, that the United States can seek a determination by a neutral WTO arbitrator of whether Vietnam has complied with its commitments to us, including elimination of its prohibited subsidies. [2]

    - that the arbitrator would have only 120 days to make a decision. If the arbitrator decides in favor of the United States or fails to decide within 120 days, then the United States has the right to immediately impose quotas for up to one year or until Vietnam comes into compliance.

- The agreement will allow for greater transparency of all of Vietnam's textile and apparel subsidies programs through mandatory notifications of changes in its programs. These notifications will allow the United States a greater opportunity to monitor Vietnam's fulfillment of its promise to end all WTO noncompliant subsidies. Vietnam will:

    - notify the United States within 45 days of any new programs providing subsidies to the textile or apparel industries so that we will be able to ensure that all the changes are WTO compliant.

    - notify WTO Members, and provide further information on request, when it takes any action to eliminate prohibited subsidies. In addition, by the date of accession, Vietnam will provide a subsidy notification to the WTO Committee on Subsidies and Countervailing Measures.

- In addition, the United States received concessions that will help lessen the trade-distorting effects of Vietnam's state-owned and controlled enterprises, including their textile conglomerate, Vinatex. Vietnam promised:

    - that its state-owned and controlled enterprises will make purchases and sales in international trade of goods and services based on commercial considerations and provide U.S. firms adequate opportunity, in accordance with customary practice, to make sales to and purchases from these firms. Vietnam is reducing the role of state enterprises in commercial activities.

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[2] Arbitration will occur under Article 25 of the WTO Understanding on Rules and Procedures Governing the Settlement of Dispute (DSU).