

JACKSON-VANIK WAIVER FOR VIETNAM

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Thank you, Chairman Crane, Mr. Levin and Members of the Subcommittee, for this opportunity to testify today in support of continuation of the President's waiver for Vietnam of the freedom of emigration provisions of Title IV of the Trade Act of 1974, the so-called Jackson-Vanik amendment. Congress and this Committee in particular has a strong record of endorsing a normalized trade relationship with Vietnam.

Continuing the Jackson-Vanik waiver, which former President Clinton first invoked in 1998, is required to maintain Normal Trade Relations (NTR) status for Vietnam. Retaining NTR status is necessary to continue full implementation of the U.S.-Vietnam bilateral trade agreement (BTA). Congress passed legislation approving extension of NTR to Vietnam on October 3, 2001, which the President signed into law on October 16, 2001.

I will focus my comments today on the trade aspects of our relationship with Vietnam. Mr. LaFleur plans to discuss the U.S. efforts to work with Vietnam on human rights, including issues such as religious freedom and labor rights.

On December 10, 2001, with firm bipartisan support from the Congress, and this Committee in particular, NTR was extended to Vietnam and the U.S. - Vietnam BTA entered into force. Entry into force of this Agreement was a critical step in the process of normalizing our trade relations with Vietnam, furthering U.S. economic and strategic objectives and opening a growing market to U.S. exports and investment.

The BTA represents the culmination of a decade-long, bipartisan effort to heal the wounds of the Vietnam era and to restore our relations with this country of 80 million people - - the fourth most populous country in East Asia, and one with tremendous potential; half of its population is under the age of 25. The path to normalization of our bilateral relations was formulated by former President Bush in a "road map" in 1991. With substantial work by the Clinton Administration - and bipartisan leadership by key members of Congress in both houses - we have passed important milestones, including securing Vietnam's cooperation in accounting for MIAs and POWs, lifting of the trade embargo in 1994, establishing diplomatic relations in 1995, and the entry into force of the BTA last year.

Under the BTA, Vietnam has made extensive commitments to reform its economy, including revision of its legal system as it relates to trade, finance and other related areas. The BTA provides Vietnam the incentive it needs to open its economy, introduce competition -- both internally and internationally -- and make its entire economic regime more transparent. Indeed, the BTA is probably the most significant economic reform measure Vietnam has adopted since the mid-1980s, when it abandoned central planning and moved toward adoption of market mechanisms.

The BTA is the most comprehensive agreement we have ever negotiated with a country subject to Jackson-Vanik amendment. This Agreement requires Vietnam to provide access to its market for a wide range of U.S. goods, services and investment -- some sectors immediately, others over several years -- and to apply the rule of law to its trade and investment policy. The BTA represents a significant step in Vietnam's movement toward WTO and other international norms, as well as its integration into the regional and global economy. Vietnam's adoption of the BTA's provisions laid the groundwork for even more extensive reform efforts as it proceeds with its accession to the WTO.

Vietnam's commitments under the BTA provide a number of commercial benefits to the United States. A wide range of U.S. products can enter Vietnam at substantially reduced tariff rates -- including avoiding a 50% surcharge Vietnam levies on countries with which it does not have normal trade relations. Such U.S. goods will be valued according to WTO rules, and be free of quotas. Also, many U.S. suppliers in key sectors can sell their services either from the United States or by investing in Vietnam. Intellectual property rights are to be subjected to WTO-levels of protection. Vietnam must use WTO disciplines for its trade-related technical standards and sanitary and phytosanitary measures. And the BTA's transparency requirements reduce the cost of doing business and provide fairness and openness in administration of Vietnam's trade laws and regulations.

Implementation of all of these BTA provisions can, over time, greatly increase U.S. exports to Vietnam. In the first four months of this year, we have seen U.S. exports grow by 27.5% compared to the same period last year -- at a time when our overall exports to Asia are off by nearly 15%.

Of course, conclusion of an agreement must be followed by implementation. USTR, working with other key agencies like State, Commerce, and USAID, is monitoring Vietnam's progress. So far, we have seen that the political commitment of the leadership of Vietnam to make the changes necessary to fully implement the BTA is solid and is increasingly being translated into new laws, rules and regulations.

We are working intensively with the Vietnamese government to assist it in this effort. During the negotiation of the BTA, we understood that Vietnam would require substantial capacity building assistance to fulfill its commitments. With the strong support of Congress, USAID has undertaken a unique and substantial program to assist Vietnam, committing nearly \$8 million over three years. This is the first USAID program aimed exclusively toward implementation of a trade agreement.

The USAID STAR (Support for Trade Acceleration) program, located in Hanoi, has been assisting Vietnam in its efforts to understand and implement changes to its legal and regulatory framework since late last year. In addition, for the last few years USAID has given financial support to the U.S.-Vietnam Trade Council, which provided technical assistance during the negotiation of the BTA and now through the implementation phase.

Efforts to ensure BTA implementation is also occurring at high levels. In May, Deputy USTR Jon Huntsman and Vietnam's Vice Minister of Trade Luong Van TU convened in Hanoi the first meeting of the Joint Committee established by the BTA. A principal element of this meeting was a review of the status of implementation.

At this meeting, it was evident that Vietnam has made substantial progress in fulfilling its obligations under the BTA and great strides in developing a cadre of officials that understand the rules and regulations of the international trading system. It was equally evident to us that our technical assistance programs are having a very positive effect on Vietnam's efforts. Of course, we will need to continue to work closely with Vietnam to ensure that it fulfills all of its BTA commitments. For example, we continue to be concerned about the level of enforcement of intellectual property rights in Vietnam, particularly in light of other similar problems in the region.

Concluding the BTA with Vietnam and obtaining congressional approval of that Agreement was a necessary step in granting Vietnam NTR tariff treatment to the products of Vietnam. Maintaining NTR status for Vietnam is not only good for our bilateral relationship but helps encourage regional stability and prosperity. As Vietnam gains economically from its trade with us and reforms its economy, it integrates itself further into the regional and global market. Prosperous countries with close economic ties to each other tend to make better, more dependable neighbors. Providing NTR status and maintaining the BTA thus advances the fundamental interest that we have in expanding opportunity and freedoms in Vietnam, the Asian region and the world.

Through its implementation of the BTA, Vietnam is demonstrating that it is willing to play by the same rules as our other trading partners, and be a member in good standing of the international economic community. The Administration remains confident that the continuation of NTR treatment furthers our economic objectives in Vietnam, and our overall national interest. We urge the continued support of the Congress for the Vietnam's Jackson-Vanik waiver.

I would be pleased to respond to any questions Members may have.