

UNITED STATES-VIETNAM BILATERAL TRADE AGREEMENT

HEARING BEFORE THE COMMITTEE ON FINANCE UNITED STATES SENATE ONE HUNDRED SEVENTH CONGRESS FIRST SESSION

JUNE 26, 2001



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CONTENTS

OPENING STATEMENTS

Kerry, Hon. John, a U.S. Senator from Massachusetts	Page 1
Grassley, Hon. Charles E., a U.S. Senator from Iowa	3
Lincoln, Hon. Blanche, a U.S. Senator from Arkansas	16

ADMINISTRATION WITNESSES

Davidson, Peter, General Counsel, Office of the U.S. Trade Representative, Washington, DC	4
Boyce, Hon. Ralph L., Deputy Assistant Secretary for East Asian and Pacific Affairs, U.S. Department of State, Washington, DC	7

PUBLIC WITNESSES

Foote, Virginia, president, U.S.-Vietnam Trade Council, Washington, DC	21
Johnson, Lionel, vice president and director of International Government Relations, Citigroup, Inc., Washington, DC	22
Levinson, Mark, director of research and policy, Union of Needletrades, In- dustrial and Textile Employees (UNITE), New York, NY	23

ALPHABETICAL LISTING AND APPENDIX MATERIAL

Baucus, Hon. Max: Prepared statement	31
Boyce, Hon. Ralph L.: Testimony	7
Prepared statement	31
Davidson, Peter: Testimony	4
Prepared statement	33
Foote, Virginia: Testimony	21
Prepared statement	38
Grassley, Hon. Charles E.: Opening statement	3
Prepared statement	60
Johnson, Lionel: Testimony	22
Prepared statement	61
Kerry, Hon. John: Opening statement	1
Prepared statement	63
Levinson, Mark: Testimony	23
Prepared statement	63
Responses to questions from Senator Grassley	69
Lincoln, Hon. Blanche: Opening statement	16

COMMUNICATIONS

Vietnam Labor Watch	71
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UNITED STATES-VIETNAM BILATERAL TRADE AGREEMENT

TUESDAY, JUNE 26, 2001

U.S. SENATE,
COMMITTEE ON FINANCE,
Washington, DC.

The hearing was convened, pursuant to notice, at 2:35 p.m., Hon. John Kerry presiding.

Also present: Senators Lincoln and Grassley.

OPENING STATEMENT OF HON. JOHN KERRY, A U.S. SENATOR FROM MASSACHUSETTS

Senator KERRY. This hearing of the Senate Finance Committee will come to order. I apologize for being late. I was actually waiting for ranking member Grassley who is tied up in a conference call for a moment, but he suggested that we go ahead and start. So we will indeed do so.

Chairman Baucus has asked if I would chair this hearing for him. I do believe that at some point, he hopefully will be stopping by, but he is also wrestling with some issues on the patient's bill of rights that are sort of co-jurisdictional which is the reason that he is not able to be here right now.

We are delighted to be able to welcome two panels this afternoon to begin the U.S. Senate's consideration of the United States-Vietnam Bilateral Trade Agreement which was submitted to the Congress by the Bush Administration on June 8th.

This agreement represents, in the judgment of many of us, a major step in the process of continuing down the road of normalizing relations between the United States and Vietnam, a process made possible by Vietnamese cooperation on the POW-MIA issue through the years and by growing recognition among Americans that U.S. interests would indeed be better served by building a new relationship with Vietnam.

I might say that this is a process which has spanned administrations. The Reagan administration began the process in earnest with respect to the additional contacts and efforts to reach out. General Scroft was deeply involved in that and subsequently President Bush's administration continued that, and General Scroft played a critical role, as did General John Vasey, and out of that began to build other possibilities.

Senator McCann and I and others worked hard to try to make those possibilities a reality, recognizing that Vietnam is a country of 77 plus million people, 5 percent of whom are over the age of 65 and 60 percent of whom are under the age of 25.

The vast majority of the country of Vietnam has only a historical memory, that taught in school and that taught to them about by their elders. Given the changes in the world on a whole, many of us believe very deeply that it was time for us to try to look towards other kinds of relationships.

In 1994, President Clinton opened the door to the economic interaction by lifting the U.S. trade embargo that had been imposed on Vietnam since the war. After establishing diplomatic relations in 1995, and Vietnam began negotiations in 1996 on the bilateral trade agreement, we have progressed finally to this agreement which we are discussing here today.

It is the most sweeping and detailed agreement that United States has ever negotiated with a so-called Jackson-Vanik country. It focuses on four core areas: trade and goods, intellectual property rights, trade in services, and investment, but it also includes important chapters on business facilitation and transparency. It I believe is a win-win for both the United States of America and for Vietnam.

The government of Vietnam has agreed to undertake a wide range of steps to open its market to foreign trade and to investment, including decreasing tariffs on American goods; reducing barriers to U.S. services, particularly in the banking, insurance, and telecommunications areas; agreeing to protect intellectual property rights pursuant to international standards; increasing market access for American investments; and adapting measures to promote commercial transparency.

These commitments, some of which are phased in over time, will not only improve the climate for American investors, but they will also keep Vietnam on the road to economic reform, to international economic integration, and to eventual membership in the WTO.

It is important to note the recent changes in the government of Vietnam. Their new president continued the service of the prime minister who had questions about the commitment to reform, but who himself is deeply committed to it and other members of the committees of the legislature, of the parliament are all deeply committed to this process of reform. That is something that I think we can discuss with the panels as we go forward today.

For Vietnam, on the other hand, this agreement provides access to the largest market in the world on a normal trade relations status at a time when economic growth has slowed. Equally important, it signals that the United States is committed to expanded economic ties and to further normalization of the bilateral relationship.

The agreement was signed 1 year ago. Now, that the Bush Administration has sent it to Congress, I am particularly hopeful that both houses will quickly before the summer recess on the resolution which must be enacted in order to bring this agreement into force. I think that normalization has enjoyed strong bipartisan support in the Congress since this process began a little over a decade ago.

I am confident that substantial support in both houses for this agreement will be forthcoming. I think there are great benefits to moving it quickly, not the least of which is that by moving it quickly, we really begin to cement in place the process of reform that has its own doubts about our intentions and which sometimes

whether or not we are prepared to move forward on what we have agreed.

I think that there is a great benefit for those who have staked their internal politics with Vietnam on this question of reform. It is important for us to sustain it. I think in the end, if we look at the changes in lifestyle and opportunity for those who have had the opportunity to share in some of the upside benefits of trade in Vietnam itself, the argument is made quite conclusively about the ways in which this benefits us and them.

So, Senator Grassley, thank you for joining us in this effort.

Senator GRASSLEY. Yes.

Senator KERRY. Thank you for your leadership on this. I know you have been particularly concerned about trying to help. While you were chairman, you were particularly attentive and thoughtful about it. I certainly express my gratitude to you.

**OPENING STATEMENT OF HON. CHARLES E. GRASSLEY, A U.S.
SENATOR FROM IOWA**

Senator GRASSLEY. Yes, I appreciate being able to work with you on a perspective that you give to this issue. Obviously, I commend Chairman Baucus and also our acting chairman, Senator Kerry, for their leadership and for holding this hearing.

I will just give a short statement. And I would ask that a full statement be put into the record.

Senator KERRY. Without objection, it will be.

[The prepared statement of Senator Grassley appears in the appendix.]

Senator GRASSLEY. Approval of the United States-Vietnam Bilateral Trade Agreement and extension of normal trading relations for Vietnam are important issues which should be addressed as early as possible. Our Nation's healing process over Vietnam is not yet complete nor may it ever be, but I am hopeful that today's hearing and passage of this historic agreement will help that process.

I am especially grateful to Senator Kerry and our witnesses for being here today to help add a perspective to this historic act. This is an issue that Senator Kerry has visited with me about quite often over the last several months. I know that this is a good day for him, that this is issue is now before this committee and probably will be before this committee shortly for whatever action the committee has to take.

It is my sincere hope that early approval of this agreement will have consequences far beyond the agreement itself. It is a public pronouncement of America's willingness to further engage the world in trade and to show leadership of the last 50 years.

It can signal a renewed spirit of cooperation on international trade unions. Hopefully, it can help pave the road towards even greater international accomplishments this year. For instance, I hope that it does open the door for this committee to move forward on trade promotion authority, along with some other bilateral agreements that we could be working on.

Let me make clear, I support the passage of this agreement on its own merits. I look forward to hearing from our witnesses today. Careful consideration of the issue will help lay the framework for

passage of this historic agreement I think for probably a very wide bipartisan margin.

Thank you.

Senator KERRY. Senator Grassley, thank you very much and thank you for your personal comments about both the war and our involvement in it.

We welcome our panel, both of them: Peter Davidson, General Counsel of the Office of the United States Trade Representative; and Hon. Ralph Boyce, Deputy Assistant Secretary of State for East Asian and Pacific Affairs. Thank you both for joining us today.

Before I call on our panel, the only additional comment I might make is that as one contemplates this agreement, we really ought to look back in history and remember the Marshall Plan which came right on the heels of World War II, an extraordinary effort, improbable to many people at the time, a vision of General and Secretary George Marshall and President Truman.

No one today, notwithstanding the unpopularity of it at the time and the questions that were raised with doubt, but it did help promote democracy and a free Europe and create allies with whom we have worked closely and on whom we have relied for many things in the ensuing years.

There is no doubt that anyone who has traveled to Vietnam in modern times would say, there is a remarkable openness, a remarkable level of affection among the Vietnamese people for Americans notwithstanding history. I think this modes well, this agreement for the possibilities of the future in the same way as we have traveled that road previously.

Mr. Davidson, I will call on you first.

Mr. DAVIDSON. Yes.

Senator KERRY. You represent the U.S. Trade Representative. And then, we will ask for Mr. Boyce.

STATEMENT OF PETER DAVIDSON, GENERAL COUNSEL, OFFICE OF THE U.S. TRADE REPRESENTATIVE, WASHINGTON, DC

Mr. DAVIDSON. Senator Kerry, thank you very much for the opportunity to be here. Senator Grassley, it is great to see you here as well. Thank you for the opportunity to testify here. I will try to keep my opening statement brief, if I can submit the rest for the record.

Senator KERRY. Yes, your full statement will be put in the record as if read in full.

[The prepared statement of Mr. Davidson appears in the appendix.]

Mr. DAVIDSON. All right. Thank you, Senator. Again, thank you so much for the opportunity to testify here today in support of approval of the United States-Vietnam Bilateral Trade Agreement. Approval and implementation of this agreement represent critical steps in the process of extending normal trade relations status to products from Vietnam, furthering U.S. economic and strategic objectives and opening a growing market to U.S. exports and investment.

When President Bush transmitted this agreement to Congress, he noted that it was an important part of this administration's

trade agenda of opening markets and expanding trade. The center piece of that policy is, of course, trade promotion authority, as Senator Grassley noted.

Ambassador Zoellick and Secretary Evans were here at this table last week noting that U.S. leadership in the global trading system depends on reinvigoration of the bipartisan Congressional and executive partnership on trade, hopefully culminating in the passage of TPA this year.

Vietnam is 1 of only six countries that does not receive normal trade status from the United States, meaning that imports from Vietnam currently face duties up to 40 percent to enter the U.S. market, as opposed to an NTR average of just 3 percent.

Although Vietnam will receive NTR treatment when Congress approves this trade agreement, Vietnam's continued NTR status still is subject to the Jackson-Vanik requirements. So the President must waive those requirements each year or find that Vietnam is in compliance with Jackson-Vanik. As you know, Congress can disapprove these actions.

We believe that it is strongly in the national interest to normalize trade relations with Vietnam for several reasons. First, the Vietnam trade agreement represents the culmination of a decades long bipartisan effort, which, Senator Kerry, you detailed eloquently, to heal the wounds of the Vietnam era and restore relations with this country of 80 million people, the fourth most populous country in East Asia and one with great future potential, as you noted, over half of the population being under 25 years of age, an amazing fact.

The path to normalization of our relations was laid out by former President Bush in a road map in 1991 with the strong support of President Clinton in his administration and the leadership of key members of this committee, such as yourself and Senator Grassley.

We have passed milestones, including securing Vietnam's cooperation in accounting for POW-MIAs, lifting of the trade embargo in 1994, establishing diplomatic relations in 1995, and the signing of this agreement last year.

The next step is Congressional approval of the bilateral agreement. We will undoubtedly continue to have concerns in Vietnam about respect for human rights, including issues, such as religious freedom, and labor rights. As Mr. Boyce will explain, we will continue to work with Vietnam to vigorously address these concerns.

Second, this trade agreement adds momentum to Vietnam's economic reform program which began when it abandoned its soviet-style central planning in the mid-1980's. At that time, it took steps to decollectivize its agricultural, move toward adoption of price and market mechanisms, and begin opening its economy to the outside world.

These efforts rapidly increased Vietnam's economic growth rate to about 8 percent annually between 1991 and 1998. In the past 3 years, however, this rate of growth has slowed dramatically, both due to the Asian financial crisis, but also in part because of the slowing pace of reforms within Vietnam.

This trade agreement is in fact the most significant economic reform measure that Vietnam has adopted in a number of years. In the trade agreement, Vietnam takes significant steps to open its

economy, introduce competition both internally and internationally, and make its entire economic regime more transparent.

Aside from the new market opening measures, some of these steps that will have the greatest impact inside Vietnam include: extending the right to trade from a limited number of state-owned enterprises to all Vietnamese persons and over time to virtually all American companies located in Vietnam as well in ensuring that the rule of law is applied to trade and investment policy by soliciting public comment on and publishing all relevant rules, regulations, and laws, ensuring uniform application of the laws, and establishing a right to appeal the application of such rules.

The agreement thus advances the fundamental interest that we have in expanding opportunity and freedom within Vietnam, the Asian region in the world.

Third, the agreement will increase Vietnam's prosperity and further its integration in the regional and global economy. Prosperous countries with close economic ties tend to make better and more dependable neighbors.

Finally, the agreement has a number of important commercial benefits for the United States, as you noted, Senator Kerry. It is the most comprehensive agreement ever negotiated with a country subject to Jackson-Vanik requirements and requires important new opportunities to U.S. firms and persons who want to export to and do business in Vietnam.

Last year, two-way trade with Vietnam was almost \$1 billion. The bilateral trade agreement has the potential to multiply that figure manyfold. In particular, it reduces or often eliminates hundreds of import quota restrictions on the right to trade in Vietnamese tariffs on U.S. exports.

It opens Vietnam's market for services for the first time to key sectors, such as insurance, banking, and telecommunications. It requires Vietnam to protect U.S. intellectual property in all key areas.

It dismantles dishonest investment policies and practices in Vietnam, including all of its trade-related investment measures and over time its discriminatory investment licensing regime. It requires that Vietnam adopt extensive transparency and right of appeal procedures.

In short, this trade agreement represents a significant step in Vietnam's movement toward the WTO and other international norms and standards in its integration into the regional and global economy. Its adoption of these measures lay the groundwork for even more extensive reform efforts as it proceeds with the accession to WTO which I hope to be able to talk about later.

Senator Kerry, members of this committee, and Senator Grassley, the time has come to put our relations with Vietnam on the same footing as nearly every other country. Through this agreement, Vietnam demonstrates 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.

Moving forward on this agreement should also provide momentum to a broader trade legislative agenda this year, as Senator Grassley noted in particular with respect to TPA. We look forward to working with both of you toward that end.

Thank you very much.

Senator KERRY. Thank you very much, Mr. Davidson.

Secretary Boyce.

**STATEMENT OF HON. RALPH L. BOYCE, DEPUTY ASSISTANT
SECRETARY FOR EAST ASIAN AND PACIFIC AFFAIRS, U.S.
DEPARTMENT OF STATE, WASHINGTON, DC**

Mr. BOYCE. Thank you, Mr. Chairman. Mr. Chairman, I am pleased to join Mr. Davidson here in support of the United States-Vietnam Bilateral Trade Agreement. Personally, it is an honor to testify in this great room, but also on this particular subject.

I lived in Vietnam twice as a foreign service dependent, once in the 1950's and once in the early 1960's. When I was the political consular in Bangkok in the late 1980's, I was the channel that we used to speak to the Vietnamese through the two political consulars, and was involved in what eventually led to the road map that you mentioned that came about in 1991 and ultimately normalization.

Since then, I have visited the country seven times, five of which in this capacity. I was honored to accompany Secretary of Defence Cohen on his visit and then in November of last year, the President's historic visit to Vietnam where we had the occasion to be together several times during that historic moment.

I think you and I both will long remember the reception that the President got when he arrived in Vietnam. The American President, throughout the entire period of his several days there, was greeted by an outpouring of warmth from the Vietnamese people that I will long remember.

Before starting my summary, Mr. Chairman, let me thank both you, Senator Grassley, and Chairman Baucus for your personal attention to moving forward this important part of our bilateral relationship.

What I want to do today is try to complement Mr. Davidson's comments by discussing how the BTA fits into that overall relationship. I want to just talk about three broad areas very quickly: what are goals are in engaging Vietnam, how the current situation meets or does not meet those goals, and how the BTA can help us realize them.

I think in the long term, our goals are to help work to establish a secure, stable, prosperous, and open Vietnam. That is to say, building on the strengths of their own people which are not inconsiderable and incorporating the best ideas of the outside world. That would allow Vietnam to integrate itself into the regional and global institutions that I think could very much use that integration.

I want to focus mainly on a secure Vietnam and an open Vietnam. A secure Vietnam means a country confident in itself, ready to work with its neighbors on transnational issues, such as trafficking in persons, combating narcotics, and working on the environment. It means a creation of a dynamic economic. It also means a country that respects the rights of its own citizens.

Why is a secure Vietnam in our interests? Well, as was mentioned by yourself and Mr. Davidson, with a population of 80 million, right off the bat, you are looking at the 13th most populous

country in the world, fourth largest in the Asia-Pacific region, second largest in ASEAN, and a work force that increases by over 1 million annually. It borders China, Laos, and Cambodia. When you look at its maritime claims, it is adjacent to six other countries in the region.

So while we are all aware of how Vietnam has on occasion shown itself to be a potential source of instability in the past, we think the potential it has now to be a contributor of stability in the region is great.

Now, why would an open Vietnam be an admirable goal? We think an open Vietnam would respect freedom of thought, freedom of expression, freedom of religion, would respect the rights of its workers, including right of association, right of organization, right to have collective bargaining. An open Vietnam no doubt would openly welcome new technologies as well. We think that is in the general interest.

So how does all of that fit into the current situation as we see it? We think much needs to be done in helping us realize many of these goals on the human rights side of the house that we alluded to.

Just since January, Secretary Powell, Deputy Secretary Armatage, Ambassador Peterson, Assistant Secretary Kelly, and myself have all had occasion to have meetings with high level Vietnamese officials. We have used each and every one of those occasions to express our concerns about issues, such as detentions of religious figures, political figures, and the situation in the central highlands which, of course, is one thing that has come up since the beginning of this year which we are quite concerned about.

We continue to have an annual human rights dialogue which I am happy to say has become more or less institutionalized. It becomes an annual opportunity to vent many of these issues in a productive and cooperative way.

We also have since November of last year a memorandum of understanding on labor issues that we believe that not only will that help us help Vietnam to meet its ILO obligation, but it will also provide the right platform, the right mechanism for us to engage on the important issue of worker rights. We have quite a bit of engagement that is going on, on that score already.

There has been some modest improvement. I do not want to be all gloomy. There have been some prisoner releases. Most groups enjoy more freedom of worship than before. I think there is probably some greater freedom of expression in some areas.

In last November, the government adopted the worse forms of child labor codicil of the ILO. According to the Congressional Research Service, over the past 15 years, worker rights have actually improved in Vietnam fairly significantly.

There in fact have been 450 strikes since 1993 alone, but still in the labor area there are problems. There is no freedom of association, no freedom of organization, no ability to bargain collectively. Indeed, the unions continue to be more or less beholden to the party.

In the central highlands, there have been problems since February. We did get some good news just this week. I spoke to Ambassador Peterson yesterday. After repeatedly seeking permission

to be able to go in an unfettered way to the central highlands to be able to see what the situation is there, we have gotten permission to do so.

Ambassador Peterson, accompanied by a political officer from our consulate in Ho Chi Minh city, will be going to Longdong, Jalai, and Daklak provinces between July 5th and 10th to try to begin the process of helping us understand a little more about what has driven so many motanards out of that region into Cambodia and out of their homelands.

Finally, there have been some fairly harsh dealings of late with dissident religious leaders. Again, senior leaders of our government have taken the occasion to bring our concern about those cases to the attention of senior Vietnam leadership.

In all of this, how can the BTA help? We believe that we will integrate Vietnam into the community of economies that agree on basic rules of trade and investment. We believe that the Vietnamese government made the decision to sign the BTA in a conscious act of avoiding isolating itself from what was clearly the trend in the region.

We think it gives us the opportunity to integrate a poor country, albeit one with great, great human potential, into the global network. So a secure, stable, prosperous, and open Vietnam would strengthen regional institutions, such as APEC and ASEAN and even specifically within the ASEAN context, the ARF and the Bangkok River basin projects.

We think the BTA will help Vietnam strengthen economically itself in the region as a whole and become what we hope a more open society. So we hope the Vietnamese will ratify the BTA as soon as possible. I would urge the Senate to approve it in the timely manner you suggested, Mr. Chairman.

Thank you.

[The prepared statement of Mr. Boyce appears in the appendix.]

Senator KERRY. Thank you very much, Mr. Secretary and thank you for your service which has made a difference. It is amazing how many foreign service officers contributed in significant ways that people never see. Without that kind of contribution, those who come and go in lesser periods of time would never get done what they do. So thank you very much.

Senator Grassley has to go from here to yet another one of our continual efforts to resolve some things. So I am going to recognize him.

Senator GRASSLEY. I thank you very much for that consideration. I also want to apologize to the second panel, that I will not be hearing them, but my staff is here. We may submit some questions for a response in writing.

I am going to direct the question to a specific person, but if the other person on this panel would like to also add something, that is perfectly all right. Most of the time, we discuss trade issues after the fact. The issue of monitoring and compliance always comes up. I know you think that should be a top priority. We all think it should be a top priority.

Can you tell me what steps the U.S. Government will take, particularly in the Office of the U.S. Trade Representative to ensure

that Vietnam complies with its commitments under this agreement?

Mr. DAVIDSON. Senator, thank you for that question. You are right. We take this very seriously. As we mentioned here this morning, this is an extremely important agreement with a very large country that has a huge economic impact on the region, all the more reason to take monitoring and enforcement very seriously.

In fact, Ambassador Zoellick spoke with Vietnam Trade Minister Vu Khoan at the APEC ministerial in Shanghai earlier this month about this exact question. We have a number of concerns about the difficulty of compliance with some of these provisions. We understand that it is not going to be an easy task for the Vietnamese to undertake.

I think the conversations in Shanghai earlier this month were satisfactory. The Vietnamese officials have been assuring us for some months that they are engaged in a comprehensive effort to prepare for implementation, beginning right now with an analysis of the laws and regulations that are going to need to be changed to implement.

Many of the obligations under the agreements are phased in over time between a 2 and a 5-year period. So that will give us some time to allow Vietnam to better prepare.

I would also note that we are going to proactively be working with the Vietnamese to help them both build capacity to comply and also create the structures necessary. We are going to be providing them with some technical assistance.

I think there is already a U.S. AID program that has designated \$6 million, and Mr. Boyce may want to comment on that a little bit as well, to implement the BTA. I know that USTR is working in this program, helped AID to design the program. I think the U.S. private sector is also going to be very proactive in Vietnam in terms of helping with compliance proactively, as well as keeping track of what is going on there as well.

Senator GRASSLEY. And to you again, Mr. Davidson, I know that every trade agreement ends up in growth between two countries or many countries.

Has it been quantified, the type of growth that we might expect from this and not just to the United States because obviously we are concerned about other countries having growth as well, so Vietnam for their economy? In addition to that question, what sectors of the U.S. economy would you expect most likely to benefit?

Mr. DAVIDSON. Senator, I cannot quantify precisely. I noted earlier that we have about \$1 billion right now in trade and we can expect that to increase dramatically.

I think when you have a country of 80 million people growing at the rate they are growing, that is a tremendous market and opportunity for American exports. I think agriculture in particular and I mentioned several service sectors that will be opened for the first time, banking, telecommunications, insurance being some of them. We have an opportunity to tap a market with tremendous growth potential here.

I think it will also depend somewhat on the Vietnamese effort in terms of opening their markets too. And the faster that we can

move those along in the process, the more open the markets will become and I think the more we will be able to export and interact.

So we look forward to a quick implementation to maximize the benefits as quickly as possible.

Senator GRASSLEY. Mr. Boyce, the people on this committee have heard me say that I kind of consider trade so important because what we as political leaders or diplomats do, a few hundred or a few thousand of us do is kind of a spit in the ocean compared to what a lot of business and individual Americans and the individual Vietnamese can do to improve relations. Part of that is obviously we like to hopefully enhance democratic principles and things of that nature. Obviously, Vietnam is not there yet.

What is the sense of the political dynamics in Vietnam today and how the approval of the bilateral agreement might impact those?

Mr. BOYCE. I have the sense that about 6 or 8 months before the Vietnamese decided to go for the agreement that they had second thoughts. I think they had a conscious decision to sort of rethink whether they were really ready to look over into the abyss into globalization and take that plunge.

During that period when they were collecting their thoughts, I think they saw the trends in the region and throughout the world were clearly heading in that direction.

So they made a conscious decision within their leadership to move ahead with what is potentially a great risk for them in the sense that it is going to require them to do a great deal of opening up of their economic system, but also perhaps more significantly legal system.

It is going to bring a lot more foreign influence and interaction into their society, not just in the business sector, but throughout the legal sector and the government sector as well. It is going to open up some processes that I do not think that anybody can quite estimate, the least of which is the Vietnamese leadership.

So I think it is a gusty move in a way on their part because they are heading into uncharted waters here where they are going to have to make significant openings in their society and in their economy and legal structure. The BTA will contribute to that.

Senator GRASSLEY. I think you have answered my last question, but let me just ask it again without maybe your having to answer it in this sense, along the same lines of what I had asked about the political improvement that might come from trade.

We also have this concern by many Americans rightly about human rights in China. You hear more about it than human rights in Vietnam. We have had stories of ethnic and religious persecution all too common there. You have mentioned some of those as well.

I think you were speaking about this when you said you were going to send people around to look into these situations. Is that what you were saying?

President Clinton has expressed his concern, previously George W. Bush, and now President Bush. You have to come to the conclusion I believe that this is really a big factor, helping human rights in Vietnam. I think that is what you said.

Mr. BOYCE. I think potentially, yes, Senator.

Senator GRASSLEY. If you did not say it, then answer my question.

Mr. BOYCE. Yes. I think you are absolutely right. There are a lot of other venues in which we engage the Vietnam on some of these questions that exist outside of the BTA process.

What I think the BTA is going to do is put an overwhelming new impetus to all of those other venues where we engage them because of the overwhelming way it is going to pervade and permeate Vietnamese society and the legal structure, as I mentioned, for positive and for good.

Senator GRASSLEY. I thank both of you very much.

Thank you, Mr. Chairman.

Senator KERRY. Thank you very much, Senator Grassley.

Let me just pick up on a couple of points. Senator Grassley some of the issues about accountability which are important issues and which people will ask about this. Mr. Davidson, just briefly, can you make an assessment at this point of how the trade representative looks at this question of what their expectations are with respect to enforcement and how they feel they will be able to get the documentation, the information necessary to be able to make some of those kinds of judgments?

Mr. DAVIDSON. Yes, Senator. Again, Ambassador Zoellick raised this with Minister Vu Khoan earlier. So I think he has had a good dialogue on this already. We have had, as you know, quite a few discussions at lower levels about exactly how this happens.

As Deputy Assistant Secretary Boyce noted, this is new territory. For many reasons, I think with the Vietnamese, this is moving into areas where they have not been before.

So I think it is important for us to proactively engage, as I mentioned before, some of the programs that we are looking at. I think in terms of the technical assistance exchanges and those types of dialogues are going to be very important to moving the process along.

If those do not happen, I am less optimistic that this process will move along quickly. However, we have been impressed by the degree to which the Vietnamese have been willing to engage on these types of things.

I should also note that, and adding to my answer to Senator Grassley's questions compliance, we are also within the agreement itself setting up a joint committee, co-chaired by ministers in both countries with representatives from relevant agencies. It is going to be an ongoing process of overseeing the implementation.

The joint committee will meet at least annually, probably more often than that or at least informally and continue to have sort of checkpoints on implementation so that we make sure that progress is moving along expeditiously.

I also mentioned that the private sector I think has a real interest in making this move along as well. I think it is a very well coordinated and organized private sector in Vietnam of American companies over there that are going to keep the process moving as well.

Senator KERRY. Will your office or other agencies of the United States be involved very directly in assisting some of those transitional developmental issues?

Mr. DAVIDSON. That is the expectation. As I mentioned, we have a specific program, an AID program. There are a number of tech-

nical exchanges that are underway. I think in the service areas and some of the more complicated areas where some of the phase-in periods are the longest, I think those type of capacity building type of exchanges are the most difficult, will take a little bit longer, but we expect to be engaged in that process.

Senator KERRY. Of course, as you well know, this is not happening in a vacuum, in the sense that we have the Fulbright program deeply engaged in Vietnam. We now have the Vietnam foundation that we have set up so that major universities in the United States will be teaching and engaged as sort of an ongoing component of this process of development. I assume that you would believe that those can be of enormous assistance.

Mr. DAVIDSON. Absolutely, yes, Senator.

Senator KERRY. Mr. Boyce, do you want to comment at all on either of those? You do not have to.

Mr. BOYCE. I certainly want to comment on the Vietnam Education Foundation Act, Senator, which I think is still yet to get up and running. Thanks to your initiative and creativity, it is going to allow us to pull that \$5 million out of Vietnam's debt stream every year for I guess it is like 15 years and basically fund scholarships in the hard sciences and the math and the computer areas. So that I think is going to be a huge parallel to some of these efforts.

We also have in mind trying to build off of the successes of the BTA to seek a bilateral civil aviation agreement. We are going to try to get a narcotics cooperation agreement put together.

Just in November at the time of the President's visit, we did a scientific and technical cooperation agreement. We want to get that up and running as well.

All of these ways, I think we are engaging Vietnam across a broad spectrum of the society. I think we can help in the follow-up to the BTA itself. It will contribute to the right spirit for actually enforcing it and making it a reality.

Senator KERRY. The chapter on transparency also has support. Can you share with us what sort of timeframe you might view of the gains and what those gains might be?

Mr. DAVIDSON. Yes. I do not know if I can give you as a clear an idea on the exact timeframe on each of the reforms, Senator. I would be happy to get back with you on that to be more specific on it.

I would say that perhaps some of the most exciting aspects of the agreement are these transparency provisions and other process oriented things that you mentioned because I think that in developing these institutions based on the rule of law and certainty, such as notification when regulations are to be changed and then publishing an official document and designation of an official documents for these types of issues to be published, the investment law, writing a new customs law, all of these types of things, rights of appeal, I think are all hallmarks of a free society.

I think, as President Bush noted before, although these clearly on an economic basis right now and they are trade related in terms of related to the provisions of the BTA, these are all kind of creating habits of democracy and habits of an open society which I cannot help but believe help take root in leading to Mr. Boyce's

comment of hoping to build off of the BTA in a number of these other areas. So I cannot help but to be optimistic that if these reforms are successful, that they will lead to either even greater reforms.

Again, it should be noted that this is a first step trade agreement. This is not a sophisticated comprehensive trade agreement as we have with many of our trading partners. It is going to take some time to build the capacity and make these reforms so we can move along down the road with Vietnam as well.

So we will be watching these carefully. I think if they are implemented as agreed to in the BTA, there is cause for optimism.

Senator KERRY. Obviously, Vietnam having applied for membership to the WTO, there is going to be a very significant sort of dual track here to the degree that if they are ever going to be successful in that, I assume compliance with this agreement is in effect as sort of part of the prerequisites of their ability to get into WTO.

Mr. DAVIDSON. You are absolutely right, Senator. It is in many ways I think a trial run and a precursor to that. I believe that Vietnam applied in 1995 for accession to WTO.

Senator KERRY. Yes, it did.

Mr. DAVIDSON. Of course, those requirements are more stringent than the requirements we have here. We are also hoping that this relationship allows us to work with the Vietnamese to help them meet the standards of the WTO.

So you are right. That is a powerful incentive on their behalf to make sure that they live up to their agreements that they are entering into under the BTA. I think, as I mentioned earlier, this does not relieve the yearly NTR treatment of Vietnam.

So I think the attention toward Vietnam will be renewed every year in Congress, as it has been. That will not change. I think that will also be helpful in terms of ensuring compliance and to keep things moving along smoothly in terms toward reform.

Senator KERRY. Mr. Boyce, the bilateral trade agreement does not, like the Jordan agreement, contain a labor and environment component. On the other hand, there is a memorandum of understanding.

Would you just share with the committee how, if at all, you believe the MOU is an effective mechanism for improving the practices in the labor area, and generally speaking why you think that is an accomplishment within the context of this agreement?

Mr. BOYCE. First of all, I think that the Jordan agreement is a free trade agreement which I believe as a matter of course, we generally want to have included more comprehensive elements, including labor.

I defer to Mr. Davidson on broader policy on that score. This is a bilateral trade agreement which, as he said, is a first step toward a more sophisticated arrangement.

We do have the MOU that was signed in November. It is being utilized by both sides. I think surprisingly, the Vietnamese side has shown tremendous interest in availing itself to some of the facilities our Labor Department, for example, is prepared to make available to help them in their quest to make themselves consistent with ILO regulations, etcetera.

In fact, we have, I think there is, a team of Labor Department officials that are in Vietnam right now that are working on a whole range of technical agreements, technical assistance projects. And we have gotten some real surprising and very welcomed initiatives and responses from the Vietnamese side in areas where you might not expect.

For example, the labor ministry, in sort of working toward having a technical assistance project on industrial relations, bought a whole series of language that goes along with that regarding freedom of association and collective bargaining which are two of the areas where their labor policy is distinctly lacking and two of the areas where they are going to have to move a significant amount to get towards international standards.

They also accepted in some of these negotiations over these technical assistance agreements the use of the term "work place democracy" in the training component as something that would be ultimately the freedom of association and right to organize and bargain collectively. Again, these are things that workers currently do not have in Vietnam, but which this process is hopefully leading us towards frankly I think maybe more quickly than we expected.

So we see the MOU as the right mechanism to engage Vietnam on some of these serious issues where there needs some work to be done. I think we can justify that we are pretty optimistic about it.

Senator KERRY. A final question for record and then I will recognize Senator Lincoln. The environment also remains of great concern to all of us. I consider myself as ardent an environmentalist as the next.

In fact, I organized the first ever conference on developmental issues in Asia with all the donor countries in Vietnam. We did this I think 2 years ago in cooperation with the World Bank. I am grateful to June Wofinson for phrasing it.

It was a conference that brought the donor countries together to contemplate how we could engage in thoughtful development, sustainable development policies, as Vietnam has huge power demands or China or other countries.

Instead of just burning high sulphur coal, can they adopt clean technologies? How would they do it? What would be the technical assistance? Would there be technology transfer? All of these things make a difference.

And indeed, there was enormous receptivity. The government in fact opened its door and welcomed this opportunity. I think it was a very salutary process.

How would you assess at this point the efforts to comply on the environment? What steps are we taking to be helpful with that regard outside perhaps of this agreement per se?

Mr. BOYCE. Well, there is certainly no lack of areas to address when it comes to dealing with the environment and possible damage to the environment in Vietnam. Like the labor issues, we do have existing mechanisms where we believe in a cooperative fashion, we are aggressively addressing these in tandem with the Vietnamese.

Two in particular I want to mention. One is the United States-Asia Environmental Program, often known as USAEP, which is a joint U.S. AID-Commerce Department effort to do two things real-

ly. One is to raise the awareness of Vietnam to the kind of environmental challenges it faces, but also quite frankly it is to facilitate U.S. exports of goods and services in an area where we are the leader in terms of dealing with some of these issues.

We have made available almost \$1 million a year to support this USAEP on this front. We have people both in Hanoi and Ho Chi Minh city who are working in the Commerce Department sections of those two missions. We feel that we are making pretty good progress there.

For example, Vietnam has passed a new law which converts the country to the use of unleaded gas. They did this a year ahead of schedule. I think very clearly it was USAEP and frankly the Ford Motor Company also working very closely to convince them of the need to go this route.

EPA is also working down in Ho Chi Minh city monitoring air pollution down there which is certainly necessary. They are providing technical assistance to redraft their Vietnamese environmental law and try to bring that more in conformity with reality.

We also have some regional initiatives in east Asia which Vietnam is also part of under ESF where we have I think \$2.2 million in the current year where we are supporting technical assistance arrangements again in things like coral reef coastal environmental issues, forestry, and wildlife management.

So I think we have a pretty active agenda through some of these existing mechanisms.

Senator KERRY. Senator Lincoln, you are welcome.

**OPENING STATEMENT OF HON. BLANCHE LINCOLN, A U.S.
SENATOR FROM ARKANSAS**

Senator LINCOLN. I thank the chairman for holding such an important hearing today. It comes at a crucial time for those of us in the farm belt. Our rural economy is collapsing. The farmers throughout the country are in deep trouble.

Later this week, the Senate Agriculture Committee will begin hearings on the next farm bill. The root of our farming crisis is the declining health of our overseas markets and the disconnect between our foreign policy and our trade policy. I think it is going to be critical that we address that.

I know you two gentlemen are probably not going to be amazed at some of my questions, as Ambassador Zoellick has certainly been wonderful and patient in dealing with the issues that I have brought up.

With our prices in virtually every commodity in the tank, it is imperative that we continue to push towards greater market access overseas. As we push for that greater market access, we certainly want to make sure that it is fair and equitable to our producers and that we are providing a level playing field to our agricultural producers.

I came in on the tail end of some of your discussions, but it sounded very positive in reflecting about how important this agreement is in setting a stage for the development of our continued relationship and the ability for us to be able to work with the people of Vietnam in terms of their accession to the WTO and how we can work through some of the maybe concerns that we do have.

We appreciate you sharing your insight and knowledge with us. It is very helpful to have your perspective. And I do appreciate, as have I said, the comments I think were made earlier, the benefits that this agreement can offer both strategically and economically.

I do have or had some concerns on how this agreement could affect two particular industries in our State of Arkansas. We have seen, as I have said, the problem that you all are aware of that I brought up before with the shipment of the Vietnamese fish coming into the country with the misleading labels, the labels that are supporting emblems basically designed to make the consumers think that he or she is buying a farm-raised catfish which we have found some of that to be somewhat disingenuous.

I raised this issue with Ambassador Zoellick earlier last week and was very pleased with his interest in resolving the problem. He has been very patient and, again, very receptive to working with us in trying to come up with resolving that problem.

Just in your opinion, I hope you can express to me in what ways that you may think that we can solve these problems and how close are we to finding a solution in dealing with that?

Mr. DAVIDSON. Thank you, Senator Lincoln. I appreciate it. I was here last Thursday when you had dialogue with Ambassador Zoellick. I was actually in a more comfortable chair a couple of rows back last Thursday. [Laughter.]

As Ambassador Zoellick noted, and I will reemphasize today, we are monitoring this situation very closely. We are continuing to work with the industry to take notice of any problems that they are identifying. We have asked the U.S. embassy in Vietnam to work closely with us on this as well. I believe there has been another round of discussions on that since the past hearing on Thursday.

I know that the industry has had some discussions with the FDA that I think have been fairly positive in addressing their concerns about labeling and safety concerns as well and identifying some fish that might be coming in that are not actually catfish. I believe also that the FDA has already issued an alert on this particular matter.

I know that Ambassador Zoellick, I think as he mentioned to you as well, raised this issue with Minister Vu Khoan at the APEC ministerial in Shanghai earlier this month and raised it as an important issue with him.

We will continue to follow up on the issue, working with industry through our embassy, friends at the State Department, and other folks to make sure that this matter is brought to their attention. We will provide you with any updates as they come along.

Senator LINCOLN. All right. So you do not have any estimates in terms of how close we are really to finding a resolution or a solution to this particular issue as opposed to moving through the process.

Mr. DAVIDSON. Yes, Senator, not more than we had on Thursday. I think that we are still kind of assessing all the dimensions of the problem and trying to get a better feel for what that is. We are working interagency to make sure that we have a coordinated response once we actually have all the facts in hand.

So we are working as quickly as we can. I understand that is a very pressing problem for your region of the country. We are ap-

proaching it as expeditiously as we can. So we will do the best we can to move quickly and to keep you up to date on developments.

Senator LINCOLN. Well, I encourage you to do that. Certainly, I was pleased by Ambassador Zoellick's response in terms of understanding the growth potential of this industry, the fact that we can employ more individuals in agriculture than we can in traditional farming on the same amount of acreage, that it is a good means of protein conversion.

There is an awful lot of very positive aspects of the industry and in terms of the fact that we still import a great deal of fish and shellfish in this country where we could be growing jobs in industries here in our own country.

Again, it is going to be very important to an agricultural-based economy like we have in rural America to know that the Nation and the office of USTR is going to stand up for them. I think this gives us a great opportunity.

It is also gives us the great potential of being able to point out to the Vietnamese through this agreement and other means that we do anticipate working towards a stronger working relationship in fact we can find the common ground that is necessary to be fair there.

Just last if I may, my State has also lost, from my time in both the House and now in the Senate, several of the cut and sew operations and other textile manufacturing interests and many textile jobs over the last few years as imports of the textile articles produced by low-wage workers elsewhere has grown.

What assurances can I give my remaining textile workers that products from Vietnam will not displace their jobs?

Mr. DAVIDSON. I would be happy to address that, Senator. I think that Vietnam is aware of the need to work on the textile issue with us. Again, this was raised in Shanghai between Ambassador Zoellick and Minister Vu Khoan. I think there is an understanding that this is an issue that will need to be addressed.

Specific steps that we have taken thus far has been hoping to educate Vietnam about our textile import program. We sent a team of customs officials to Vietnam to provide training on the ground there.

Minister Khoan noted that they would like to send a team of experts here as well to start training on other technical matters so that they become more technically proficient in how the system works.

I think the point being to explain the ground work for a relationship that will lead to a relationship that does not put stresses and strains on the system unnecessarily. What we are doing is hoping to work closely with them in this as in the other areas that we discussed with Senator Kerry earlier to make sure that we have both a close working relationship with them, but that members of Congress are also kept in the loop about how all of these discussions are going.

As I noted earlier in answer to a question from Senator Grassley, we have a number of opportunities to make sure that this relationship is proceeding in a manner that is satisfactory to all stakeholders.

We have the yearly NTR process, review process. We have our own laws in place about specifically section 204 of the Agriculture Adjustment Act of 1956 to make sure that these types of issues are dealt with appropriately. We also have the hope of the Vietnamese to accede to the WTO at some point in the near future.

So all of those are forces that are going to provide leverage for a constructive working relationship with Vietnam.

Senator LINCOLN. Well, I certainly appreciate what you are saying in terms of laying the foundation of that relationship building. I do see the importance of that, but I would just encourage the office of the USTR to be firm in the commitment. Two years, 4 years, it all sounds like a lot of time, but it moves pretty quickly.

If we are not firm in the commitment of what we want to get out of that relationship building, then I fear that we will come to the end of that journey and all of a sudden we would have leveraged away the time and we have not gotten the fairness that we have been looking for, for our American workers and certainly the jobs and the productivity that we are seeing across our country.

Mr. Chairman, can I ask one last just kind of broad question?

Senator KERRY. Yes.

Senator LINCOLN. I know that I mentioned the fish issue, but the agricultural community has spent much of the last couple of years battling disputes with the foreign competitors and whether the commodity is poultry, wheat, beef, sweeteners, what have you.

Can you just briefly describe to me what provisions are in this agreement that will ensure a timely and dependable resolution of trade disputes?

Mr. DAVIDSON. Yes. I would like to first of all note again that this is a country of 80 million people. In terms of agricultural opportunities, I think the opportunities here are vast. The quicker that we get the mechanisms in place for that happen, U.S. exporters are better off. We are working to move those along and implement as quickly as possible.

In terms of the dispute resolution process, this gets back into the compliance and monitoring question which is absolutely at the forefront of our thoughts in this area.

I mentioned before the number of opportunities and leverage points we will have to make sure that the compliance takes place, the annual NTR review process, the WTO accession process, and the ongoing monitoring of the joint committee which will be meeting on a regular basis to make sure that this is all moving along in a timely manner and is done in compliance with the terms in the agreement.

So I am confident that we have a number of layers of leverage points to ensure that the treaty is being implemented correctly.

Now, once it is implemented, we are also going to have to be able to have a monitoring program in place. Again, this is a large country. We are going to have a number of economic interactions.

Senator LINCOLN. Those are all leverage points you are talking about basically there. Are there any provisions in the agreement that actually address it?

Mr. DAVIDSON. Mr. Boyce, you may want to address that directly.

Mr. BOYCE. I tried to pass to Mr. Davidson.

Mr. DAVIDSON. Yes.

Mr. BOYCE. I think under the BTA, Vietnam is going to have to reduce tariffs on over 250 products. I think about 80 percent of them are agricultural. So that is one factor that I can bring to the table.

Senator KERRY. If I could say that one of the most important "levers" here of oversight is going to be that if, for instance, the tariffs are not lowered, if, for instance, all of a sudden we have a slew of complaints by companies that they are not meeting the deadlines with respect to the access to market or other issues, this is an annual review. If the President does not sign a waiver, it is over. So that is probably the single most important. This is not a permanent status.

Senator LINCOLN. As I have said, I am moving into this agreement with the idea that we have already got one complication on behalf of an industry in Arkansas. That is why it is of immense importance to me to understand what the provisions provide.

Certainly, I am aware of the nature of the leverage that is allowed through the different agreements that are there to be made and that we will work through. It is just important to ensure that if in fact we find more or if there is one that does occur that there is a timely and dependable resolution vehicle for those, for any disputes we have.

So we appreciate it very much.

Thank you, Mr. Chairman.

Senator KERRY. Senator Lincoln, let me thank you for that and also for your concern about it which I share. We have textiles in a number of our cities in Massachusetts, fewer than we used to regretfully. We share that concern.

My hope is that there will be that kind of vigilance. There is also the disapproval process that we have available to us in the context of the Jackson-Vanik waiver. So I think we have considerable leverage as we watch how this proceeds. We share that concern. I am confident that we will exert it.

I want to thank you both. This has been a good discussion.

I think we ought to move on to the next panel because we are actually running over the time that we were technically allowed. So we do need to do that.

Thank you very, very much for your testimony. We will leave the record open for 2 weeks for the purpose of further questions in writing or other statements with respect to this.

Thank you.

Mr. DAVIDSON. Senator Kerry, thank you.

Mr. BOYCE. Thank you.

Senator KERRY. Thank you very much.

If I could ask to come forward the second panel of Virginia Foote, the President of the United States-Vietnam Trade Council; Mr. Lionel Johnson, the Vice President and Director of International Government Relations for Citigroup; and Mr. Mark Levinson, the Director of Research and Policy of the Union of Needletrades, Industrial and Textile Employees.

Thank you all for your patience and thank you very much for being here today.

Ms. Foote, can I ask you to lead off?

Ms. FOOTE. Yes.

Senator KERRY. We will just run down the line, Mr. Johnson and then Mr. Levinson. Thank you very much.

I think given the time thing here, we ought to try and run the clock on 5 minutes.

Ms. FOOTE. All right.

Senator KERRY. The full statement will be put in the record as if read in full. We would appreciate summaries.

STATEMENT OF VIRGINIA FOOTE, PRESIDENT, UNITED STATES-VIETNAM TRADE COUNCIL, WASHINGTON, DC

Ms. FOOTE. Mr. Chairman, I am very pleased to be here today, representing the United States-Vietnam Trade Council to testify before the committee on the importance of this bill that is now before Congress.

The trade council was founded in 1989. It is a trade association of American companies. We have offices in Washington and Vietnam. We have been very much involved in the technical assistance programs with the private sector and the U.S. Government on technical assistance in Vietnam.

We chair a coalition of over 270 associations and companies. The coalition letter to President Bush, urging the granting of NTR status to Vietnam is attached to my testimony. I hope this and my full testimony can be put into the record today.

Senator KERRY. Without objection, everyone's statement will be in the record as if read.

[The prepared statement of Ms. Foote appears in the appendix.]

Ms. FOOTE. Thank you.

Senator KERRY. You can give 1 minute of summary. The whole thing is there.

Ms. FOOTE. This agreement is maybe the most important document that the United States and Vietnam have reached since the end of the war. This brings Vietnam into compliance with trade issues that they have been struggling with for a very long time. Vietnam though has granted American products NTR tariffs while the U.S. has withheld this status from Vietnam.

The Reagan, Bush, and Clinton administrations have all worked on the normalization process. It has been a bipartisan process. It has been very successful.

This bill does not end the process. Once NTR is granted, other bilateral steps, such as an aviation agreement, a textile agreement, PNTR, and WTO accession lie in the future.

The conclusion of this agreement is important to the bilateral relationship. It was a watershed event when this agreement was signed. Negotiations between the U.S. and Vietnam were difficult, but it was the negotiations among the Vietnamese that were the most difficult and the most important.

The results of the BTA is an important blueprint or a road map for Vietnam to follow while tracking some of the difficult issues of economic reform in Vietnam. Some of the examples of the commercial law reform already underway, as you were talking about earlier, are the insurance law which Vietnam passed in December of 2000 and a new customs law that was just passed last week.

This new customs law was worked on by lawyers that the United States-Vietnam Trade Council had hired and AID paid for. We

worked with the Vietnamese to go through line by line this commercial law, this customs law to bring it into compliance. It is this kind of nuts and bolts technical assistance work that AID is funding that is so crucial to the implementation of the trade agreement. The Vietnamese have started this process.

They also last year passed a new enterprise law. In the short time that that law has been in existence, there have been thousands of new small enterprises founded in Vietnam. In 1990, there were 110 domestic, private enterprises in Vietnam. In 2000, there are 35,000.

I will whip through this here.

The other issue that came up earlier was when President Clinton was there, he agreed to technical assistance on labor issues. We have a labor report. The CRS has done an extensive report on the labor code in Vietnam, and some of the ILO programs. Collective bargaining has been an issue that the United States and ILO have been working with Vietnam. The use of collective bargaining has grown dramatically in the last couple of years.

I just want to close by emphasizing the importance of this agreement and the importance of Congress acting soon. The agreement, as you know, was signed over a year ago.

Secretary Powell goes to Vietnam in July for the ARF meetings. He will shortly be asked by the Vietnamese, as we are all asked now. For 5 years, we asked them, when are you going to sign the trade agreement? Now, they ask us, when are you going to bring the trade agreement into force?

It is the most important document for Vietnam's economic development and for American companies doing business there.

Thank you very much for having these hearings today on this issue.

Senator KERRY. Thank you very much, Ms. Foote, and thank you for your tremendous work over the years on this effort. It has been a huge part of our ability to go forward. We appreciate that.

Ms. FOOTE. Thank you.

Senator KERRY. Mr. Johnson.

STATEMENT OF LIONEL JOHNSON, VICE PRESIDENT AND DIRECTOR OF INTERNATIONAL GOVERNMENT RELATIONS, CITIGROUP, INC., WASHINGTON, DC

Mr. JOHNSON. Thank you, Mr. Chairman. I appreciate this opportunity to appear before the committee. I promise that I too will be brief. Citigroup's largest member company, Citibank, has operated in Vietnam since 1993.

At present, the financial and capital markets of Vietnam are significantly underdeveloped, unsophisticated, and, by Vietnam's own admission, inefficient. They cannot provide the financial products and services needed to sustain economic growth. Indeed, they are a drag on the economic and social development of the country.

Poor performance and past failures have caused the public to lose confidence in the financial sector of Vietnam and general, and commercial banks in particular. The BTA will accelerate the development of the financial sector in several ways.

First, it will impose a rules-based regime on the economy. This will, in turn, improve transparency. Financial institutions mediate

and manage risks. This will be facilitated by a rules-based transparent economy. Contract enforcement becomes doable and transactional and business risks are reduced. Financial institutions will offer more products and services to a much broader range of customers.

Second, the BTA will quicken the pace of development of the industrial, agricultural, and services sector through increased investment, both foreign and domestic, as well as improved export competitiveness. This will create demand for more sophisticated financial services and products and will stimulate financial sector development.

Third, increased investment and competition from foreign financial institutions, like ours, will help to improve the efficiency and competitiveness of domestic financial institutions in Vietnam. Modern financial services and products will be transferred into the Vietnamese market more quickly.

As you know, Mr. Chairman, equally important to the United States-Vietnam bilateral relationship is a renewal of the President's annual waiver of the Jackson-Vanik amendment. Hopefully, your colleagues and the House of Representatives will reject the proposed resolution of disapproval, as they have in years past.

The decisions the Congress makes on these two issues will have a significant and lasting impact on our bilateral relations with Vietnam. I urge you to allow the President's waiver of Jackson-Vanik to stand and quickly move to approve the BTA.

For Citigroup and for all American companies operating and hoping to operate in Vietnam, this will enable us to build a new and more fundamental relationship with Vietnam to encourage the long-term process of reform in that country and to create new linkages between and opportunities for our two peoples.

Thank you.

[The prepared statement of Mr. Johnson appears in the appendix.]

Senator KERRY. Thank you very much.

Mr. Levinson.

STATEMENT OF MARK LEVINSON, DIRECTOR OF RESEARCH AND POLICY, UNION OF NEEDLETRADES, INDUSTRIAL AND TEXTILE EMPLOYEES (UNITE), NEW YORK, NY

Mr. LEVINSON. Thank you. I am the Director of Research and Policy at UNITE, the Union of Needletrades, Industrial and Textile Employees. I appreciate the opportunity to testify on behalf of our 250,000 members.

At UNITE, we have looked carefully at the U.S.-Vietnam Bilateral Trade Agreement and compared it to an existing apparel trade agreement with Vietnam's neighbor, Cambodia.

We cannot support this agreement because it is silent on the important question of worker rights and environmental protections and therefore is not likely to lead to equitable development. Furthermore, this agreement threatens to undermine the only successful attempt to link trade and labor rights, the U.S.-Cambodia Apparel Agreement.

We in the labor movement believe that labor rights and environmental protections should have the same status in trade agree-

ments as provisions that protect the rights of investors. The Vietnam bilateral trade agreement has many provisions to protect investors. It contains no provisions to protect workers or the environment.

We are told that getting labor rights in this agreement would have meant major changes in Vietnam and therefore were not achievable as part of this trade agreement. Perhaps so. But according to U.S. Ambassador Peterson, I quote, "Implementing the bilateral trade agreement will not be easy for the Vietnamese. They will have to make a lot of changes in their laws, regulations, procedures, and institutions."

This is not the first time that the U.S., as a result of trade negotiations, has forced a country to change their laws, regulations, procedures, and institutions in a way that will benefit multinational businesses while doing nothing for workers and the environment. And it is not the first time that we have had to oppose a trade agreement because of this unacceptable double standard.

There are powerful interests who stand to benefit a great deal from this agreement. Once again, Ambassador Peterson is quite explicit about this, quote, "Lots of anxious of American and Vietnamese business people are banking on the BTA's entry into force . . . U.S. businesses will gain a great deal from the BTA . . . The BTA will make Vietnam a much more attractive place for investors."

While I appreciate Ambassador Peterson's candor, it would have been nice had he addressed the anxiety of workers in the U.S. and Vietnam about the BTA. Their anxiety about the BTA is of a different sort than that felt by the anxious American and Vietnamese businessmen.

Let me say a word about this agreement in this context of the Cambodian apparel and textile agreement. Cambodia, like Vietnam, is entering a modern industrial era on the backs of most of the young female workers freshly arriving from the countryside who are willing to work at \$40 a month in an industry where payment of sub-minimum wages is the norm and employers demand forced overtime that often stretches into 12 to 14-hour days.

Cambodia has a modern labor code which offers numerous protections and guarantees the rights of workers to form unions. It is infrequently enforced. In 1999, the U.S. and Cambodia concluded a bilateral apparel and textile agreement that for the first time links trade and labor rights.

The agreement says that the United States will grant Cambodia 14 percent additional quota if working conditions in the Cambodian textile and apparel sectors substantially comply with internationally recognized core labor standards in Cambodian labor law. The United States and Cambodia agreed that the ILO would monitor conditions in the Cambodian apparel industry and report their findings.

This is a first for the United States, giving positive incentives for respect of core labor rights. The agreement is working. Although there are still many problems in Cambodia, conditions are improving. Labor activists in Cambodia report that the agreement is responsible for opening some political space for workers and unions

to assert their rights. Workers are demonstrating, organizing, and protesting.

Last year, after a series of strikes, the minimum wage in the Cambodian apparel industry was increased. The factory owners and the government know that if they crack down in violation, they will lose the badly needed additional quota. But the gains made in Cambodia are threatened by an agreement with Vietnam that does not include labor rights.

Hourly production wages are already lower in Vietnam than in Cambodia. The trade agreement with Vietnam with no labor rights provisions will increase the likelihood that the industry will move from Cambodia to Vietnam. A level playing field requires the same type of labor rights incentives for Vietnam as for Cambodia.

Let me just conclude with this thought. I would ask that at a minimum, Congress should insist that the upcoming negotiations of a United States-Vietnam apparel and textile agreement, which has yet to occur, that that agreement should include provisions similar to those in the Cambodia agreement.

Even if the Vietnam bilateral trade agreement does not have these agreements, we can have them in the United States-Vietnam apparel and textile agreement. That would be very important to us. To do so I think would not undercut the one successful example we have of linking trade and labor rights.

Thank you very much.

[The prepared statement of Mr. Levinson appears in the appendix.]

Senator KERRY. Thank you very much, Mr. Levinson.

First, let me just begin by saying that while I obviously disagree with you on the outcome in terms of whether one ought to support this or not, I think that we agree enormously on the need to augment, both the environmental and labor tracks within the trading environment.

I have argued from this day. It is no further down than I am today. I will argue in these next months very strongly that I think that the global trading arrangement is indeed of a kind of buttressing, if you will, of credibility. It is in need of some bona fides on these subjects.

Now, whether it is incorporated within the 4 corners of an agreement is up for debate and grabs still in a lot of people's minds. In some people's minds, it is not even up for grabs. It is an absolutely wrong way to go.

I made comments about this the other day when we had a panel here which was just last week on this subject of how we are moving with respect to the trade process. I think that the fast-track's ability to move and the trading regime's status in the Congress has been very significantly affected by what those tracks are and what they are going to be, particularly in the context of free trade agreements.

This is not a free trade agreement. This is a bilateral trade agreement. It is an initial bilateral trade agreement with a country that is emerging from extraordinary circumstances and from an extraordinary relationship with us.

I very much want to see us augment the environmental presence and the partnership of the trading partners themselves in dealing

with the environment. Likewise, I want to see augmented the labor rights and labor issues.

I am learning the more I am sort of looking and digging into various countries in the world and various relationships in the world, I really find that it is just not black and white. It is almost not even gray at times. It is much more complex.

For instance, it is little known that Vietnam has had in the last year—I do not have the number here, but my memory suggests to me there were about 250 or so strikes, 251. There it is, spontaneous public and private strikes, the vast majority of which were spontaneous and supported by organized labor after the fact.

Sixty-one percent of them took place in Ho Chi Minh city, 12 percent in Dongnai. Those are the most advanced trading provinces and communities. And 132 strikes were in foreign invested enterprises, 39 were in state-owned enterprises, and 80 were in private enterprises.

The strikes in the foreign invested enterprises were heavily concentrated in enterprises with Korean and Taiwanese investment, with each accounting for 36 percent of the strikes in the foreign investment sector.

According to the International Bureau of the U.S. Department of Labor, strikes were to protest unfair wages and working conditions, including the late payment of overtime, unfair deductions from wages, underpayment of agreed bonuses, unfair dismissals, inappropriate labor disciplines, demands by workers for new labor contracts. Many people do not realize that people are working under a specific labor contract negotiated. Worker demands for an enterprise trade union to be established as required by law and failure by both workers and employers to have a fuller understanding of the rights and obligations under the labor code, and so forth.

There appear to have been no actions taken by the government against those who participated in these strikes or their leaders. Although most of the strikes were illegal since they do not follow an authorized conciliation or arbitration, the government is not known to have taken any action against the strikers themselves.

It seems to me that what is happening is sort of a process of evolution under very complicated circumstances. I think that what I heard the prior panel suggest is, there may be. There may be.

I mean, this may be something we have to test, sufficient leverages still hanging out there in the WTO and in the annual, in the MOU that we are still seeking and the negotiation on textile which we want and will pursue.

There is an evolutionary process that we ought to take part in. Now, that does not mean I do not think you should be right where you are, four square advocating what you are advocating. I am going to join in pushing for it. I think it is very important that we go down that road.

I might add the human rights reports and analyses with respect to Vietnam are significantly, I mean, significantly better than those with China or with some other countries.

So I think one has to sort of measure how the road is being traveled here. Obviously, we do not want to wind up in a situation where, as Senator Lincoln raised, if there is just a blind opening, an invasion here that undermines the Cambodia agreement. That

is a serious issue. I think we need to take it seriously and review it.

Would either of you like to comment on what Mr. Levinson has said.

Ms. Foote.

Ms. FOOTE. Yes, I would just like to make two additional comments. One is that Cambodia had NTR status for several years, 2 years before the textile agreement was concluded. The Vietnamese fully expect to have a textile agreement with the United States and probably see it coming faster than that.

Now, the second thing is that Ambassador Peterson started a labor dialogue with Vietnam well before NTR was anywhere near being established. The MOU has technical assistance, \$3 million of technical assistance involved, working with the ILO. The ILO has been very pleased with the speed and progress that they have been working with Vietnam on upgrading their labor code.

It has been an important part of the bilateral relationship with the United States, as has the human rights dialogue, the MIA issue. These have all been separate tracks in our multifaceted relationship with Vietnam.

Senator KERRY. Mr. Johnson, do you want to comment?

Mr. JOHNSON. I cannot really add too much substance to that, only to say that our last visit to Vietnam was with several our colleagues with Congressional staff, both the House and Senate. I was very impressed by the degree to which our embassy in Hanoi has focused on this issue under Ambassador Peterson's leadership. I am assuming that his successor will continue that track.

Senator KERRY. What is your sense, Mr. Levinson, about the possibilities of strengthening ILO enforcement? Is that something that you hold any hope out for since some of these countries, including Vietnam have signed onto several of the core ILO labor rights? Is that an avenue worth pursuing in your judgment? Do you hold out any sense that that might be a track worth pursuing?

Mr. LEVINSON. I mean, the whole frustration with the ILO is precisely their lack of enforcement power. This was highlighted most recently in the case of Burma where the ILO clearly called on all its member countries where the ILO essentially kicked Burma out.

Because Burma is in the WTO, countries were essentially powerless and the ILO was powerless to act on any sanctions. So that is the question and the frustration with the ILO is their lack of enforcement ability.

As a provider of technical services, as a monitor of conditions, they play a very valuable role. They are doing that in Cambodia and Vietnam.

Senator KERRY. Do you hold out any hope that that could change in essence?

I mean, if we are looking for a mechanism, for instance, you would like to see an enforcement mechanism within the four corners of the trade agreement itself. I can understand that. But if that proves sort of politically impossible to get that equation together so that we keep having this clash, we are not getting either sort of fully satisfied, since so many countries have signed on to a standard, and they have already signed it, we are sort of three-quarters of the way down the road.

The next effort is really to give the enforcement some teeth. Then, you have a forum where you can fight. Would that not be a worthwhile battle for many of us to spend some energy on rather than sort of beginning at scratch and perhaps setting ourselves backwards?

For instance, for every agreement we do not sign, there are surely a host of countries prepared to take the jobs away from Americans who would get them by signing, who will rush in to fill the vacuum. So in effect, we could sort of negate our own leverage to affect the ILO itself and other things.

Mr. LEVINSON. If we and other countries could provide the ILO with some enforcement power, we would be very anxious to work and support such an effort.

I would just like to add, the opportunity, and it is a narrow window of opportunity provided by the upcoming apparel and textile agreement, the enforcement mechanism there is one of positive incentives. It is trade sanctions.

So in other words, Vietnam or in the case of Cambodia, they set the quota what they would be set anyway. Just like with Vietnam, there are going to be quotas set on a number of apparel goods from Vietnam. That is going to be what it is going to be.

All we are asking, that we can provide Vietnam with incentives that they could get an additional quota above what they are going to get anyway if they comply with certain standards. So the kind of genius of the positive side of this approach is not penalizing a country. It is saying if you meet these positive goals, you will be rewarded.

Senator KERRY. I understand. What if we could find—and we are all trying to find a way to break this stalemate clash here. What if you could find a way to do that, but you had these things on sort of parallel tracks so that you are able to make progress in effect, you are able to move it forward?

I mean, I do not know if it can be.

Mr. LEVINSON. Right.

Senator KERRY. I am just searching like everybody else.

Mr. LEVINSON. We are conducting a search.

Senator KERRY. It is a paradigm here. It seems to me also we have additional leverage here that we did not have before because they are not in WTO, but would like to be.

Mr. LEVINSON. Right.

Senator KERRY. They cannot be a full global trading partner until they are.

Mr. LEVINSON. Yes.

Senator KERRY. One of the advantages of this trading agreement is that in effect that we are going to get some measurement upfront and early of the bona fides. If there is not a sufficient movement forward, then I suspect that the President of the United States is going to look at this thing and say, hey, I do not plan to waive it this year.

It seems to me that hangs out there which makes this is a little different I think from some of the other things we are facing like the Free Trade Agreement of the Americas or the larger questions of the next round of the WTO itself.

Anyway, it is a dilemma. I think you have articulately laid out the question. Ms. Foote is clear. I mean, we are working on the presumption that this MOU is going to be forthcoming and forthcoming very rapidly on textiles, and it has to. I have enough people in my State who are deeply concerned about it that I do not want to turn around in a year or two and find that that has been avoided.

I certainly emphasize that to the Vietnamese listening to this, that there are some of us who care enormously about making sure that that is forthcoming and we are going to look at it very carefully.

I have found that thus far that maybe those of us who have been involved in the process and more aware of this and sensitive to it that going back to the late 1980's, we have a 20-year vacuum where there was no communication.

I will give you an example, families of missing prisoners. There is a relationship in this. I will tell you what it is in the back end of it, but it is not unrelated to what we are talking about today.

For 20 years, we had people growing in their anxiety in the United States about their inability to get answers about loved ones. We had an increasing belief about people being left behind. Notwithstanding the vehemency of those feelings and the strength of that anxiety, we were not getting answers.

You had two schools of thought. One school of thought said engage. The school of thought said no hard line. They have to produce the answers before we do anything.

Well, for 20 years, "they have to produce the answers" prevailed until finally some people said, let us try engaging. We engaged over much anger and bitterness and resistance by the people in the other school.

Within a matter of years after that engagement, of the cases that were the most compelling where we had evidence of somebody having been alive, evidence that they had been sighted on the ground or there was reason to believe they might have been held, indeed, captive, we got answers.

We got answers through the most intrusive, invasive process of going village to village, historical museum to historical museum, general to general, prison guard to prison guard, interviewing them, working through this process until we were able to come back with definitive evidence, answers, remains to families. They got answers.

That built the process of trust so that we could move to the next step which was the embargo, which lead us to the next step of normalization, which now leads us to where we are.

I have become a believer in the notion that we have a better chance of dealing with the problem of textiles and creating order in the marketplace by engagement and inclusivity than we do by disengagement and exclusivity where all kinds of tricks and gimmicks are played between us and other countries.

Quotas are played with. We saw this in Hong Kong. We have seen it before where people slip quotas in under other people. All kinds of games are played.

I would have transparency and some kind of accountability built hopefully so we can try to get at that. Now, I cannot guarantee it,

every piece of it, but I know that step by step I think we are sort of building down the road. Hopefully, that is what this agreement will do.

Do you want to comment on that in any way? I want to give you a fair shot.

Mr. LEVINSON. We believe in engagement, but there are different ways to engage. We just see from our perspective what is an unacceptable double standard, as mentioned in our testimony.

Vietnam made major changes in their laws, in their institutions, in their customs for this agreement. I am not sure and we do not have the confidence that our own government made the labor rights issue the priority that it did these other issues.

These other issues were not easy for Vietnam, as Ambassador Peterson pointed out. These are difficult things. We do not have the confidence that the labor rights issue has the priority on our side of the negotiations.

Senator KERRY. I agree with that. You and I agree on that. We have to find a way to get up there. That is what I said the other day. A lot of us are working hard to find a way to put it right up there in a way that we can all find some consensus on. I would love to see us do that.

Are there any comments that anybody would like to make before we close this off?

[No response.]

Senator KERRY. If not, the record will remain open. I am very appreciative for your testimony today. I look forward in engaging in this as we go down the road. Hopefully, we can embrace the best of both ideas, the best of what Mr. Levinson is saying and the best of what you are advocating, Mr. Johnson and Ms. Foote.

Thank you very much.

We stand adjourned.

[Whereupon, at 4:10 p.m., the hearing was concluded.]

APPENDIX

ADDITIONAL MATERIAL SUBMITTED FOR THE RECORD

PREPARED STATEMENT OF HON. MAX BAUCUS

Today, the Committee hears testimony on the U.S.-Vietnam Trade Agreement. Completed last July, this Agreement is a landmark for several reasons.

First, it represents an important step forward in normalizing relations between the United States and Vietnam. Over the past decade, the deep wounds in both countries have begun to heal. Vietnam has cooperated in efforts to fully account for missing American personnel and to facilitate the orderly departure of Vietnamese emigrés. For its part, the United States has lifted the economic embargo and restored diplomatic relations. Conclusion of a commercial agreement represents the logical next step in this warming process.

Second the U.S.-Vietnam Agreement is remarkably comprehensive. It is a far cry from the 12-page agreement entered into by the United States and China when they normalized commercial relations in 1979. In addition to the basic elements mandated by the Trade Act, the Agreement requires Vietnam—among other things—to: lower tariffs on over 250 categories of goods; phase in import, export and distribution rights for U.S.-owned companies; adhere to intellectual property rights standards which, in some cases, exceed WTO standards; and liberalize opportunities for U.S. companies to operate in key service sectors, including banking, insurance, and telecommunications.

The thoroughness of this Agreement should provide an excellent roadmap to guide commercial relations between our two countries for the foreseeable future. And, it should pave the way for an eventual WTO-based relationship.

I hope that the Congress will approve the U.S.-Vietnam Agreement expeditiously. When we do so, we should recognize that our work is not an ending; it is just a beginning. We must work closely with Vietnam to bring about its compliance with the Agreement. We also must work closely with Vietnam to improve labor standards, as we committed to do in a Memorandum of Understanding signed last November.

As many in the Congress have observed, there are inherent links between trade and labor and environmental standards. Indeed, a recent letter from the Minority Leader and others to Ambassador Zoellick on the subject of catfish farming expresses concern at the competitive edge that Vietnam gets from “cheap labor and very loose environmental regulations.” Recognizing these links, the opening of our markets ought to go hand-in-hand with active pursuit of stronger labor and environmental standards. This is true of all trade agreements the U.S. enters into, not just the U.S.-Vietnam Agreement.

I would like to welcome today’s witnesses to the Committee, and I look forward to hearing their testimony.

PREPARED STATEMENT OF RALPH L. BOYCE

Thank you, Mr. Chairman. I am pleased today to join Mr. Davidson to discuss the U.S.-Vietnam Bilateral Trade Agreement, an important milestone in U.S.-Vietnam relations. Before beginning my remarks, I would like to express our thanks for your personal attention to helping us move forward in this important area of the bilateral relationship.

Today I want to discuss how the BTA fits into our overall policy toward Vietnam. I will outline our goals, how we see the current situation, and how the BTA can help.

The long-term objective of our Vietnam policy is a secure, stable, prosperous, and open Vietnam. This would be a country that builds upon the diverse views and strengths of its own people and can incorporate the best ideas from the outside world as well. We would like Vietnam to be integrated into regional and global institutions, helping it become a country that plays by accepted international rules, cooperating and competing peacefully within those rules. To reach our goals, we are working with Vietnam at every level and at every available opportunity to manage, if not resolve, specific differences and to work together on issues on which we take a common approach.

A secure Vietnam is a nation confident of its ability to defend its national interests. It works with its neighbors and partners to foster stability in the Asian Pacific region. It cooperates with others to counter transnational problems such as trafficking in women and children, the narcotics trade, and environmental degradation. A secure Vietnam has a dynamic economy, which offers its citizens an improving standard of living, opens its markets to imports and attracts investments, and exports competitively. A secure Vietnam demonstrates increasing respect for the internationally recognized rights of its citizens, and it increases the security and prosperity of its neighbors.

Why do we want a secure Vietnam? The question almost answers itself. With a population of nearly 80 million people, Vietnam is the 13th most populous country in the world, the fourth largest in the Asia-Pacific region, and the second largest member of the Association of Southeast Asian Nations (ASEAN). Its workforce is expanding by 1.2 million people annually. It borders China, Laos, and Cambodia, and its maritime claims place it adjacent to six other countries important to the United States. As we have seen, Vietnam can be a source of regional instability, but it also has the potential to contribute to stability and security and to be an engine for regional economic growth.

Finally, an open Vietnam not only respects freedom of thought, expression and religion, but also recognizes that these freedoms benefit both its people and its government by ensuring that the best new ideas emerge and that old ideas are challenged and reconsidered. An open Vietnam respects the rights of its workers, including the rights to associate freely and to organize and bargain collectively. It welcomes new technologies, which expand the development and exchange of information and ideas.

Much needs to be done if we are to reach these goals. Today, Vietnam has made considerable strides forward, but has a long way to go. Improvement of human rights has been, and will remain, a vital part of our engagement with Vietnam. The Secretary of State, the Deputy Secretary, Ambassador Peterson, Assistant Secretary Kelly, and I have all made clear to Vietnam's leaders and its people how important human rights are to the United States. Our annual human rights dialogue has become a forum in which we hold frank and open discussions of the issues. The Memorandum of Understanding between the Department of Labor and Vietnam's Ministry of Labor, Invalids, and Social Affairs, signed last November, has created a flexible mechanism to assist Vietnam to meet its obligations as a member of the International Labor Organization, a task the Vietnamese government takes seriously.

These efforts have had some modest impact. Some prisoners of conscience have been released from prison, and individual believers of most religious groups enjoy greater freedom of worship. We have seen some signs of greater freedom of expression. Last November, Vietnam ratified ILO Convention No. 182 on the Worst Forms of Child Labor, a significant step towards ratifying all eight ILO core labor standards conventions. The Congressional Research Service reports that, in the last 15 years, worker rights in Vietnam have substantially improved. As an example, the Congressional Research Service states that authorities are more tolerant of wildcat strikes, to the extent that workers have held over 450 strikes since 1993.

However, Vietnamese workers do not have freedom of association or the right to organize and bargain collectively. Since the beginning of this year, Vietnam has repressed demonstrations by ethnic minorities in the Central Highlands and dealt harshly with some dissident religious leaders. In private meetings and public statements, the Department has called for access to Vietnam's Central Highlands and for greater respect for religious freedom. We will continue to deliver this and similar messages, because Vietnam is nowhere near meeting international standards on human rights. No one in Vietnam, whether in the government or in the dissident community, will have any doubt where we stand.

We also need to encourage Vietnam to integrate into the community of economies that agree on the rules of trade and investment. This is one area where the BTA is key. Vietnam, in my view, has passed an important domestic as well as international milestone by signing the BTA. It could have passed up this opportunity, but Vietnam's leaders saw that an isolationist and confrontational approach would slowly but surely enervate Vietnam's economy and society. As a result, we have an

opportunity to foster the integration of a poor country with great human potential—a country with close historical and increasing cultural ties with the United States—into the network of global institutions that will build a better future for both the United States and Vietnam.

Significantly, shortly after the BTA was signed, Vietnam's Trade Minister Vu Khoan stated that when the agreement entered into force, Vietnam would at last be equal, in terms of competitive access to the U.S. market, with America's oldest friends within ASEAN. Vietnam's entrance onto a more level playing field could foster its more active participation in forums, such as ASEAN and APEC, in which countries are cooperating to expand trade and investment, to eliminate barriers, and to offer businesses and workers greater commercial opportunities. Both ASEAN and APEC offer Vietnam, which joined the ASEAN in 1995 and APEC in 1997, access to a wider peer group of countries that can serve as role models.

But a secure, stable, prosperous, and open Vietnam could also strengthen these organizations, especially ASEAN. Today, ASEAN, with a regional economy of nearly \$1 trillion, has begun recovering from the Asian Financial Crisis. The current slowdown in the world economy will affect the pace of progress, particularly if ASEAN countries leave needed reforms undone. ASEAN's economy grew by 3.1% in 1999, 5.1% in 2000, and is projected to sustain 4 to 5% growth in 2001 and 2002. Vietnam could contribute positively to economic growth in the region and add more value as it implements provisions of the BTA that reflect international economic norms.

We also want to involve Vietnam more broadly in global institutions that help preserve peace. Vietnam is just completing its first turn as Chair of ASEAN and the ASEAN Regional Forum (ARF); it will also be the ASEAN country responsible for sustaining the U.S.-ASEAN dialogue for the next two years. ARF, the only official regional security forum in East Asia, has provided a useful venue for the exchange of views on mechanisms to increase regional stability and security. We look forward to working with Vietnam to help strengthen the ARF as it considers how to develop its role in preventive diplomacy.

A significant regional challenge for ASEAN is the peaceful economic development of the Mekong River. Historically, it has been an area of conflict. Dialogue, confidence building, and investment, however, could transform the Mekong, which has the potential to link commercially six countries—China, Burma, Thailand, Laos, Cambodia, and Vietnam. With vision and appropriate incentives, Vietnam could take a leading role toward bringing this vision to reality.

It is clear that the BTA can help Vietnam progress economically and can strengthen Vietnam's role in committing the region to liberal economic and trade policies.

The BTA also can help make Vietnam a more open society. Vietnam's commitments in the BTA to expand economic freedom, to increase government transparency and to apply the rule of law to commercial transactions will have positive effects throughout society. Congressional approval of the BTA starts the clock ticking on crucial economic reforms, which lay the foundation for broader changes in the future.

We hope that Vietnam will ratify the BTA as quickly as possible. To move the package forward, I strongly urge the Congress to quickly approve Senate Joint Resolution 16 and House Joint Resolution 51. Thank you.

PREPARED STATEMENT OF PETER B. DAVIDSON

INTRODUCTION

Senator Kerry, Chairman Baucus and Members of the Committee, thank you for inviting me today to testify in support of the U.S.-Vietnam Bilateral Trade Agreement (BTA). Approving and implementing this Agreement are critical steps in the process of extending normal trade relations (NTR) status to products from Vietnam, furthering U.S. economic and strategic objectives with Vietnam and Southeast Asia and opening a growing market to U.S. exports and investment.

On June 8, when President Bush formally transmitted the Vietnam BTA to Congress, he noted that it was "an important part" of the Administration's trade agenda. He stressed that the Administration's agenda of free trade and open markets is at the foundation of our efforts to promote prosperity and opportunity around the world, and observed, in particular, that trade has proven to be a powerful tool for improving and reforming economies, and opening up entire societies.

The central element of the Administration's trade policy to achieve these ends is, of course, Trade Promotion Authority, on which Ambassador Zoellick testified before this Committee on June 21. This trade agreement with Vietnam, which represents the culmination of a decade-long effort to normalize political and economic relations,

will also further U.S. objectives in a growing country in a strategic part of the world. The Agreement itself is the result of nearly five years of negotiation with the Government of Vietnam.

The purpose of this trade agreement is to provide a basis for normalizing trade relations with Vietnam, putting them on the same footing as nearly every other country in the world. Today, Vietnam is one of only six countries that does not receive "NTR" tariff treatment from the United States. Aside from Serbia and Laos, Vietnam is the only country among this group of six with which we have full diplomatic relations. For the past 25 years, imports from Vietnam have either been prohibited, or since the lifting of the embargo in 1994, have faced tariffs in the range of 40 percent or higher. NTR tariffs now average 3 percent, placing imports from Vietnam at a significant disadvantage.

At the same time, the Agreement opens up Vietnam's market to U.S. exports of goods and services. The Agreement requires Vietnam to provide comprehensive protection of intellectual property rights and to provide basic protections to U.S. investments in that country. In short, it is a balanced agreement that benefits both sides.

Today, I would like to explain how this agreement not only represents the culmination of a decade long historic process of normalizing relations, but also furthers U.S. strategic and economic interests in Vietnam and in Southeast Asia.

Vietnam's Significance to the United States

First, let me say a few words about the importance of Vietnam to the United States and U.S. interests. Vietnam is a country of 80 million people—the second largest in Southeast Asia, with about half of its population under the age of 25. Even with the trade restrictions on both sides that are now in place, two way trade has grown to over \$1 billion annually since the trade embargo was lifted in 1994. Vietnam's per capita income is low—about a dollar a day—but it is growing, and its importance as a market will also grow as the younger generation comes of age. In short, while still a small market, Vietnam has great potential to be a large and growing trading partner in coming years, creating new opportunities and jobs for U.S. exporters of goods and services.

More broadly, Vietnam's integration into the regional and world economy is critical to peace and stability of Southeast Asia. A Vietnam which is poor, isolated and defensive not only harms the people of Vietnam, but also damages U.S. security interests in this strategic part of the world.

Economic Reform in Vietnam and the Development of U.S.-Vietnam Relations

The trend over the past fifteen years has been for Vietnam to pursue a policy of greater economic openness, both internally, and with respect to the outside world. This policy has gone hand in hand with the normalization of our political and economic bilateral relations. Let me briefly review these important developments.

For a number of years after the end of the war in 1975, Vietnam continued to follow the Soviet model of central planning. By the mid-1980s, it became clear to Vietnam's leadership that these policies had brought the country to the brink of economic disaster. Thus, in 1986, Vietnam embarked on a course of "doi moi" or economic restructuring, under which it would de-collectivize its agriculture, abandon central planning, move to the adoption of price and market mechanisms, and begin opening its economy to the outside world.

These and other developments in the political sphere led to a gradual re-engagement between the United States and Vietnam. In 1988, under President Reagan, Vietnam began to cooperate with the United States in attempting to account for the fate of U.S. personnel lost or missing in action during the war years. Under the Bush Administration in 1991, the path to fuller normalization of relations was laid out in a comprehensive manner when Washington presented Hanoi with a "road-map" for phased normalization of ties. The top immediate priority of this road-map was to achieve Vietnam's cooperation in obtaining the fullest possible accounting of POWs and MIAs from the Vietnam conflict era. Continued cooperation by Vietnam in such an accounting has been an essential foundation for the political and economic normalization that has occurred in the past decade.

In 1992, the Bush Administration eased the trade embargo against Vietnam to allow commercial sales to Vietnam connected with basic human needs, lifted curbs on projects by U.S. non-governmental organizations and non-profit groups in Vietnam, and allowed telecommunications links with Vietnam. In 1994, following a Senate resolution, the trade embargo on Vietnam was lifted entirely.

In 1995, the United States formally resumed diplomatic ties with Vietnam and opened an embassy there. At the same time, President Clinton directed that the normalization of economic relations begin, pursuant to relevant U.S. laws, i.e., under the Jackson-Vanik provisions of U.S. trade law. Thus, in early 1996, we

began negotiation of a bilateral trade agreement, necessary for the grant of NTR. At the same time, a constant in our relationship with Vietnam over the past years has been concern over human rights issues, including respect for religious freedom and labor rights. We will continue our dialogue with Vietnam on these issues, on which some progress has been made in the past decade, but clearly, where more needs to be done.

Progress in our bilateral relations was accompanied by other Vietnamese steps in recent years toward closer relations with the outside world and integration into the world economy. In 1995, Vietnam joined the Association of Southeast Asian Nations (ASEAN), and signed on to the ASEAN Free Trade Area. These actions represented important steps by Vietnam to establish economic and political links with its neighbors, and to commit to the course of open markets and economic reform. In that same year, Vietnam applied for membership in the WTO, another sign of its commitment to integrate into world markets.

Vietnam's steps to adopt economic reforms and to expand its ties with the regional and world economies have resulted in generally improved economic performance over the past decade. From 1991 to 1998, Vietnam's economy grew at an annual rate of 8 percent. However, in more recent years, the growth rate has declined, to 4.8 percent in 1999, and 5.5 percent last year. These slower growth rates reflect not only the regional slowdown caused by the financial crisis, but the slowdown in Vietnam's own reform efforts.

The Importance of the Bilateral Trade Agreement

Vietnam's recent economic slowdown highlights the importance of its decision to sign the Bilateral Trade Agreement (BTA) with the United States. The measures that Vietnam will apply to implement the BTA represent the most important steps that it has taken to advance economic reform since it began its program of economic "restructuring" in the late 1980s. The Agreement is significant to the United States for several reasons:

First, because the agreement commits Vietnam to badly needed reform efforts and provides access to the U.S. market, it will bolster Vietnam's prosperity, and accelerate its integration into the world economy. It will also lay the groundwork for the additional economic reforms that Vietnam will need to take to join the World Trade Organization.

Second, the Agreement will help transform Vietnam's economy into one that is more open and transparent, expanding economic freedom and opportunities for the Vietnam's people, and fostering a more open society. The Agreement contributes to these outcomes in several specific ways. For example:

- The Agreement extends the right to trade (import and export) from a limited number of state-owned enterprises to all Vietnamese persons, and over time to virtually all American companies located in Vietnam as well.
- Transparency requirements and the right to appeal administrative decisions will encourage and enhance application of the rule of law to Vietnam's trade and investment regime.

Finally, of course, the Agreement creates new and significant commercial opportunities for U.S. firms and persons to export and do business in Vietnam. By eliminating non-tariff and tariff barriers on the import of agricultural and industrial goods, opening its market in key service sectors such as telecommunications, insurance, banking and distribution, protecting intellectual property rights, and eliminating investment-distorting policies, it will allow American farmers, manufacturers, producers of software, movies and music, and services providers to access this young and growing market, in many areas for the first time. A closer look at the Agreement's provisions demonstrates the many areas of commercial benefit.

Vietnam's Commitments Under the Bilateral Trade Agreement

The Agreement is divided into six chapters: (1) market access for industrial goods and farm products; (2) intellectual property; (3) trade in services; (4) investment; (5) business facilitation; and (6) transparency. In each case, it sets clear and specific commitments and timetables, which will go into effect after the agreement is implemented.

The details of the agreement are as follows.

CHAPTER 1. MARKET ACCESS FOR GOODS

For goods generally, Vietnam has committed to general trade principles that are consistent with WTO practices, including reducing tariffs and abolishing non-tariff restrictions, such as quotas, ensuring trading rights (the right to import and export) for foreign and Vietnamese businesses, and others. Some of the major commitments include:

Trading Rights: Vietnam will grant, for the first time, rights for both Vietnamese and foreign businesses to import and export, generally phased in over 3–6 years.

National Treatment: Vietnam will apply national treatment for imports in areas including standards, taxes and commercial dispute settlement.

Tariffs: Vietnam will guarantee MFN/NTR-level tariffs for U.S. goods, and cut tariffs on a wide range of agricultural and manufactured goods of interest to U.S. exporters in most cases by a third to a half, from current levels that average approximately 20 percent.

Non-tariff Measures: Vietnam has agreed to eliminate all quantitative restrictions on a range of industrial and agricultural products (e.g., auto parts, citrus, beef), over a period of 3–7 years, depending on the product.

Import Licensing: Vietnam will eliminate all discretionary import licensing, in accordance with the WTO agreement.

Customs Valuation and Customs Fees. Vietnam will comply with WTO rules—using transactions value for customs valuation, and limiting customs fees to cost of services rendered—in 2 years.

Technical Standards and Sanitary and Phytosanitary Measures: In accordance with WTO principles, Vietnam will apply technical regulations and sanitary and phytosanitary measures (standards) to the extent necessary to fulfill legitimate objectives (e.g., to protect human, animal or plant life or health) and Vietnam will apply these standards to U.S. exports based on national treatment.

State Trading: State trading will be carried out in accordance with WTO rules (e.g., state trading enterprises will make any sales and purchases only in accordance with commercial considerations).

CHAPTER 2. INTELLECTUAL PROPERTY RIGHTS

Vietnam will implement WTO-level patent and trademark protection within one year, and copyright and trade secret protection within 18 months. It will also take further measures to strengthen intellectual property protection in other areas, for example protection of encrypted satellite signals.

CHAPTER 3. TRADE IN SERVICES

Vietnam will apply the rules of the WTO's General Agreement on Trade in Services and guarantee protection for the existing rights of all foreign service providers in Vietnam. Vietnam has also made specific commitments in a range of sectors. Some of the major areas include:

Telecommunications: Vietnam accepts the principles of the WTO's Basic Telecommunications Reference Paper, requiring a pro-competitive regulatory regime and cost-based interconnection fees. Vietnam also made commitments to liberalize the basic and value-added telecommunications markets, as follows:

Basic Telecom (including mobile cellular and satellite): Vietnam will allow U.S. firms to form joint ventures four years after implementation of the agreement, with a 49 percent U.S. equity limit.

Value-added Telecom: U.S. firms will be allowed to form joint ventures two years after implementation of the Agreement (3 years for Internet services), with a 50 percent limit on U.S. equity.

Voice Telephone services: U.S. firms will be allowed to form joint ventures after six years, with a 49 percent equity limit.

In all these fields, Vietnam and the U.S. will discuss a potential increase in the level of U.S. equity participation when the agreement is reviewed in three years.

Financial Services: Vietnam will comply with the provisions of the General Agreement on Trade in Services Financial Services Annex, and made the following specific commitments:

Insurance: In life and other “non-mandatory” sectors, U.S. firms will be able to form joint ventures with a 50 percent equity limit after three years, and to hold 100 percent equity after five years. In “mandatory” sectors such as motor vehicle and construction insurance, U.S. firms will be able to hold 100 percent equity after six years.

Banking and related financial services: Vietnam has also agreed that:

Non-bank and leasing company providers: Joint ventures will be allowed on implementation of the agreement; after three years, Vietnam will permit 100 percent U.S. equity shares.

Banks: U.S. banks will be allowed to open branches in Vietnam. U.S. banks will be able to form joint ventures with equity between 30 percent and 49 percent; after 9 years, 100 percent U.S. subsidiary banks

will be allowed. Vietnam will also allow U.S. banks to hold equity shares in privatized Vietnamese banks at the same level as allowed Vietnamese investors. Over time, Vietnam will also allow U.S. banks to offer such services as deposits in local currency, credit cards, ATM machines and others.

Securities-related services—U.S. securities firms will be allowed to open representative offices in Vietnam.

Professional: Vietnam has made specific commitments across the range of professional services industries. These include:

Legal—Vietnam will allow 100 percent U.S. equity in law firms, including branches. Law firms opening branches in Vietnam will receive 5-year, renewable licenses, and may consult on Vietnam's laws.

Accounting—U.S. accounting firms will be able to hold 100 percent equity. Vietnam will grant licenses to U.S. accounting firms on a case-by-case basis for three years, with no limits after that time. U.S. firms will be able to provide services to foreign-invested firms for the first two years, and to Vietnamese firms after that time.

Architectural—U.S. architectural firms will be able to hold 100 percent equity. U.S. firms will be able to provide services to foreign invested firms for the first two years, and to Vietnamese firms afterwards.

Engineering—U.S. engineering firms will be able to hold 100 percent equity. U.S. firms will be able to provide services to foreign invested firms for the first two years, and to Vietnamese firms afterwards.

Audio Visual—U.S. firms will be able to form joint ventures with 49 percent equity on implementation of the Agreement; the equity limit will rise to 51 percent after five years. Services opened under this commitment include film production and distribution, and motion picture projection services.

Distribution—For wholesale distribution, U.S. firms will be able to form joint ventures after three years with a 49 percent equity limit; this equity limit will be eliminated after six years. All U.S. retailers wishing to participate in the Vietnam market will be allowed to open one outlet, with further approvals on a case-by-case basis.

Other—Vietnam has also made specific commitments in a wide range of other services fields, including computer services, advertising, market research, management consulting, construction, distribution, private education, health services such as hospital and clinics, and the travel and tourism sector.

CHAPTER 4. INVESTMENT

Vietnam made a series of commitments that will ease investment, reduce paperwork and in almost all cases ensure national treatment for foreign investors. These include protection against expropriation of U.S. investments in Vietnam; rights to repatriate profits and conduct other financial transfers; phasing out such measures as local content requirements and export performance requirements within 5 years; ending almost all investment screening and discriminatory pricing; and reducing government controls and screening requirements for joint ventures.

CHAPTER 5: BUSINESS FACILITATION

Vietnam will guarantee the right for U.S. persons to engage in routine business practices, such as setting up offices, advertise, and conduct market studies.

CHAPTER 6: TRANSPARENCY AND RIGHT TO APPEAL

Under the provisions of this important chapter, Vietnam has made an extensive set of commitments to transparency. In sharp contrast to past practices and a major reform of administrative policies, Vietnam will now provide advance notice of all laws, regulations and other administrative procedures relating to any matter covered in the Agreement; publish all laws and regulations; and inform the public of effective dates and government contact points. Specific commitments include:

- All laws governing issues covered in the Agreement must be made public and readily available.
- Vietnam will designate an official journal in which all such measures will be published.
- Vietnam commits to uniform, impartial and reasonable application of all laws, regulations and administrative procedures.
- Vietnam will form administrative or judicial tribunals for review and correction (at the request of an affected person) of all matters covered in the agreement, and afford the right to appeal the relevant decision. Notice of decisions upon appeal and reasons for decisions appealed will be provided in writing.

Process For Granting NTR Treatment

The Vietnam trade agreement was negotiated under title IV of the 1974 Trade Act, the so-called Jackson-Vanik provisions of our trade law. The Agreement meets or exceeds each of the requirements in the statute relating to its substantive provisions. Upon Congressional approval of the Agreement, the President's proclamation granting NTR tariff treatment to goods from Vietnam becomes effective. Vietnam's continued receipt of NTR tariff treatment would require annual extensions of Vietnam's waiver of the Jackson-Vanik freedom of emigration requirements or a finding by the President that Vietnam is in compliance with those requirements. As you are aware, Congress can disapprove extension of a waiver or a compliance finding.

On June 1, the President recommended renewal of Vietnam's Jackson-Vanik waiver based on Vietnam's continued progress on emigration issues. The renewal of the Jackson-Vanik waiver will allow the continuation of benefits under OPIC, EXIM Bank and Trade & Development Agency programs, but will *not* extend NTR benefits to Vietnam until the trade agreement is approved by Congress.

Vietnam's Ratification and Implementation of the Agreement

Vietnam is also preparing to ratify and implement the Agreement. On June 7, Vietnam's Trade Minister Vu Khoan met with USTR Zoellick at the APEC Trade Minister's meeting in Shanghai. Minister Khoan assured Ambassador Zoellick that Vietnam was proceeding with formal ratification of the Agreement, which can be done quickly under Vietnam's laws. He assured Ambassador Zoellick that Vietnam was preparing extensively to implement the Agreement, working to revise the necessary laws and regulations. Ambassador Zoellick noted that the United States, under a USAID program, would continue a program of providing technical assistance to Vietnam as it takes the numerous steps necessary to implement the Agreement. Full and effective implementation of the Agreement by Vietnam once it enters into force will be a top U.S. priority.

CONCLUSION

This Agreement is an historic step forward in our economic relationship with Vietnam—bringing U.S.-Vietnam trade onto the same terms we afford nearly every other country in the world, and marking an important turning point in Vietnam's domestic economic policies. Over time, it will help speed Vietnam's integration into the world and Pacific economies, and move it toward ultimate membership in the World Trade Organization.

Approval of this Agreement, and grant of NTR for Vietnam, will open significant new opportunities for Americans. More important still, it will contribute to aspirations for economic liberalization and the rule of law in Vietnam, complement the work we are pursuing in human rights, and advance our long-term vision of a peaceful, stable Asia.

Finally, of course, this Agreement marks a decisive and historic moment in our normalization of relations with Vietnam, and with Indochina more generally. This process, pursued in a bipartisan manner over the past decade, has contributed to the end of the Cambodian conflict; an accounting for Americans missing in action during the Vietnam-era war; and the reopening of hope for millions of the region's people. Congressional approval of this Agreement, along with the normalization of trade relations with Laos, will mark the final steps in this process. It should also provide momentum to our broader trade legislative agenda this year, in particular with respect to Trade Promotion Authority. We look forward to working with Congress to achieve these goals.

PREPARED STATEMENT OF VIRGINIA B. FOOTE

Mr. Chairman and Committee Members, I am pleased to be here today representing the U.S.-Vietnam Trade Council to testify before your Committee at this important time in U.S.-Vietnam relations as you assess the granting of Normal Trade Relations (NTR) status to Vietnam bringing the U.S.-Vietnam bilateral trade agreement into force.

The U.S.-Vietnam Trade Council, founded in 1989, is a trade association with strong membership from the American business community and offices in Washington D.C. and Hanoi. We have worked along with our educational affiliate, the U.S.-Vietnam Forum, to help improve relations between the United States and Vietnam with educational exchange programs, annual conferences, Congressional delegations and programs designed to provide technical assistance on international trade norms and standards. We chair a coalition of over 270 associations and companies, the Coalition's letter to President Bush urging the granting of NTR status to

Vietnam is attached. I hope this and my full testimony can be submitted into the hearing record.

Today I would like to discuss the importance of the U.S.-Vietnam Trade Agreement, signed on July 13, 2000 and the positive impact that normalization of relations has had on cooperation between the United States and Vietnam in a number of areas. This agreement, and the granting of NTR status will mark the beginning of a new and extremely important chapter in U.S.-Vietnam relations. This is the bill now before Congress and it is arguably the most important step for our two countries since the end of the war.

Beginning in the late 1980's, the Vietnamese government committed to ending its isolation and began working to normalize relations worldwide. Vietnam has had tremendous diplomatic and commercial success in establishing relations in Europe, within Asia and with the United States. Vietnam joined ASEAN in 1995, APEC in 1998, and now belongs to over a dozen international organizations and signed onto numerous international agreements. Vietnam has observer status in the WTO and is committed to joining in the coming years. But while Vietnam has granted normal trade relation tariffs to American products, the U.S. has not yet granted the status to Vietnam.

The Reagan, Bush and Clinton administrations have all followed a policy of normalizing relations with Vietnam through a step-by-step process pegged to cooperation on the U.S.'s principal goal of seeking the fullest possible accounting for our missing in action from the Vietnam War, a comprehensive settlement in Cambodia and immigration issues. As the attached timeline shows, this process has proceeded successfully, albeit slowly through three administrations. Overall it has led to the lifting of the trade embargo in 1994, the establishment of diplomatic relations in 1995, and the beginnings of economic normalization including the initial waiver of the Jackson-Vanik amendment in 1998, and now the granting of NTR status. Other bi-lateral steps such as an aviation agreement, a textile agreement, PNTR, and WTO accession lie in the future.

Throughout the process of normalization, Vietnam has greatly enhanced its efforts on issues of high priority to the U.S. including MIA efforts, immigration goals, and economic integration. Vietnam and the U.S. have also developed important bilateral dialogue on human rights and labor standards. During President Clinton's historic visit in November 2000, the U.S. and Vietnam signed a Memorandum of Understanding to formalize a program of cooperation and dialogue on labor issues. The U.S. has also pledged \$3 million dollars in technical assistance to Vietnam for bilateral projects on labor issues, which will be implemented in collaboration with the International Labor Organization (ILO).

The conclusion of the U.S.-Vietnam Trade Agreement last year was a key step to further progress in normalizing relations. The U.S.-Vietnam Trade Agreement is the most comprehensive trade agreement Vietnam has ever signed, and the most comprehensive NTR trade agreement the U.S. has ever negotiated. In exchange for sweeping commitments from Vietnam including providing greater market access for trade in goods and services, protecting intellectual property rights, improvements in the investment regime, and far greater transparency, the U.S. would grant Vietnam normal trade tariffs—moving Vietnam from column two in the U.S. tariff code to column one.

The agreement, if approved by Congress, would grant NTR status to Vietnam subject to an annual review under the Jackson-Vanik Amendment. Presently, Vietnam is one of only five countries that does not have NTR with the U.S., including Afghanistan, Cuba, Laos, and North Korea. It should be noted that Congressional passage of the U.S.-Vietnam Bilateral Trade Agreement is not equivalent to last year's Congressional passage of PNTR for China—it is equivalent to granting of annual MFN status to China in 1979 when the U.S. and China normalized diplomatic relations. The annual renewal of the NTR status for Vietnam under the Jackson-Vanik waiver provisions will continue.

The Vietnamese government has committed to important reform in the areas of trading rights, transparency, customs, investment, services, and intellectual property rights. Although bilateral trade was a modest \$1.2 billion in 2000, Vietnam is the second most populous nation in Southeast Asia and 12th largest in the world with a population of 78 million and enormous growth potential. Moreover, approval of the trade agreement will ensure that exports from U.S. companies will receive treatment in Vietnam no less favorable than products of foreign competitors. Vietnam has signed bilateral trade agreements and granted reciprocal NTR to 72 countries, including the European Union and its Asian neighbors.

The signing of the U.S.-Vietnam trade agreement was a watershed event. While the negotiations between the U.S. and Vietnam were long and difficult, it was the negotiations between and among the Vietnamese that were the most important. The

result is that the BTA is an important blueprint or roadmap for Vietnam to follow while tackling some of the more difficult issues of economic reform which lie ahead. It is a roadmap of commitment that the Vietnamese government reached consensus on before signing.

Towards this end, commercial law reform is already underway. Vietnam passed a new Insurance Law in December 2000 and is finalizing the implementing regulations. The General Department of Customs has drafted a new Customs law, which passed overwhelmingly in the National Assembly on June 23. The new law is based on WTO valuation procedures and has been favorably reviewed by international customs experts. Vietnam is also addressing competition policy, the elimination of burdensome registration and licensing procedures, intellectual property protection, administrative procedures, and increased transparency. A new database of Vietnamese law is now available on the internet and the Ministry of Planning and Investment in Ho Chi Minh City will offer online licensing for foreign investment projects that do not require appraisal.

With respect to IPR issues, Vietnam has recently made significant legal reforms in preparation for implementation of the trade agreement. A system has been put in place for patent and trademark registration. In the year 2000 several important decrees protecting trade names, trade and business secrets, patent registration and protection of industrial designs were issued.

The Enterprise Law, which came into effect in January 2000, marked an turning point in Vietnam's efforts to reform the domestic private sector. According to the World Bank in the year 2000 more than 14,000 private small and medium sized enterprises (SMEs) were registered under the new Enterprise Law compared to only 3,000 registrations a year, for the previous three years. These figures are very significant given the small size of Vietnam's fledgling private sector. The number of enterprises founded in the six months after the law went into effect in January 2000 equals the total number of enterprises founded in the previous nine years. According to the World Bank, in 1990 there were 110 domestic enterprises, in 2000 there were 35,000.

The number of private enterprises engaged in trade has multiplied five times between 1997 and 2000. As a result the share of private domestic firms has increased from 4 percent to 16 percent of total imports and from 10 percent to 17 percent of total exports. For non-oil exports the percentage is higher at 22 percent. Total non-oil exports grew by 42 percent from 1997 to 2000. Private domestic exports grew by 161 percent during this time period and accounted for 46 percent of the overall increase. Reforms in licensing procedures were partially responsible for an upsurge in foreign investment this year. The World Bank noted that a total of \$882 million in new pledged investment from January to June this year is "two and a half times more than in the same period last year."

Also important was the opening of a stock market in July 2000. The tiny stock market currently deals treasury bonds and shares of only five listed companies, but the government plans to open a second transaction center in Hanoi and develop the OTC market (Over-the-Counter) for companies prior to listing. Additional companies are expected to be listed on the market this year. Vietnam's State Securities Commission (SSC), will join the International Organization for Securities Commissions this month.

The United States should continue to be involved in this process. It is in our interest to see an economically healthy and internationally engaged Vietnam. The Economist Intelligence Unit estimates that although GDP growth increased in 2000 to 6.5%, international experts predict it will slow in 2001 due to falling world growth rates, stagnant prices on rice and coffee and continuing low levels of FDI. However, the EIU estimates that passage of the bilateral trade agreement with the U.S. this year would boost Vietnam's GDP growth again in 2002 to 6.8%. With fully normalized economic relations, the United States could well join the top ranks of investors in Vietnam.

The agreement includes important benefits for American business, consumers and farmers. Trade rights will be liberalized for U.S. firms, current tariff rates on key agricultural and industrial goods will be reduced by 30 to 50 percent over the next three years; and quantitative restrictions will be removed on steel and cement after six years and petroleum products after seven years. Other immediate improvements will be made in trading, IPR, transparency, investment and services. In the services sector, Vietnam will provide American companies with greater access than low and middle-income WTO members provide, and entry into and equity in banking services will be increased. WTO consistent intellectual property rights will be introduced in 12-18 months and all WTO inconsistent trade related investment measures will be eliminated within five years. The chapter on transparency requires that all laws

and governing decrees be published, and that the right of appeal and tribunals for review be established.

The BTA will not only strengthen market access for American companies in Vietnam, it will also greatly benefit the people of Vietnam. With a per-capita GDP of \$395, Vietnam is still one of the poorer nations in the world. In a comprehensive report, the World Bank concluded that significant achievements on reducing poverty were made in the period between 1993 and 1998 and continue. The proportion of people with per capita expenditures under the total poverty line dropped impressively from 58 percent in 1992/93 to 37 percent in 1997/98. The number of people below the much lower "food poverty line," has also declined from 25 percent to 15 percent, indicating that the very poorest segments of the population have experienced improvements in their living standards between 1993 and 1998. Even with these remarkable improvements, the incidence of poverty remains high at 37 percent.

The BTA could contribute to lifting Vietnam out of endemic poverty by increasing trade, investment, and development in Vietnam, as well as promoting market reforms, including greatly expanded trading rights. Furthermore, by expanding trade and extending the rule of law in Vietnam, the BTA will encourage access to information and greater transparency for domestic enterprises as well. Vietnam has great potential for development as a significant trading partner worldwide. Over half the population is under the age of 25 and the literacy rate is over 90%. The work ethic, entrepreneurial talent, and emphasis on education is strong.

American involvement in the process of economic reform is welcome in Vietnam and could be extremely important to overall development in the long run. American companies set a high standard for trade, investment, labor and business practices. American management and technology is greatly admired in Vietnam. American companies are actively involved in training programs in Vietnam, through the Trade Council and individually. American products are popular. Our business community, particularly with great involvement by the Vietnamese-American community, continues to play a key role in the normalization of relations.

In the absence of NTR status, a trade agreement, and initially without trade support programs, American companies and individuals nonetheless began traveling, investing and trading with Vietnam. Given that the U.S. normalized relations far more slowly than other nations did, American business involvement in Vietnam has lagged behind other nations and still operates with severe handicaps. The U.S. fell from the fifth largest investor in 1995, to the 12th largest investor in 2000 with slightly under one billion committed to foreign investment projects, and one billion in two-way trade.

Following the initial "road map" for normalization laid out under the Bush Administration in April 1991, the bilateral relationship has made a great deal of progress. The road map pegged normalization of relations to full cooperation from Vietnam in accounting for U.S. personnel listed as prisoners of war/missing in action (POW/MIAs), a comprehensive settlement in Cambodia, and immigration issues. On February 3, 1994 President Clinton lifted the trade embargo on Vietnam, and in 1995 the U.S. and Vietnam settled bilateral property claims and opened diplomatic liaison offices in Washington and Hanoi. In 1997 the Senate approved Vietnam War POW and former Member of Congress, Pete Peterson as U.S. Ambassador to Vietnam. In 1998 President Clinton issued the first waiver of the Jackson-Vanik Amendment, which Congress upheld by a vote of 260 in favor and 163 opposed. Congress renewed the waiver in 1999 by a vote of 297 in favor and 130 opposed. In 2000 the margin increased positively again to 332 in favor and only 91 opposed.

The initial Jackson-Vanik waiver in 1998 allowed trade support programs, such as loans from the Overseas Private Investment Corp (OPIC), the Export-Import Bank (Exim) and other credits for American business to establish operations in Vietnam. Since reopening in Vietnam, OPIC has committed over \$10 million in direct loans to two projects and has registrations for 26 projects seeking political risk insurance. OPIC also supports four privately managed private equity funds that are eligible to invest up to \$640 million in projects in Vietnam. In December 1999 Exim and the State Bank of Vietnam completed the framework agreements, which allowed Exim to begin operations in Vietnam.

Initially, U.S. policy pegged the Jackson-Vanik waiver to progress on the Resettlement Opportunity for Vietnamese Returnees (ROVR) program specifically and immigration in general. Although it was extremely difficult to reach agreement initially, the implementation of the ROVR program has been fairly smooth and rapid. The State Department reports that the government of Vietnam has cleared over 96% of the nearly 20,000 ROVR cases. The Orderly Departure immigration program overall has also been successful. Approximately half a million Vietnamese have come to the United States under ODP and only a small number of ODP cases remain to be proc-

essed. Since the initial waiver of Jackson-Vanik, the Vietnamese have allowed all remaining ODP cases—including the Montagnard cases which are of particular concern to the U.S.—to be processed under the new more responsive system developed by the Vietnamese initially just for ROVR cases.

The ODP office in Bangkok has been closed and responsibility for handling the few remaining cases was successfully transferred to the Refugee Resettlement Section (RRS) at the Consulate General of Ho Chi Minh City, which opened in August 1999. It is expected that interviews of remaining ODP and ROVR applicants, of which a few hundred remained as of June 2000, will be concluded in the near future.

With respect to the search for our POW/MIAs from the war, Vietnam has developed a permanent staff to visit crash sites and interview witnesses throughout the country. The U.S. and Vietnam have provided reciprocal access to information on MIAs from the war and have conducted 41 Joint Field Activities on POW/MIA cases since 1993. Vietnam has unilaterally undertaken case specific investigations in 216 cases since 1996. Of 196 persons associated with “last known alive” cases in Vietnam, fate has been determined for all but 41. President Bush most recently certified Vietnam issuing a determination that Vietnam “is fully cooperating in good faith with the United States.”

Our relationship has strengthened in other areas as well. Americans are traveling to Vietnam in great numbers. In 1997 Vietnam issued 98,000 visas for Americans to travel to Vietnam, over 66,000 for Vietnamese Americans wanting to visit their homeland. In 2000 the total was 152,928 visas, approximately 137,000 of which were for Vietnamese Americans. Remittances from overseas Vietnamese are estimated at \$2–3 billion annually and this year one hundred and fifty thousand overseas Vietnamese worldwide returned to Vietnam for the Lunar New Year, a record number. Vietnam veterans are traveling and working in Vietnam, and many veterans groups organize visits for their members.

In November 2000, President Clinton became the first U.S. President to visit Vietnam since the end of the war. During the President’s trip ten new business partnerships were announced and our two countries concluded numerous bilateral agreements. One of these was an Agreement on Scientific and Technological Cooperation to facilitate cooperation between American and Vietnamese scientists in areas such as health, technological innovation and entrepreneurship, disaster mitigation and marine and water resource management. Increased cooperation in the prevention and treatment of infectious diseases, including typhoid fever and HIV/AIDS, will strengthen Vietnam’s ability to meet critical health challenges. Environmental projects operate through the U.S. Asia Environmental Partnership and cooperation on Agent Orange research.

Equally important, the U.S. and Vietnam also signed a Memorandum of Understanding on Labor in November 2000. The MOU was the result of a dialogue over labor that the U.S. and Vietnam have developed. The MOU includes \$3 million in technical assistance working with the ILO to strengthening labor protection, skills training, employment services, social insurance and safety nets, employment of the disabled, industrial relations and child labor. The child labor provisions focus on street children and child trafficking. Workplace education and prevention programs on HIV/AIDS are also included in the MOU. Vietnam also ratified the International Labor Convention on the Elimination of the Worst Forms of Child Labor, thus joining the United States and 45 other countries.

The 1994 Labor Code, incorporating standards of internationally recognized worker rights. A complete English translation of the Labor Code can be found at <http://www.ivietnam.com/Eng/> in the Vietnam Law database. The labor code stipulates the requirements for the formation of unions. In addition to trade unions, the Labor Code stipulates a number of workers’ basic rights including: freedom to choose employer (Article 30), standard work week (Article 68), overtime limits and pay (Article 61), leave, holidays, and rest (Article 71, 73, 74 & 78), minimum wage, bonuses (Article 64), maternity leave (Article 114 & 144), severance entitlements (Article 17 & 42), workplace safety (Article 97 & 100), etc. In recent years, the Government of Vietnam has sent labor experts to the U.S., the U.K., Singapore, New Zealand, South Korea, and Hong Kong in its efforts to update the 1994 Labor Code.

Since 1992, Vietnam has ratified 15 conventions, including three of the ILO’s eight core human rights conventions: No. 100, equal pay for men and women for work of equal value (ratified by Vietnam in 1997); No. 111, prohibiting discrimination in employment (1997); and No. 182, prohibiting the worst forms of child labor (2000). Currently, the Vietnamese are working on a plan to gradually ratify the remaining core ILO conventions and hope to ratify both forced labor conventions and the minimum age convention. With offices in Hanoi, the ILO has 24 ongoing

projects, six of which the ILO defines as promoting fundamental principles and rights at work.

On commercial law reform, during President Clinton's trip, the U.S. also pledged six million in technical assistance to Vietnam over a three-year period to assist with implementation of the bilateral trade agreement. Through a grant from the U.S. Agency for International Development (USAID) and the support of our members, the U.S.-Vietnam Forum has provided technical assistance on commercial and legal reform to Vietnamese Ministries and government branches with economic portfolios. The Forum provides technical assistance on the issues raised by the BTA and WTO standards. Recently this work has included assistance with the new Insurance law, which passed the National Assembly in December 2000, drafting the implementing regulations for the new Insurance law, and the new Customs law, which just passed the National Assembly last week. We also worked with the Ministry of Justice and Ministry of Trade on a "roadmap" of Vietnam's commitments in the trade agreement as they affect current laws and regulation, and will continue to assist in overall BTA implementation as it relates to changes required to these procedures.

Since our two countries set out on the path to normalized relations, Vietnam has enjoyed many successes and a few setbacks. The bold economic reform program that Vietnam embarked on in the late eighties showed impressive results almost immediately. Vietnam went from near famine to become the third largest rice exporter behind Thailand and the United States in a matter of a few years. In the year 2000, Vietnam was the second largest coffee exporter after Brazil. Economic growth rates climbed to 8 and 9 percent in the mid-nineties. Foreign investors flocked to Vietnam. From 1988–1999 over \$36.6 billion in foreign investment was committed. With Vietnam's very low per capita income of approximately \$250 per year in the early 1990s, the international donor community began generous overseas development assistance programs. Vietnam received more than 1.5 billion dollars in disbursed aid last year. The figure is expected to fall to between 1.2 and 1.3 billion dollars in 2001. From 1993 when Vietnam first became eligible to the end of 2000 total ODA equaled \$7.5 billion.

But by 1996, Vietnam's impressive FDI growth had peaked at \$8.6 billion. As the Asian Financial Crisis hit, and Vietnam's economic reform stalled, foreign investment dropped by 40% in 1997 to \$4.6 billion and continued to decline. In 1998, FDI commitments totaled approximately \$3.8 billion and in 1999 dropped to \$1.5 billion. Official GDP growth rates were calculated at around 5% in 1998 and 4.7% in 1999, a ten-year low. In 2000 GDP growth climbed back to 6.5%, but is expected to drop off again in 2001 due to low levels of FDI. Unemployment has hovered around 7.4 percent since 1999, when it climbed up from a low of 5.9 percent in 1996. At the same time, the poverty rate has fallen by half in the past ten years, one of the sharpest declines for any country. Income per person is now around \$370 per year and much higher in the major cities.

About 70% of Vietnam's population of 78 million, live and work in rural areas. In the industrial sector, some 25% of the work force is in the state sector, 60% in the private sector and 10% in the foreign invested sector. Currently the private sector accounts for only half of GDP, a disappointing constant percentage over the last five years—34% from farm-based and service sectors, 10% from the foreign invested sector, and only 7% from small to mid-size enterprises. With 50% of the population under 25, and as state enterprises are equitized, new jobs will need to be created in the private sector. Each year 1.2 million job seekers enter the labor market.

Vietnam has made substantive progress in political and social reforms since the launching of *doi moi* in 1986. There have been improvements in human rights, with the release of hundreds of political detainees and re-education camp inmates, the return of thousands of Vietnamese who had fled abroad as refugees, and increased willingness on the part of the government to cooperate with the U.N. on human rights issues. Vietnam signed the International Covenant on Civil and Political Rights (ICCPR) in 1982, and recently began to work with the U.N. to address the rights protected in the Covenant. In 2000 Vietnam released over 20 religious or political prisoners from jail, including 12 Hmong Protestants and three Catholic priests. Some dissidents released from prisons still face harassment, but they have been able to meet outsiders and supporters.

Although substantial problems remain, religious freedom in Vietnam has generally improved over the past ten years and the individual practice of religion has increased dramatically. In the past three years the Government has loosened restrictions on Roman Catholics, relaxing the requirement that clergy belong to the government-run Catholic Patriotic Association. Authorities allowed the Vatican's ordination of a new archbishop in Ho Chi Minh City in 1998 as well as the ordination of five bishops in other dioceses in 1998 and 1999. A high-level Vatican envoy made his annual visit to the country in May 2000, during which the filling of other vacant

bishoprics was discussed. In June 2000, a bishop was named for Da Nang province, and in August 2000, a bishop was named for Vinh Long province. In 1998 a number of bishops traveled to Rome, Italy, for a synod of Asian bishops. Up to 200,000 Catholics gathered in August 1999 at an annual Marian celebration in La Vang in the central part of the country and celebrated their faith freely there. The government of Vietnam now officially recognizes six religions, including the Federation of the Evangelical Church of Vietnam which was formally recognized this year.

Social and political reform is also evidenced by the formation and changing composition of the National Assembly. The position of Vietnam's National Assembly as the highest organ of the State is fixed in the 1992 Constitution and is elected directly by the people through secret ballot. The National Assembly approves the state budget, and has the final say on large scale or long-term economic projects. In practice, the National Assembly is increasingly assertive in Vietnam's political structure, taking a more active role on reviewing legal reforms. Women make up over 25 percent of the National Assembly, and in the present Assembly 14 percent of the representatives are non-Party members.

This year signifies a dramatic and encouraging development in Vietnam's political leadership. At the 9th Party Congress in April, Nong Duc Manh was named as Vietnam's first ethnic minority to hold the nation's highest position of General Secretary. He is regarded as a reform-minder leader who will address corruption and work to quickly implement economic reform. Mr. Manh previously served as National Assembly Chairman from 1992-1996 and again from 1997 to spring 2001. The new National Assembly Chairman Nguyen Van An, another reputed reformer, was announced in June. These developments bode well as an indication that Vietnam continues on its path of reform and development.

The U.S. is at an important juncture in developing relations with Vietnam. This crucial trade agreement and the ability to normalize commercial relations with Vietnam is now before Congress. We hope Congress can act. Secretary Powell visits Vietnam next month on July 25-26 for the annual ASEAN Regional Forum and should be able to tell the Vietnamese and the Americans that normal trade relations are established. The U.S. and Vietnam have built a strong, multifaceted relationship tackling many aspects of our past and future relationship. NTR status should now be added.

Vietnam's strategic and economic role in the region and the well being of the Vietnamese people will be greatly affected by U.S.-Vietnam relations and by the course of bilateral relations. The strongly bi-partisan policy of a step-by-step process of normalizing relations with Vietnam has produced positive results for American, Vietnamese and regional interests, and we encourage a continuation of this policy into the future. Vietnam and the U.S. share a tragic history, which both countries are mindful of as we build a new future. Comfort with the outside world's intentions and a growing economy will continue to contribute to Vietnam's increased openness, increased transparency in government, a rise in living standards, and greater international economic and political integration. This policy of normalization has also ensured that American business, diplomatic and regional interests are met. The past ten years is proof.

We strongly urge the quick passage of SJ Res. 16 granting NTR status to Vietnam.

THE COALITION FOR U.S.-VIETNAM TRADE

January 29, 2001

THE PRESIDENT
GEORGE W. BUSH
The White House
Washington, DC.

Dear Mr. President: The United States and Vietnam concluded a comprehensive bilateral Trade Agreement on July 13, 2000. As representatives of American business, agriculture and consumers, we urge you to transmit the Agreement to Congress this February and seek its earliest approval. Much progress has been made in restoring relations with Vietnam since the late eighties and it is important to continue to build on this positive momentum. Transmission of the agreement at this time would maintain the strong bipartisan support for trade with Vietnam evidenced by the increasingly positive annual votes on the Jackson-Vanik waiver.

Congressional passage of the trade agreement will extend normal trade relations to Vietnam for the first time since the Vietnam War thereby opening new opportunities for American and Vietnamese business people. The bilateral trade agreement addresses trade in goods and farm products, trade in services, intellectual property rights and foreign investment. This will create more open market access, greater transparency and lower tariffs for U.S. exporters and investors in Vietnam. These provisions will enable American companies and products to compete effectively with European and Asian companies and products in the Vietnamese market, which will benefit American entrepreneurs, workers, farmers and consumers. At the same time the United States will extend to Vietnam the tariff treatment it grants to virtually every other country in the world. Normalizing our trade relationship with Vietnam will strengthen America's constructive role in Southeast Asia's political and economic development and further assist market reforms in Vietnam.

In addition to the economic benefits, there are security benefits from the agreement that should not be overlooked. Vietnam has greatly enhanced its efforts on issues of importance to the U.S. since the normalization of relations in 1995, including joint MIA efforts, immigration goals, and international economic integration.

We would like to thank you for your consideration and look forward to working with you and your team on international trade policy.

Sincerely,

Company and Association signers (272)

ABB
ABN AMRO Bank N.V.
ACE INA International Holdings Ltd.
ACI International
AeA
Aetna International, Inc.
Aerospace Industries Association
Air Products and Chemicals, Inc.
AMC-Target Corporation
American Apparel and Footwear Association
American Chamber of Commerce in China
American Chamber of Commerce in Hong Kong
American Chamber of Commerce in Indonesia
American Chamber of Commerce in Japan
American Chamber of Commerce in Korea
American Chamber of Commerce in Singapore
American Chamber of Commerce in Sri Lanka
American Chamber of Commerce in Taipei
American Chamber of Commerce in Thailand
American Chamber of Commerce in Vietnam, Hanoi Chapter
American Chamber of Commerce in Vietnam, Ho Chi Minh Chapter
American Chamber of Commerce of the Philippines, Inc.
American Chemistry Council
American Council of Life Insurers
American Forest & Paper Association
American Hardwood Export Council
American Home Products
American Insurance Association
American Institute of Marine Underwriters
American International Group, Inc.

American Lumber Company
 American President Lines, Ltd.
 American Standard-Vietnam (Amstan Sanitaryware Inc.)
 American-Vietnamese Management Consortium, Inc.
 Anheuser-Busch Companies
 Antieri & Associates, Inc.
 Asia Injury Prevention Foundation, Vietnam
 Asia Pacific Council of American Chambers of Commerce
 The Association for Suppliers of Printing, Publishing and Converting Technologies
 AstroPower, Inc.
 Automotive Trade Policy Council
 Averitt Lumber Company
 Avon Products, Inc.
 AZON USA INC.
 Baker & McKenzie, Vietnam
 Baltimore Aircoil Company
 Bankers' Association for Finance and Trade
 BBC International
 BCNY International, Inc.
 Bennett Footwear Group
 Best Buy Co.
 Black & Veatch
 The Bodega Group
 The Boeing Company
 Booz Allen & Hamilton, Inc.
 Boston International Trade Group, Inc.
 BP Amoco
 BRIDGECREEK
 Bristol-Myers Squibb
 Brown Shoe Company, Inc.
 C.C. International, Ltd.
 California-Asia Business Council
 California Chamber of Commerce
 California Council for International Trade
 Caltex Group
 Cargill, Incorporated
 Carrier Vietnam Limited
 Caterpillar, Inc./V-TRAC
 Cavanaugh International, LLC
 CDM International Inc.
 Center for International Development Research Triangle Institute (RTI)
 North Carolina
 Chadwick Marketing, Ltd.
 The Chubb Corporation
 Citigroup
 Coalition for Employment through Exports
 CoBank
 Coca-Cola Southeast Asia Inc.
 Colorado Retail Council
 Computer and Communications Industry Association
 ConAgra International Private Limited, Singapore
 Conoco
 Consumers for World Trade
 Construction Industry Manufacturers Association
 Controls/ inc.
 Craft Corporation, Hanoi, Vietnam
 Crane International
 Delta Air Lines, Inc.
 Delta Equipment & Construction
 DeMatteis International Group
 DHL International
 Direct Selling Association
 DSL Transportation Services, Inc.
 DuPont
 East Meets West Foundation
 East West Consulting Services, Inc.
 Eastman Kodak Company

EDS
 Elan-Polo, Inc.
 Eli Lilly and Company
 ELKEN DESIGN LLC
 Emergency Committee for American Trade
 ENRON Corp.
 Envirotech Services Inc.
 Exsero Group Inc.
 ExxonMobil
 FedEx
 Famous Footwear
 Fila, USA
 Fluor Corporation
 Footstar/Meldisco
 Footwear Distributors and Retailers of America
 Ford Vietnam Ltd.
 FORTEC, INC.
 Foster Wheeler Corporation
 Frank Russell Company
 Fred's Inc.
 Freshfields Bruckhaus Deringer—Hanoi Branch
 Fund for Reconciliation and Development
 Gap Inc.
 General Electric
 Genesco, Inc.
 Geotech International Ltd.
 Glass Egg Digital Media, Ltd.
 Global Village Foundation
 Grand Imports, Inc.
 Greenberg Traurig
 Guam Chamber of Commerce
 Heilig-Meyers Company
 Hewlett Packard Corporation
 Hills & Company, International Consultants
 Hilton Hanoi Opera Hotel
 Horison
 Illinois Retail Merchants Associations
 Indiana Retail Council
 Indochina Capital Corporation
 Information Technology Association of America
 Information Technology Industry Council
 Inkstone Translations
 Institute for International Education
 Intel Corporation
 Inter-Pacific Corporation
 International Association of Drilling Contractors
 International Business Machines Corporation
 International Insurance Council
 International Mass Retail Association
 ITT Industries
 JC Penney Co
 Jimlar Corporation
 J.P. Morgan Chase & Co.
 Johnson & Johnson
 Jones Apparel Group
 Kaman Aerospace Corp
 Kids "R" Us
 Kmart Corporation
 KPMG Ltd.
 Leisure Time Warehouse, Inc.
 Linmark Westman Group
 Liz Claiborne
 Lockheed Martin Corporation
 Lone Star Fund
 Louis Dreyfus Corporation
 Lucent Technologies
 LukeMax Company, Ltd.
 3M

Malichi International, Ltd.
 Manolis & Company, Asia Ltd.
 Maytag Corporation
 McDermott International, Inc.
 McGraw-Hill Companies
 MEC International
 Meet World Trade
 Mercury International
 Motion Picture Association of America
 Motor & Equipment Manufacturers Association (MEMA)
 Motorola
 Murfin Drilling Inc.
 National Association of Manufacturers
 National Association of Chain Drug Stores
 National Association of Wheat Growers
 National Center for APEC
 National Electrical Manufacturers Association
 National Foreign Trade Council
 National Retail Federation
 Nations Trading Group
 New York Life International, Inc.
 NFO Vietnam
 NIKE
 Nortel Networks
 Northwest Airlines, Inc.
 O2 Architecture
 Offshore Production and Exploration Company, Inc.
 Ohio Alliance for International Trade
 Oklahoma Chamber of Commerce
 Oracle Corporation
 Oregon Potato Commission
 Owens Forest Products
 Pacific Architects & Engineers
 Pacific Basin Economic Council—U.S. Committee
 Pacific Basin Partnership
 Pacific Sun—A California LLC
 Pacific Ventures Inc.
 Paragon Solutions, Inc.
 PATH (Program for Appropriate Technology in Health)
 Payless ShoeSource, Inc.
 PepsiCo, Inc.
 Pfizer Inc.
 Polaroid Corporation
 Potash & Co.
 The Powell Group
 Power Conversion Products, LLC
 PricewaterhouseCoopers (Vietnam) Ltd.
 Procter & Gamble
 Pulse Engineering
 quantumStream Systems Inc.
 Raytheon Company
 Reebok International Ltd.
 Regent International
 REL-Vietnam
 Retailers Association of Massachusetts
 Rohm and Haas Company
 Rural Enterprises of Oklahoma Inc.
 Russin & Vecchi
 Samuels International Associates, Inc.
 San Francisco Mayor's Office of International Trade
 Sepre 24 Security Company
 Small Business Exporters Association
 Solar Electric Lighting Company (Vietnam) Ltd.
 Source One Sales, Inc.
 Sporting Goods Manufacturers Association
 Squire Sanders & Dempsey (Asia)
 Standard Chartered Bank
 Stephen Woolley and Associates, Architects

Sterling Industries, Inc.
Sun Microsystems Inc.
Taylor/Hayes, Inc.
Telecommunications Industry Association
The Topline Corporation
Toy Manufacturers of America
Trefethen Vineyards Winery
Tropic Dane-Vietnam
TRW Overseas Inc.
Ulysses netSolutions Inc.
United Industries, Inc.
United States Council for International Business
United Tech Inc.
United Technologies Corporation
Unocal
UPS
U.S. Association of Importers of Textiles and Apparel
U.S. Chamber of Commerce
U.S. Grains Council
U.S. Wheat Associates
U.S.-ASEAN Business Council, Inc.
U.S.-Vietnam Trade Council
VERI
Vermont Retail Merchants Association
Vietnam Energy Recovery, Inc.
Vietnam Enterprise Group
Vietnam Venture Group, Inc.
Vietnam Veterans Memorial Fund
Vinefera Wine Growers Association
VNetSoftware, LLC
Wal-Mart Stores, Inc.
Ward Petroleum Inc.
Warnaco Inc.
Washington Council on International Trade, Seattle, WA
Washington State Potato Commission
Webster Industries
Western Flavors And Fragrances, Inc.
Wheat Export Trade Education Committee
Zamil Steel Buildings Vietnam Co., Ltd.
Zippo Vietnam



Chronology of U.S. - Vietnam Relations

April 30, 1975	North Vietnamese forces take over the southern part of Vietnam, ending the war. Washington extends an embargo to all of Vietnam and breaks diplomatic relations.
1978	Secret talks between Hanoi and Washington on normalizing relations break down.
1988	Under the Reagan Administration, Vietnam begins cooperation with the United States to resolve the fate of American servicemen missing in action (MIA).
September 1989	Vietnam completes its withdrawal from Cambodia.
April 1991	Under the Bush Administration, Washington presents Hanoi with a "roadmap" plan for phased normalization of ties. The two sides agree to open a U.S. government office in Hanoi to help settle MIA issues.
April 1991	U.S. begins humanitarian aid projects for war victims to be administered by the U.S. Agency for International Development (USAID).
October 1991	The Senate Select Committee on POW/MIA Affairs is established. Senator John Kerry was Chair and Senator Bob Smith was Vice Chair.
October 1991	Vietnam supports U.N. peace plan for Cambodia. Secretary of State James Baker announces Washington is ready to take steps toward normalizing relations with Hanoi.
December 1991	Washington lifts the ban on organized U.S. travel to Vietnam.
1991	U.S. Congress authorizes the United States Information Agency (USIA) to begin exchange programs with Vietnam.
February 1992	Joint Task Force - Full Accounting was founded to conduct field activity on MIA accounting with General Thomas Needham in command.
February 1993	The work of the Senate Select Committee is concluded.
July 2, 1993	President Clinton clears way for resumption of international lending to Vietnam.
July 27, 1994	Senate in favor of a resolution urging the Administration to lift embargo, saying this would help get a full account of MIAs.
February 3, 1994	President Clinton lifts trade embargo.
January 28, 1995	United States and Vietnam sign agreements settling property claims and

	establishing liaison offices in each other's capitals.
May 15, 1995	Vietnam gives U.S. presidential delegation batch of documents on missing Americans, later hailed by Pentagon as most detailed and informative of their kind.
June 1995	Veterans of Foreign Wars announces support of U.S. normalization of diplomatic relations with Vietnam.
July 11, 1995	President Clinton announces "normalization of relations" with Vietnam.
August 6, 1995	Secretary of State Warren Christopher visits Hanoi and officially opens U.S. embassy.
May 1996	U.S. presents Vietnam with trade agreement blueprint.
April 7, 1997	U.S. Treasury Secretary Robert Rubin and Finance Minister Nguyen Sinh Hung sign accord in Hanoi for Vietnam to repay debts of approximately \$145 million, which Vietnam assumed from the former government of South Vietnam.
April 10, 1997	Senate confirms Douglas "Pete" Peterson, Vietnam War veteran and former prisoner of war (POW), as Ambassador.
April 16, 1997	United States and Vietnam reach agreement on providing legal protection for copyright owners.
May 9, 1997	Peterson takes up post as U.S. Ambassador in Hanoi, Ambassador Le Bang to Washington.
August 1997	U.S. government under the U.S. Agency for International Development (USAID) begins a commercial law program.
October 1997	Vietnam institutes new processing procedure in ROVR program significantly improving progress.
March 11, 1998	President Clinton issues waiver of Jackson-Vanik Amendment for Vietnam, paving the way for OPIC, Ex-Im, USDA and MARAD.
March 26, 1998	Minister of Planning & Investment Tran Xuan Gia and Ambassador Pete Peterson finalize signing of the OPIC bilateral for Vietnam.
July 23, 1998	The U.S. Senate votes 66-34 to continue funding for the U.S. Embassy in Vietnam based on ongoing cooperation on the POW/MIA issue.
July 30, 1998	The U.S. House of Representatives renews the Jackson-Vanik waiver for Vietnam by a 260 to 163 vote margin.
October 1998	U.S. and Vietnam agree to negotiate Science & Technology Agreement.
June 30, 1999	President Clinton re-extends the Jackson-Vanik waiver for Vietnam.
July 25, 1999	USTR Ambassador Richard Fisher and Vietnam Trade Minister Tuyen agree to a bilateral trade agreement in principle in Hanoi, Vietnam.
August 3, 1999	The Jackson - Vanik waiver passes the House by a vote of 297 to 130.
December 9, 1999	Ex-Im and the State Bank of Vietnam complete the framework agreements which allow Ex-Im to begin operations in Vietnam.
March 13, 2000	Secretary of Defense William Cohen became the first U.S. Defense Secretary to visit Vietnam since the end of the War.
July 13, 2000	Vietnam Trade Minister Vu Khoan and USTR Ambassador Barshefsky

	sign an agreement on trade relations at USTR. President Clinton announces the conclusion of a bilateral trade agreement from the White House Rose Garden.
July 26, 2000	Congress voted 332-91 to renew the Jackson-Vanik Amendment for Vietnam for the year 2000.
November 16-20, 2000	President Clinton visits Vietnam, with Commerce Secretary Norman Mineta, USTR Ambassador Charlene Barshefsky, Senator John Kerry (D-MA), Congressmen Earl Blumenauer (D-OR), Loretta Sanchez (D-CA), Vic Snyder (D-Ark), and Mike Thompson (D-CA). Also business delegations and the leadership of the Veterans of Foreign Wars attended.
November 17, 2000	The U.S. Department of Labor and Vietnam's Ministry of Labor, Invalids, and Social Affairs sign a Memorandum of Understanding on Labor cooperation.
January 15-18, 2001	House Minority leader Dick Gephardt (D-MO) and Congressman Ray LaHood (R-IL.) lead a Congressional delegation to Vietnam.
June 1, 2001	President Bush renews the Jackson-Vanik waiver for Vietnam.
June 8, 2001	President Bush transmits the request for NTR for Vietnam and implementation of the trade agreement to Congress.
June 9, 2001	Ambassador Le Van Bang, Vietnam's first post-war ambassador returns to Vietnam.

* * *

EMBASSY OF VIETNAM
Washington, DC

VIETNAM-US BILATERAL TRADE AGREEMENT (BTA)

The agreement signed on July 13, 2000, is the outcome of the persistent efforts by both sides over the 4 years of negotiations. It is an important step for Vietnam to integrate into the world economy on the WTO rules and principles.

1/ In comparison with other trade agreements, the Vietnam-US BTA is very unique and comprehensive with over 100 pages consisted of four parts: market access, trade in services, intellectual property rights, and investment.

Market Access: The two sides pledge to immediately and unconditionally give each other no less favorable treatment than what they offered other countries (MFN or NTR).

Vietnam will eliminate quotas on all imports over a period of 3–7 years and treat imports of US products the same as domestic products (National Treatment).

Vietnam will allow U.S. companies and U.S.-invested companies to import and export most products, to be phased in 3–6 years.

Vietnam will adhere to WTO rules in applying customs, import licensing, technical standards, sanitary measures.

Vietnam will reduce tariffs on about 250 products; the cuts range from 33% to 50% and are to be phased in over 3 years.

Intellectual Property Rights: Vietnam has pledged to phase in the WTO Agreement on Trade-related Intellectual Property Rights (TRIPS) over 18 months. The bilateral TRIPS agreement goes above and beyond the WTO's TRIPS agreement by including Vietnamese commitments to protect satellite signals within 30 months.

Trade in Service: Vietnam has committed to uphold WTO rules such as MFN, national treatment, and disciplines on domestic regulation. U.S. companies and individual are allowed to invest in almost all service sectors, including accounting, advertising, banking, computer services, distribution, education, insurance, legal and telecommunications. Most important commitments are:

Banking services: When BTA comes into effect, for nine years, U.S. banks are allowed to have equity between 30%–49% in joint ventures with Vietnamese partners. After nine years, 100% US owned subsidiaries are permitted.

Insurance: After three years, Vietnam will allow U.S. companies to form joint ventures, with no limit on the US equity share. After six years, 100% US owned subsidiaries are permitted.

Telecommunications: Joint ventures are permitted after two years, with a 50% cap on U.S. equity participation. Internet services have a three-year phase in period. For basic telecommunications services, joint ventures are permitted after four years, with 49% of U.S. capital.

Investment: The BTA includes guarantees of MFN treatment, national treatment, transparency, and protection from expropriation. Within five years, Vietnam will eliminate all trade-related investments measures that are inconsistent with the WTO.

Transparency: Vietnam will adopt a fully transparent commercial regime, assuring that advance public notice is given for all draft law and regulations and allowing U.S. citizens and corporations the right to appeal.

2/ The BTA was signed on the occasion of the fifth anniversary of diplomatic relations between Vietnam and the U.S. Although economic relations between the two countries are not yet normalized, US-Vietnam trade increased from US \$240 million in 1994, year of lifting trade embargo, to US \$1.2 billion in the year 2000 and the U.S. companies have 118 projects investment worth US\$ 1.2 billion. However, such development is far below the potential of the two countries. Ratification of the BTA, which reflected balanced interests of the two countries, will open new opportunities for the businesses of Vietnam and the U.S., and thereby, bringing the two peoples much closer together.

3/ Besides efforts made by the Vietnamese government and relevant agencies to prepare themselves for the BTA implementation, other Vietnam-US joint endeavors have also been made such as the agreement to establish a joint Committee to monitor the implementation process, to guarantee the enforcement and to make recommendations. Since the signing of the BTA, the Vietnamese government has been facilitating fact-finding trips by several US congressional delegations to Vietnam and Vietnamese official and business visits to the US. The government agencies, in cooperation with business communities have held numerous seminars, workshops on the BTA.

Vietnam is currently making the necessary preparations to ratify the BTA. In fact the process of the BTA ratification in Vietnam is much simpler than that is in the US. Vietnam's Trade Ministry has reported to the National Assembly Standing Committee, National Assembly Deputies and other concerned Committees on the agreement. Prime Minister Phan Van Khai has recently submitted the Agreement to President Tran Duc Luong who will then send it to the National Assembly. Vietnam is ready to ratify the BTA right after the US Congress approves it. Even when the National Assembly is in the recession, the Standing Committee is empowered to ratify the BTA.

SOME FACTS ABOUT FOREIGN DIRECT INVESTMENT IN VIETNAM

FDI current status:

Since the end of 1987 when National Assembly promulgated the Law on Foreign Investment for the first time in Vietnam, Foreign direct investment (FDI) has been one of the important stimulating factors of the Vietnamese economy. These investments have brought a positive and distinct impact on the implementation of the socio-economic strategy of the country.

By the end of May 2001, Vietnam has 2725 FDI projects with total registered investment capital of USD 36.56 billion. Of which more than \$20.56 billion has been realized, accounting for about 30% of Vietnam's total investment. In the past 10 years of implementation of the socio-economic strategy, foreign direct investment has created a number of new productive capacities, new branches of production, new technologies in various sectors of the economy and new business methods. FDI projects currently contribute 12.7% to Vietnam's GDP, over 35.5% of the industrial production and over 25% total export value of the country. Enterprises with foreign invested capital generate direct 350,000 jobs and another million of indirect ones.

In the first 5 months of 2001 FDI has recognized significant development. There have been licensed 150 projects with total registered capital of \$882 million in the whole country, an increase of 17.2% in projects and 58.7% in value in comparison with the same period of last year.

FDI appears in almost all areas of Vietnam's economy, but focuses on manufacturing, oil and gas exploitation and exploration, food processing, light industry, telecommunication, infrastructure, hotel, tourism and services.

Vietnamese FDI Policy:

The Law on Foreign Investment of Vietnam encourages foreign investors to invest in various sectors of the economy such as export production, agricultural and rural development, utilization of high technology and modern techniques, labor intensive

activities, processing of raw materials and efficient utilization of natural resources, construction of infrastructure facilities. . . .

Foreign investors may invest in Vietnam in the forms of business co-operation on the basis of a business co-operation contract, joint venture enterprises or enterprise with whole foreign owned. They can establish their projects in regions and sectors, which may not have adverse effects on national defense, national security, and cultural and historical heritage. Foreign investors can locate their enterprises in or outside export processing zones and industrial zones or high-tech zones.

Private Vietnamese economic organizations and businesses can co-operate with foreign investor in sectors and subjects to conditions, stimulated by the Government.

Based on the sectors, regions and conditions which foreign investment projects are encouraged, foreign investors may have different incentives such as corporate income tax (from 10% to 25%), tax holidays (tax exemption and reduction), import duty exemption for import machinery for construction and raw materials for production for export.

The Law on Foreign Investment, first adopted in 1987, has been amended and added 5 times for improvement of FDI and business climate in Vietnam. The amendments have provided more transparency of the legal system, more stable production conditions and incentives for foreign investment activities.

US investment in Vietnam:

Up to now over 60 countries and territories have invested in Vietnam, among them the United States is on the list of top ten. Investors from the United States have invested in 118 projects with total invested capital of about \$1.2 billion. The US companies have 68 representative offices in Vietnam.

Vietnam has signed agreements with OPIC and US Eximbank to allow their operations in Vietnam.

The US-Vietnam Bilateral Trade Agreement, once approved, will provide enormous opportunities for US businesses in Vietnam.

FDI IN VIETNAM BY SECTORS

(Valid projects and registered capital)

SECTORS	1988 – April 2000	
	Number of projects	Registered capital (\$ Million)
Heavy industry	676	6691.4
Oil and Gas	30	3144.6
Light industry	646	4131.8
Food processing	142	2303.6
Agriculture, Forestry	330	2120.8
Hotel, Tourism & Services	275	4095.6
Office Building & Apartment	115	3766
Transportation, Telecommunication & Post	92	2559.5
Construction	207	3181
Culture, Health & Education	95	585
Aquaculture	49	146
Financing, Banking	49	548.5
Others	19	3291
Total	2725	36,565

FDI IN VIETNAM BY FOREIGN PARTNERS
As of April 11, 2001

(Valid projects and registered capital)

	Ranking	1988 - April 2001	
		Number of projects	Registered capital (\$ Million)
Singapore	1	236	6,612
Taiwan	2	664	5,003
Japan	3	305	3,885
South Korea	4	283	3,193
Hong Kong	5	209	2,845
France	6	109	1,855
British Virgin Island	7	108	1,787
Russia	8	36	1,484
Holland	9	41	1,301
England	10	35	1,163
Thailand	11	94	1,103
Malaysia	12	80	1,025
The U.S.	13	111	935
Australia	14	72	744
Switzerland	15	21	527
Others		321	3,103

THE PROTECTION OF LABOR RIGHTS IN VIETNAM

Labor force: Vietnam has over 40 million workers. Of which 90% have elementary or more advanced education. In the industrial sector, about 25% of the work force is in the state-owned enterprises, 60% in the private and 10% in the foreign invested enterprises. In 2000, nationwide more than 1.3 million jobs were created. This year, about 1.4 million workers are entering the labor force.

The Labor Code, approved by the National Assembly in June 1994, is a comprehensive Code, which covers labor contracts, collective labor agreement, working hours and holidays, safety and sanitary, protection of women, children and disabled workers, foreign workers, social insurance, and the settlement of labor disputes. The Labor Code applies to all types of businesses, industries, foreign and international organizations and individuals who employ workers. General working hours are eight hours a day and 40 hours a week. Maximum permitted overtime is 200 hours per year. Annual leave entitlement is 12 days, plus an additional 8 official holidays. There are extra allowances for those working in heavy or toxic conditions or in the areas where living conditions are harsh. Women workers are entitled to paid maternity leave of three months.

Foreign organizations, including Foreign Invested Enterprises recruit and hire staff through state-owned employment bureaus. However, if an employment bureau fails to locate a suitable employee within 30 days, the employer can recruit directly. Currently, the minimum wage is US \$40-45 per month for unskilled workers in major cities like Hanoi or Ho Chi Minh city, and lower in the countryside. More complex and skilled jobs get better paid according to the experience and age of the employee. Foreign investors are required to contribute 15 % of the total wage bill for social insurance purposes.

Labor unions: All employers are required by law to establish labor unions within six months after the establishment of the company to protect workers' rights and interests. The Ministry of Labor, War Invalids and Social Affairs are developing 5 projects with total value of \$442.8 million focussing on job creation for 2001–2005 period.

Vietnam and the International Labor Organization (ILO):

Vietnam is a member of ILO. Since 1992, Vietnam has ratified 15 ILO conventions, including three of eight core labor conventions: No. 100 - Equal pay for men and women for work of equal value and No. 111 - Prohibiting discrimination in employment (ratified in 10/1997) and recently, in joining 46 other countries in the world, Vietnam ratified No. 182 - Eliminating of the worst form of child labor. As an ILO member, Vietnam complies with ILO rules and principles, including association and collective bargaining. Currently, Vietnam is planning to gradually ratify the remaining core ILO conventions.

Vietnam and the United States: In November 2000, the United States and Vietnam signed a Memorandum of Understanding (MOU) to establish a program of cooperation and dialogue on labor issues. The MOU also includes \$3 million in technical assistance focusing on skills training and employment services; social insurance and safety net programs; industrial relations and labor law; labor markets information systems; effective prevention and elimination of exploitative child labor and trafficking; promotion of employment for women; promotion of employment for the disabled; workplace-based HIV/AIDS programs; international labor standards; labor statistics; occupational health and safety; labor inspection; credit and loan programs for small and medium enterprises; and migrant labor issues.

VIETNAM: ENVIRONMENTAL PROTECTION

Environmental protection has become a top National priority in Vietnam. A wide series of legal documents such as regulations, decrees, decisions etc, especially "Law on Environmental Protection" in 1993, has been passed by The National Assembly of the Socialist Republic of Vietnam. These documents provide a legal basis for the protection of the environment in Vietnam.

Environment protection policies include activities aimed at preserving a healthy, clean and beautiful environment, ecosystem and bio-diversity; preventing and overcoming adverse impacts of man and nature on the environment such as pollution, storms, flood, droughts, earth cracks, earthquakes, landslides, acid rain and other natural calamities; making a rational and economical exploitation and utilization of natural resources and avoiding environmental degradation and incidents causing damage to the environment.

The State exercises its unified management of environmental protection throughout the country, draws up plans for environmental protection and builds up capacities for environmental protection activities at central and local levels. The State encourages all organizations and individuals to invest in and apply scientific and technological advances to a cause of environmental protection in Vietnam, serving and protecting their own interests. The State is responsible for organizing the implementation of education, training, scientific and technological research activities and dissemination of scientific and legal knowledge on environmental protection. The State protects national interests with regard to natural resources and the environment.

Any Vietnamese or foreign organizations and individuals whose activities cause damage to the environment shall have to make compensation according to regulations by the Government. Organizations and individuals having good records in environmental protection activities shall be rewarded. The Government of Vietnam makes clear that all acts causing environmental degradation, environmental pollution or environmental incidents are strictly prohibited.

The Government of Vietnam has been, is and will be strengthening its cooperative relations with other countries, foreign organizations and individuals in the field of the environment. The Government of Vietnam implements all international treaties and conventions relating to the environment which it has signed or participated in, honors all international treaties and conventions on environmental protection.

To solve environmental problems, during recent years, Vietnam has introduced a wide series of legal documents and measures such as regulations, decrees, and decisions. These documents provide a legal basis for the protection of the environment in Vietnam. In 1993, "Law on Environmental Protection" was passed by the National Assembly; On June 26, 1998, the VCP's Politburo of the Central Committee issued "Instruction No 36 CT/TW" on "promoting environmental protection in the period of national industrialization and modernization"; On June 5, 2000, Vietnam responded favorably to the World Environmental Day of the UN Environment Program: "2000—the Millennium of Environment—An opportunity for Actions" etc.

“The National Strategy on Environmental Protection 2001–2010” and a detailed five-year plan on environmental protection for the period of 2001–2005 are implemented to focus on controlling and preventing environmental pollution, stable exploitation of bio-diversity and natural resources, improvement of environment quality, broadening movements on environmental protection.

The Government has invested in environmental protection through the national programs, such as the program of growing 5 million hectares of forest, the program of fresh water supply and environmental hygiene in rural areas. The movement of “green, clean and beautiful environment”, of “making environmental protecting conventions” are becoming good traditions of the Vietnamese people.

The standpoint of “people know, people discuss, people implement, and people supervise” on environmental protection has become the important principles in order to socialize environmental protection. The cultured life-style is formed in various localities. Many good models of stable environmental development have won people’s confidence in numerous regions throughout the country, such as the models of reclamation of mixed gardens with plants suitable for soil in Thai Binh province, of establishing farms in hilly areas in Soc Son District (Hanoi), and of forming ecological villages in Quang Tri Provinces.

ON RELIGIOUS FREEDOM IN VIETNAM

Vietnam is a multi-religious state with all the major international religions e.g. Buddhism, Catholicism, Protestantism, Muslim etc., and several local sects like Cao-Daism and Hoa-Religious belief is a recognized spiritual need of a part of the population and religious freedom is an integral part of the State’s enshrined vision of a unified and prosperous Vietnam. The State works hard to ensure and strengthen the national unity of the religious and non-religious as well as between and among different religious communities for the sake of peace, territorial integrity, stability and sustainable development.

Vietnam’s Constitution stipulates: citizens have the right to belief and religious freedom, to follow or not to follow a religion (Article 70). All religions are equal before the law. Violating belief and religious freedom as well as taking advantage of belief and religion to contravene the law and State policy are forbidden. Citizens with or without a religion have indiscriminately equal citizens’ rights and obligations. Decree No. 26/CP on Religious Activities, promulgated on April 19, 1999, stipulates that violations of belief and religious freedom rights shall be punished as provided by the law (Art. 6); religious worship places are protected by the law (Art. 11); religious organizations are entitled to printing, publishing, exporting and importing religious books, newspapers or other publications in accordance with the law (Art. 14); religious organizations are allowed to open religious schools and training facilities (Art. 17).

At present, there are about 14,000 Buddhist pagodas, 6,000 Catholic churches, 500 Protestant churches, 1,000 Cao-Dai temples, 200 Hoa-Hao temples and 98 Muslim mosques and tens of thousands of Confucian temple-communal halls, shrines, altars and so on of other different religions or traditional sects in the population. During the last 20 years or so, the number of Catholicism followers has almost doubled. The number of people attending ritual services at pagodas has increased several times. The number of newly built or renovated churches and pagodas, temples and other worship places has also been rising. The number of monasteries, religious schools and training facilities for religious officials and clergies opened and numbers of priests and monks sent abroad for training are growing fast.*

–The number of monasteries training priests has been also on the increase: between 1987 and 1994, 6 more monasteries were opened. During that period, 1,591 student were admitted, 654 have graduated and named priests.

–Other religions, according to their traditional forms of training also opened their own cleric training facilities.

Religious activities that are in compliance with the law are protected and facilitated by the State. The commemorations of the apparition of the Virgin Mary on the 200’ anniversary in 1999 at LaVang had more than 200,000 people paying pilgrimage and the number of pilgrimagers keep increasing with every passing year. Early 2001, tens of thousand of Hoa-Hao followers commemorated the 815’ birthday of the Founder of the religion. From Feb. 8–9, 2001, Protestants in the southern part of Vietnam held their Congress which was attended by 482 official delegates

* In 1993, Buddhism in Vietnam had 22 schools for senior and middle-level clergy. Now it has 34 schools with the number of students growing to 6,709. Before 1975, there was only one university for Buddhism, now there are three. Since 1992, 235 cleric persons have been sent abroad for study with the number since 1996 up to now is 167.

and 278 observers and founded the Evangelical Church of Vietnam. Hence, there now exist two Evangelical Churches in Vietnam.

Ambassador Peterson, through his first-hand information testified that tolerance to religious worship is improving; the World Evangelical Fellowship's Religious Liberty Commission reported that: "the growth of the Christian movement among these [Vietnamese] minorities in the last decade has been in a word, startling! Especially so in that foreign missionary presence is non-existence". Together, these facts speak volume for the improved religious situation in Vietnam.

ON THE ARREST OF NGUYEN VAN LY

On May 17, 2001 citizen Nguyen Van Ly, a Catholic clergy, was arrested for violations of administrative probation order thus violating Vietnam's Criminal Code, Article 269. The arrest was carried out publicly and pursuant to Vietnamese law and legal procedure. Vietnam applies its law equally to all its citizens without regard to religious belief.

Prior to this arrest, on November 10, 2000, Nguyen Van Ly conspired with others who caused damages to a watering project under construction in Nguyet Dien village and occupied land already distributed to local farmers for cultivation. Therefore, on February 26, 2001 the People's Committee of Thua Thien—Hue issued an order to put him under administrative probation. However, Nguyen Van Ly violated that order and continued committing other unlawful acts against the government and against the common good of the local community, violating Criminal Code, Article 87 and Article 258, thus provoking his own arrest.

Nguyen Van Ly's violations of the law have been condemned and his arrest has been widely supported by the local residents. Many of the Catholic clergy, including Archbishop Nguyen Nhu The of Hue Archdiocese also expressed their understanding to the actions taken by the law enforcement.

As a matter of fact, Nguyen Van Ly also has his own catholic ethical problems. In 1981, Nguyen Van Ly was stripped of his official religious duties by Archbishop Nguyen Kim Dien whom he served as a secretary because of his ethical violations as a member of the catholic clergy e.g., having several children with several women.

VIETNAM-US COOPERATION IN ACCOUNTING FOR AMERICAN SERVICEMEN MISSING IN ACTION (MIA) (AS OF APRIL, 2001)

Cooperation between Vietnam and the US regarding the N41A issue now enters the 14th year. Since 1988 when the first joint field activity was conducted, previous administrations as well as the present one, many Congressional members and others have expressed their high appreciation of Vietnam's full-faith cooperation. Many in the US Joint Task Force-Full Accounting (JTF-FA) describe Vietnam's cooperation is the MIA issue as "best example."

Here are four areas that exemplify excellent Vietnam-US cooperation.

Joint activities:

In September 1988, the number of MIA cases to be accounted for was 1,774. Since 1988 up to February 2001, the two sides carried out 63 MIA joint field activities (JFA), including 2,700 investigations and 388 excavations. At present, 1,496 cases still await final conclusion. However, 2/3 of those cases has already been investigated.

Vietnam has turned over 779 sets of remains, in 81 hand-overs, to the US side for further identification.

Every year, between 1996 and 2000, the two sides held 5 JFAs with 8–9 teams for each JFA (6 excavation teams, 2 investigation teams and 1 special investigation team). Due to more US MIA-related operations conducted in other areas than Vietnam, it is agreed that starting from 2001 the two sides will organize 4 JFAs annually; each JFA will have 8 joint teams (6 for excavations and 2 for investigations).

Unilateral activities:

Vietnam has conducted 17 one-sided rounds of investigation covering 284 cases and subsequently handed over to the US side 284 reports. So far, 159 MIA-related documents collected, compiled by Vietnamese experts have been given to the US side and US specialists had access to 28,000 relevant documents, samples, and archives.

Resolving discrepancies, investigating live-sightings reports and interviewing witnesses:

Joint investigations have been carried out on 196 individuals with 155 individuals concluded as dead, thus leaving the total number of discrepancies still requiring for further investigation to 41 (in 38 cases).

The two sides have conducted **short-notice investigations** on 130 reports/information of "living Americans" in over different 100 locations involving interviews of more than 500 witnesses. It was subsequently concluded that all the reports/information were false. Under the officials-interviewing program (OHP), American specialists have interviewed 245 Vietnamese officials.

Vietnam-Laos-US and Vietnam-Cambodia-US cooperation:

Vietnamese witnesses have been taken in 16 trips to Laos and 7 trips to Cambodia. They have helped locate the sites of 34 cases in Laos and identify 5 sites in Cambodia respectively. Also in this framework, Laotian experts have carried out dozens of trips to Vietnam to interview Vietnamese witnesses.

Continued efforts in this arduous but committed endeavor:

On April 7, during a site survey operation in preparation for the 65th JFA, a helicopter carrying 9 Vietnamese officers and technicians and 7 US officers crashed, claiming the lives of all people on board. This tragic accident was a heavy loss not only to the families but also to the two nations' shared endeavors in providing answers possible to each and every missing personnel. President George W. Bush in his message to Vietnamese President Tran Duc Luong said their dedication "stands as a testament to the cooperative humanitarian partnership that binds our two nations:" President Luong while asking President Bush to convey his deepest sympathy to the American families reaffirmed that "Vietnam will continue her humanitarian policy to help the United States obtain the fullest possible accounting for the American missing personnel."

VIETNAM-US COOPERATION ON IMMIGRATION ISSUE (AS OF APRIL, 2001)

The cooperation between Vietnam and the US on the immigration issue started very early, in the first years of 1980's. By late 1999, most questions were settled and hence, the immigration programs have been scaled down (in September, 1999 the US closed the ODP Office in Bangkok and transferred the work of this office to its Consulate General in Ho Chi Minh City). At present, only a small number of cases remains to be settled, due to such technical reasons as incomplete dossiers, documents falsified, more information required, etc.

As of May 2000, the number of people who already left for America under various immigration programs is as follows:

- HO: 158,951 persons,
- IMM+REF: 240,602 persons,
- AC: 89,378 persons,
- ROVR: 15,887 persons,
- **Total:** 504,818 persons.

On Dec. 18, 2000, the US proposed that Vietnam reopens the U-11 Program. Under this Program almost 1,000 families with about 5,000 persons, comprising of those who had worked for the US Government in the Southern part of Vietnam from 1962 to 1975, will be allowed to resettle in the USA. The question is now being considered for implementation. Earlier, in May 1999, Vietnam already agreed to this Program but the US side had not implemented and did not inform the Vietnamese side the reason for the delay of the Program.

According to the World Immigration Organization (IOM) office in Hanoi, 4,328 persons migrated to the USA in the year 2000. (3,495 persons and 1,833 persons are under the US-funded and US non-funded category respectively).

On Feb. 28-March 01, 2001, the two sides held the third round of expert-level talks on the question of repatriation of certain Vietnamese citizens residing in the US. According to the US statistics, there are about 1,000 persons in the US custody, pending Vietnam's decision of whether to take them back.

PREPARED STATEMENT OF HON. CHARLES E. GRASSLEY

First, I would like to commend Chairman Baucus for his leadership in holding this hearing. Approval of the Vietnam bilateral trade agreement and extension of normal trading relations for Vietnam are important issues which should be addressed as early as possible.

Our nation's healing process over the Vietnam War is not yet complete, nor may it ever be. But I am hopeful that today's hearing and passage of this historic agreement will help us in the process. I am especially grateful to Senator Kerry and our witnesses for being here today to help add perspective to this historic act.

It is my sincere hope that early approval of this agreement will have consequences far beyond the agreement itself. It is a public pronouncement of America's

willingness to further engage the world in trade. It can signal a renewed spirit of cooperation on international trade issues. It can help pave the road toward even greater international trade accomplishments this year.

But let us not overlook the fact that approval of this agreement in and of itself will have profound consequences in many different ways.

First, approval of the agreement will further strengthen our relations with Vietnam, a process begun by President George Bush in the early 1990s. President Clinton, putting our national interest first, diligently pursued this policy. President George W. Bush took another historic step on the road to better and more prosperous relations for both the people of the United States and Vietnam by sending the Vietnam bilateral trade agreement to Congress for approval on July 8, 2001.

Second, approval of the agreement will enable our workers and farmers to take advantage of a sweeping bilateral trade agreement with Vietnam. This agreement covers virtually every aspect of trade with Vietnam, from trade in services to intellectual property rights and investment. The agreement includes specific commitments by Vietnam to reduce tariffs on approximately 250 products, about four-fifths of which are agricultural goods. U.S. investors will have specific legal protections unavailable today. Government procurement will become more open and transparent. Vietnam will be required to adhere to a number of multilateral disciplines on Customs procedure, import licensing and sanitary and phytosanitary measures.

There is no doubt that implementation of the U.S.-Vietnam bilateral trade agreement will open new markets for U.S. manufactured goods, services and agricultural products.

Finally, let me reiterate my sincere hope that approval of this agreement will help heal the partisan divide which has hindered our ability to move forward with international trade negotiations. Many of my Democratic colleagues view passage of this agreement as one of the first steps toward advancing the ball on Trade Promotion Authority this year. I urge my colleagues to listen carefully to today's testimony.

I am confident that careful consideration of the issues laid before us today will help lay the framework for passage of this historic agreement by a wide bipartisan margin.

PREPARED STATEMENT OF LIONEL C. JOHNSON

Mr. Chairman, members of the Committee on Finance, my name is Lionel C. Johnson, and I am Vice President and Director of International Government Relations of Citigroup Inc. I am also a board member of the US-Vietnam Trade Council and chair of the Vietnam Committee of the US-ASEAN Business Council.

I appreciate this opportunity to appear before you regarding the normalization of US-Vietnam Trade relations. In particular, I wish to address the importance of quickly approving the US-Vietnam Bilateral Trade Agreement (BTA).

Vietnam holds tremendous potential as a market for US products and services. The country has a population of 78 million people, more than half under the age of 25, and significant infrastructure and human development needs. Vietnam is a country that deserves our attention and, importantly, our support for the reform process currently underway. Just as NAFTA helped to solidify Mexico's economic reforms, and China's WTO accession will accelerate the positive economic movement there, so too will the BTA support progress in Vietnam. The BTA can contribute to an open, market oriented economy with tremendous benefits for the people of Vietnam, as well as businesses and workers throughout the United States.

Although significant opportunities exist for firms seeking to do business in Vietnam, US companies have been disadvantaged in comparison to their international competitors.

First, because the US did not have diplomatic relations with Vietnam until 1994, our business engagement lagged behind that of companies from other parts of the world that had been there for years.

Second, US firms were previously hampered by their inability to access government-backed financing and insurance from the Export-Import Bank and the Overseas Private Investment Corporation. America's private sector would simply not be competitive in Vietnam without access to Eximbank and OPIC programs. Our European and Asian competitors have dedicated significant government resources toward developing market share in Vietnam. To be competitive, US companies need continued access to government financing. Without it, they would be forced to secure that financing in third countries. As a condition of securing that financing, they would be required to source their products in those countries. That means they would not be buying Caterpillar tractors, or GE turbines, or other products produced in the

United States. And that means that the jobs that would have been created here to build those products would instead go to those countries.

Third, the lack of a BTA and normal trade relations status for Vietnam has put US firms at a disadvantage in investing in Vietnam, moving goods in and out of the country, and it has left us without strong protections for intellectual property and investments, or fair access for services and agricultural products.

Citigroup/Citibank in Vietnam

Citigroup's largest member company, Citibank, has operated in Vietnam since 1993, when US trade restrictions eased, permitting our firms to establish representative offices. Today, there are 26 foreign banks operating in Vietnam. Citibank, with branches in both Hanoi and Ho Chi Minh City, is one of the largest foreign banks in Vietnam. JP Morgan Chase and Bank of America are the other US banks, and both have a limited single branch presence.

The Citigroup/Citibank objective is to become a major (in terms of market share) participant in the Vietnamese financial and capital markets by providing state-of-the-art financial services and products to corporate, institutional and individual clients. Although only the Citibank corporate bank is currently present, the size and demographics of the country will make it an attractive market for debt and equity securities, asset management, securities brokerage and trading, insurance and consumer banking. All of these sectors exist today but are still in the start-up mode, and none are significant in size.

The BTA will open new markets, increase access for foreign financial institutions and will level the playing field, which will certainly help Citigroup/Citibank to achieve its objective.

Vietnam's Financial Sector Post BTA

At present, the financial and capital markets in Vietnam are significantly underdeveloped, unsophisticated and inefficient. They cannot provide the financial products and services needed to sustain economic growth—indeed they are a drag on economic and social development. Poor performance and past failures have caused the public to lose confidence in the financial sector in general and the commercial banks in particular.

The BTA will accelerate the development of the financial sector in several ways:

- it will impose a rules-based regime on the economy and this, in turn, will improve transparency. Financial institutions mediate and manage risk and this is facilitated by a rules-based, transparent economy. Contract enforcement becomes doable, transactional and business risks are reduced and financial institutions will offer more products and services to a much broader range of customers;
- the BTA will quicken the pace of development of the industrial, agricultural and service sectors through increased investment (foreign and domestic) and improved export competitiveness. This will create demand for more sophisticated financial services and products and will stimulate financial sector development; and
- increased investment and competition from foreign financial institutions will improve the efficiency and competitiveness of domestic financial institutions. Modern financial services and products will be transferred into the Vietnamese market more quickly.

Mr. Chairman, the Bilateral Trade Agreement negotiated and signed by the United States and Vietnam last July provides the tools we need to address the aforementioned issues. Despite many fits and starts, we have made significant progress in our bilateral relationship in the past few years. And we have done so with the bipartisan support of the Congress of the United States. The Vietnamese have worked diligently to address the many concerns that were raised during an arduous negotiation. Disapproval of the BTA would undermine this progress and would undercut the efforts of Vietnamese reformers who are advocating for more openness, more engagement with the international community, and more liberalization in economic affairs.

Equally important to the US-Vietnam bilateral relationship is renewal of the President's annual waiver of the Jackson-Vanik Amendment. I am hopeful that your colleagues in the House of Representatives will reject the proposed resolution of disapproval as they have done in years past.

I am acutely aware that both the BTA and the resolution of disapproval will face tough scrutiny in Congress. These will require strong leadership from members of this committee and others in Congress to move them toward a positive and constructive outcome. I urge you to make that effort—as you have done throughout the

development of our relations with Vietnam. I assure you that we in the business community will be working alongside you.

Mr. Chairman and members of the Committee, the decisions that Congress makes on these two issues will have a significant and lasting impact on our bilateral relations with Vietnam. As a representative of Citigroup I urge you to allow the President's waiver of the Jackson-Vanik Amendment to stand and to quickly approve the BTA so that we can continue to build a new relationship with Vietnam, to encourage the long-term process of reform, and to create new linkages between and opportunities for our two peoples.

Thank you.

PREPARED STATEMENT OF HON. JOHN KERRY

This afternoon the Committee on Finance is holding a hearing on the U.S.-Vietnam Bilateral Trade Agreement (BTA), which was submitted to the Congress by the Bush Administration on June 8. This agreement is another major step in the process of normalizing relations between the United States and Vietnam—a process made possible by Vietnamese cooperation on the POW/MIA issue and growing recognition among Americans that U.S. interests would be better served by building a new relationship with Vietnam.

In 1994 President Clinton opened the door to economic interaction by lifting the US trade embargo imposed on Vietnam since the war. After establishing diplomatic relations in 1995, the United States and Vietnam began negotiations in 1996 on a bilateral trade agreement. Those negotiations culminated in the agreement which we are discussing today.

The Vietnam agreement is the most sweeping and detailed agreement that the United States has ever negotiated with a so-called Jackson-Vanik country. It focuses on four core areas—trade in goods, intellectual property rights, trade in services, and investment—but it also includes important chapters on business facilitation and transparency. It is a win-win for both the United States and Vietnam.

The government of Vietnam has agreed to undertake a wide-range of steps to open its markets to foreign trade and investment including decreasing tariffs on key American goods; reducing barriers to US services particularly in the banking, insurance and telecommunications areas; agreeing to protect intellectual property rights pursuant to international standards; increasing market access for American investments; and adopting measures to promote commercial transparency. These commitments, some of which are phased in over time, will not only improve the climate for American investors but also keep Vietnam on the road of economic reform, international economic integration, and eventual membership in the WTO.

For Vietnam this agreement provides access to the largest market in the world on normal trade relations status (NTR) at a time when economic growth has slowed. Equally important it signals that the United States is committed to expanded economic ties and further normalization of the bilateral relationship.

This agreement was signed one year ago. Now that the Bush Administration has sent it to the Congress, I am hopeful that both houses will move quickly before the summer recess on the resolution that must be enacted to bring this agreement into force. Normalizing relations with Vietnam has enjoyed bipartisan support in the Congress since this process began a little over a decade ago. I am confident that there is substantial support in both houses for this agreement, and we should move it quickly so that the benefits will begin to accrue for both countries.

PREPARED STATEMENT OF MARK LEVINSON

My name is Mark Levinson. I am the Director of Research and Policy for UNITE, the Union of Needletrades, Industrial and Textile Employees. Thank you for giving me the opportunity to testify on behalf of our 250,000 members in the United States and Canada.

At UNITE we have looked carefully at the U.S.-Vietnam Bilateral Trade Agreement (BTA) and compared it to an existing apparel trade agreement with Vietnam's neighbor, Cambodia.

We cannot support this agreement because it is silent on the important question of worker rights and environmental protections and therefore is not likely to lead to equitable development. Furthermore, this agreement threatens to undermine the only successful attempt to link trade and labor rights: the U.S.-Cambodia Apparel Agreement.

The Vietnam BTA: Again the Double Standard

We in the labor movement believe that labor rights and environmental protections should have the same status in trade agreements as provisions that protect the rights of investors. The Vietnam BTA has many provisions to protect investors. It contains no provisions to protect workers or the environment.

We are told that getting labor rights in this agreement would have meant major changes in Vietnam and therefore were not achievable as part of this trade agreement. Perhaps so. But according to U.S. Ambassador Peterson, "Implementing the BTA will not be easy for the Vietnamese. *They will have to make a lot of changes in their laws, regulations, procedures, and institutions.*"¹ This is not the first time that the U.S., as a result of trade negotiations, has forced a country to change their "laws, regulations, procedures and institutions" in a way that will benefit multinational businesses while doing nothing for workers and the environment. And it is also not the first time that UNITE has opposed a trade agreement because of this unacceptable double standard.

There are powerful interests who stand to benefit a great deal from the agreement. Once again, Ambassador Peterson is quite explicit about this: "Lots of anxious American and Vietnamese business people are banking on the BTA's entry into force U.S. businesses will gain a great deal from the BTA The BTA will make Vietnam a much more attractive place for investors . . ." ² While I appreciate Ambassador Peterson's candor, it would have been nice had he addressed the anxiety of workers, in the U.S. and Vietnam, about the BTA. Their anxiety about the BTA is of a different sort than that felt by the "anxious" American and Vietnamese businessmen.

Trade Liberalization Is Not A Development Policy

Let me be clear. UNITE is not opposed to trade. Contrary to President Bush's comments last week to the Business Roundtable, we are neither "protectionists" nor "isolationists." We believe trade can be a positive force for development. In fact, we support the U.S.-Jordan Free Trade Agreement and were actively involved with the United States Trade Representative in developing the U.S.-Cambodia Bilateral Textile Agreement. We believe those two agreements point in a direction that can improve conditions for workers in those countries and, eventually, in our own country.

For trade to be part of a strategy for development, it must strengthen democratic institutions that move developing societies toward the rule of law and a more equitable distribution of wealth.

As Former U.S. Trade Representative and Commerce Secretary Mickey Kantor advised this Committee on April 4, 2001, our trading partners will benefit by enforcement of core labor standards through trade agreements. Kantor stated:

"Studies indicate that the implementation and enforcement of core labor standards tends to grow the GDP of the initiating country. In addition, support for a market economy and enhanced democracy are aided by these changes. Studies also indicate that the size of the middle class increases, as does the stability of the country Implementation and enforcement of core labor standards will raise standards of living and thus spread the benefits of trade. To the extent these benefits inure to more and more people, income gaps will tend to shrink."³

The effects of our current trade policies absent labor rights enforcement have been disappointing at best. Apparel exports to the United States from Mexico and a few Caribbean Basin countries boomed during the 1990s. Employment in Mexico's apparel industry increased some 60 percent between 1993 and 1998. However, real (inflation-adjusted) hourly compensation for Mexican apparel workers dropped almost 25 percent over the same period.⁴ The wages of the majority of workers employed in the apparel *maquiladoras* and "export processing zones" of Mexico and the Caribbean Basin are insufficient to purchase nationally defined "basic baskets" of goods and services that satisfy physical needs.⁵

¹ Ambassador Douglas B. "Pete" Peterson, Speech to the Asia Society, March 9, 2001, Washington, DC.

² Ibid.

³ Mickey Kantor, Statement Before the United States Senate Finance Committee, April 4, 2001.

⁴ UNITE analysis of official Mexican data on consumer price indices and total compensation. Data available via the internet at www.inegi.gob.mx.

⁵ See Equipo Tecnico Multidisciplinario Para Centroamerica, Cuba, Haiti, Mexico, Panama, y Republica Dominicana, *Fuerza Laboral, Ingresos y Poder Adquisitivo de los Salarios en Centroamerica, Panama y Republica Dominicana*. San Jose, Costa Rica: Oficina Internacional del Trabajo, 1998. This report contains data on the cost of basic food baskets for the larger coun-

Nor has special access to the U.S. apparel market enhanced freedom of association or the right to organize and bargain collectively. Only a few dozen collective bargaining agreements exist in the Caribbean Basin region, where approximately half a million workers employed at hundreds of companies produce apparel for export to the United States. Employers, in collusion with government authorities, systematically crush workers' organizing efforts. Employees are left defenseless against the arbitrary and abusive practices of their employers.

Meanwhile, the race to the bottom continues as countries are forced to compete with each other on the basis of which one can offer the lowest wage costs. In just the most recent example, 12 maquilas employing more than 7,000 workers, moved from Honduras to neighboring Nicaragua, which has lower labor costs.⁶

The Dismal State of Labor Rights in Vietnam

UNITE believes a trade agreement with Vietnam, in order to produce the desired result, must include provisions requiring that country to conform its laws and its practices to the core labor standards adopted in 1998 by the International Labor Organization and binding on all member countries, including Vietnam. Those core labor standards are the right to freedom of association, to organize and bargain collectively and to be free from child labor, prison, bonded or indentured labor and discrimination in employment.

The state of labor relations in Vietnam today falls far below ILO standards. According to a recent Congressional Research Service report:

"Vietnamese workers are not free to form their own independent unions. All unions must belong to the Vietnam General Confederation of Labor (VGCL), an organ of the Communist Party. Analysts have observed that the absence of a true right of association in Vietnam has impeded the improvement of labor rights in other areas. Collective bargaining agreements remain the exception rather than the rule. Vietnam's *doi moi* (renovation) economic reforms, launched in 1986, have been followed by surging urban unemployment and a rise in child labor, forced prostitution, and the trafficking of women and children. Workers in all sectors of the economy are often exposed to dangerous, unhealthy, and in some cases impoverished "sweatshop" conditions. Rapid economic expansion, corruption, and shortages of funds, training, and personnel have made it extremely difficult for government authorities to enforce Vietnam's labor laws."⁷

While the CRS report contends that the worker rights situation has improved since 1992, it describes the increasing labor assertiveness and wildcat strikes as being "tolerated by the government." In an undemocratic state, behavior that is tolerated today may not be tolerated tomorrow. In fact, Human Rights Watch reported a "renewed crackdown on dissidents" in Vietnam in May of this year.⁸

Vietnam Labor Watch has observed a constriction of labor freedom and an increase in worker abuse since 1998 in the export oriented textile and shoe industries. In response to the Asian financial crisis and pressure from foreign governments and investors and international financial institutions, the Ministry of Labor and VGCL were forced to stop their public attacks on foreign companies and to accept the relaxation of labor law enforcement. Pointing to the example of Nike, the Vietnam Labor Watch report cites "a subsistence wage of \$40 per month . . . forced overtime, inadequate housing, and poor working conditions."⁹

A recent article in the Far Eastern Economic Review describes the situation this way:

The party has no wish to see unions grow too strong. It realizes that Vietnam's primary draw for foreign investors is an inexpensive, pliant, and relatively efficient workforce."¹⁰

tries of the Caribbean Basin. A simple rule of thumb to estimate the cost of a more complete basket is to double the cost of the food basket.

⁶"Maquila Sector Down, Caribbean Update, June 17, 2002.

⁷Congressional Research Service, Vietnam's Labor Rights Regime: An Assessment. March 23, 2001.

⁸Human Rights Watch World Report 2001: Vietnam.

⁹Vietnam Labor Watch, *The State of Labor Relations in the Textile and Shoe Industry in Vietnam*. January 5, 2001.

¹⁰Margot Cohen, "Vietnam: Please, No Rabble-Rousing," *Far Eastern Economic Review*, April 26, 2001.

“The US needs to send a clear signal to Vietnam,” according to Vietnam Labor Watch, “that enforcement of labor laws is a crucial component in obtaining access to US markets.”¹¹ The U.S., sadly, has sent the opposite signal.

An Alternative Model: The U.S.-Cambodia Apparel and Textile Agreement

Cambodia, like Vietnam, is entering the modern industrial era on the backs of mostly young female workers, freshly arriving from the countryside, who are willing to work at \$40 a month in an industry where payment of sub-minimum wages is the norm and employers from Hong Kong, China, Taiwan, Korea, and Thailand demand forced overtime that stretches into 12–14 hour days. Cambodia has a modern labor code which offers numerous protections and guarantees the rights of workers to form unions. It is infrequently enforced.

In 1999 the U.S. and Cambodia concluded a bilateral apparel and textile agreement that for the first time links trade and labor rights. The agreement says that the U.S. will grant Cambodia 14% additional apparel quota if “working conditions in the Cambodian textile and apparel sector substantially comply” with internationally recognized core labor standards and Cambodian labor law.” The U.S. and Cambodia agreed that the ILO would monitor conditions in the Cambodian apparel industry and report their findings.

This is a first for the U.S., giving positive incentives for respect for core labor rights. It is also a breakthrough agreement for labor rights with an ASEAN state, a fact that has not been lost on some of Cambodia’s neighbors. The Cambodian government was reportedly strongly criticized by other more authoritarian ASEAN governments for letting labor rights be connected with trade.

The agreement is working. Although there are still many problems in Cambodia conditions are improving. Labor activists in Cambodia report that the agreement is responsible for opening some political space for workers and unions to assert their rights. Workers are demonstrating, organizing and protesting. Last year after a series of strikes the minimum wage in the Cambodian apparel industry was increased. The factory owners and the government know that if they crack down in violation of the law they will lose the badly needed additional quota.

But the gains made in Cambodia are threatened by an agreement with Vietnam that does not include labor rights. Hourly production wages are lower in Vietnam than in Cambodia. A trade agreement with Vietnam with no labor rights provisions will increase the likelihood that the industry will move from Cambodia to Vietnam. A level playing field requires the same type of labor rights incentives for Vietnam as for Cambodia.

Conclusion

At a minimum Congress should insist that the upcoming negotiations of a U.S.-Vietnam apparel and textile agreement include provisions similar to those in the Cambodia agreement. To not do so will undercut the one successful example of incorporating labor rights into a trade agreement.

I have attached to this statement a UNITE proposal that would create positive incentives for the strengthening of worker rights in Vietnam.

AN ACT TO PROVIDE POSITIVE INCENTIVES FOR THE ENFORCEMENT OF LABOR RIGHTS
IN THE APPAREL AND FOOTWEAR INDUSTRIES OF VIETNAM

SECTION 1

STATEMENT OF PURPOSE

In order to ensure that articles of apparel and footwear exported from Vietnam into the United States are produced under working conditions that accord with the domestic labor laws of Vietnam and with international labor rights, this Act creates positive trade incentives for the Government of Vietnam to enforce those laws and rights. This Act is tailored to respond to conditions in Vietnam and is not intended as a template or precedent for any future trade agreement or legislation.

SECTION 2

ARTICLES COVERED

The provisions of this Act apply to all articles of apparel and footwear produced in Vietnam and imported into the United States, whether those articles are trans-

¹¹ Vietnam Labor Watch, *The State of Labor Relations in the Textile and Shoe Industry in Vietnam*.

ported directly from Vietnam to the United States or are transported indirectly via transshipment through other countries and territories.

SECTION 3

STANDARDS FOR FIRST BONUS INCREMENT OF QUOTA

I. On April 1, ____, the United States Trade Representative shall raise the annual quota of covered articles by ____% above the then-existing quota, if, pursuant to the monitoring reports and procedures set forth in Section 6 of this Act, the USTR determines that all of the standards set forth in this Section have been fully satisfied during the preceding calendar year. This ____% increment of quota shall hereafter be referred to as the first bonus increment of quota.

II. On April 1st of each subsequent year, the USTR shall determine whether all of the standards set forth in this Section have been fully satisfied during the preceding calendar year, pursuant to the monitoring reports and procedures set forth in Section 6. If the USTR determines that all of the standards have been fully satisfied in the preceding calendar year, then the first bonus increment, if awarded for the preceding year, shall be continued for one year or, if not awarded for the preceding year, shall be instated for one year. If the USTR determines that one or more of the standards has not been fully satisfied in the preceding calendar year, then the first bonus increment, if awarded in the preceding year, shall not be continued for one year or, if not awarded in the preceding year, shall not be instated for one year.

III. In order to receive the first bonus increment of quota, the Government of Vietnam shall ensure that manufacturers of covered articles, relevant Government officials, and any persons acting under color of law comply fully with all of the following standards, and shall allocate resources and establish administrative mechanisms sufficient fully to enforce the following standards, including but not limited to the hiring and training of no less than 600 labor inspectors to enforce applicable laws regarding child labor, wages and hours, and workplace health and safety:

A. In conformance with the labor law of Vietnam, the manufacturer shall pay a wage equal to the training wage for no more than one month of each employee's tenure of employment. Thereafter, the manufacturer shall pay a wage no less than the legally mandated minimum wage for regular employees. Manufacturers shall not fire and rehire any employee with the intent to extend the payment of a training wage to that employee beyond one month; nor shall manufacturers fire any employee after one month and hire another employee with the intent to obtain the benefit of the training wage.

B. For purposes of converting into Vietnam currency any wage set by law or contract in non-Vietnamese currencies, manufacturers shall use the currency exchange rates obtaining at the time the wage is paid. Any contract that imposes any other exchange rate shall be null and void.

C. Manufacturers shall not exact monetary fines and penalties from employees for alleged infractions of any company rules or requirements.

D. Manufacturers shall not use layoff or refusal to rehire from layoff as a means to end the employment of workers who speak openly about conditions of work, pregnant workers or union activists.

E. No person or entity shall participate in, aid, or abet the emigration of Vietnamese nationals for employment in the United States or its territories in violation of any applicable law of the United States or its territories. The Government of Vietnam shall be responsible to protect the rights of Vietnamese citizens lawfully working as non-immigrant workers in the United States or its territories, including educating those workers on their rights before they agree to leave Vietnam.

F. No manufacturer shall employ child labor in violation of Vietnamese law. The Government of Vietnam shall ensure that children who are displaced from work or who are not hired as a result of the enforcement of Vietnamese child-labor law shall be able to enroll in public schooling in conformance with the Vietnamese law of compulsory education.

G. No manufacturer and no official of the Government of Vietnam shall, in violation of Vietnamese laws against discrimination based on gender, ethnicity, religion or social class, discriminate against any employee or person seeking work with respect to any term or condition of employment or with respect to the free movement within Vietnam of persons seeking employment.

H. No person shall be arrested, held without charges, assaulted, imprisoned, kidnapped, blacklisted, demoted, transferred, laid off, denied rehire or otherwise adversely affected by the action or inaction of manufacturers, officials of the Government of Vietnam (including provincial or local government), or by any

person acting under color of law, for engaging in organizing, speaking, demonstrating, asserting grievances, striking, publication of uncensored union newspapers or other media of worker communication, cooperating with workers and unions from other countries, or other activity to improve the terms and conditions of employment of any person.

I. The Government of Vietnam shall adopt and implement the protections against transshipment set forth as Section 113 of the Trade and Development Act of 2000.

SECTION 4

STANDARDS FOR SECOND BONUS INCREMENT OF QUOTA

I. If the United States Trade Representative determines that the Government of Vietnam has ratified and adopted laws consistent with the core labor standards of the International Labor Organization, the United States Trade Representative shall raise the annual quota for covered articles by ____%. This ____% increment of quota shall hereafter be referred to as the second bonus increment of quota.

II. If the second bonus increment is awarded pursuant to the preceding subsection, then thereafter on April 1st of each year, the USTR shall certify whether the Government of Vietnam continues the ratification of the core labor standards of the International Labor Organization; and the USTR shall continue or suspend the second bonus increment if the USTR determines that the Government of Vietnam has, respectively, continued or not continued the ratification of the core labor standards.

SECTION 5

STANDARDS FOR THIRD BONUS INCREMENT OF QUOTA

I. If the Government of Vietnam achieves full compliance with the core labor standards of the International Labor Organization, the United States Trade Representative shall raise the annual quota for covered articles by ____%. This ____% increment of quota shall hereafter be referred to as the third bonus increment of quota.

II. If the third bonus increment is awarded pursuant to the preceding subsection, then thereafter on April 1st of each year, the USTR shall determine whether the Government of Vietnam continues to be in full compliance with the core labor standards of the International Labor Organization; and the USTR shall continue or suspend the third bonus increment if the USTR determines that the Government of Vietnam has, respectively, continued or not continued to be in full compliance with the core labor standards of the ILO.

SECTION 6

MONITORING AND REPORTING ON LABOR RIGHTS ENFORCEMENT AND COMPLIANCE

I. In making the determinations mandated in Sections 3, 4, and 5 of this Act, the United States Trade Representative shall rely on the fact-finding contained in an annual Report and Recommendation based on the monitoring procedures set forth in this Section.

II. For purposes of monitoring and reporting on the enactment and enforcement of labor rights by the Government of Vietnam and compliance with such rights by manufacturers, officers of the Government of Vietnam, and other persons, the United States Trade Representative shall establish a Panel of Independent Experts, comprised as follows:

A. The members of the Panel shall be respected academic experts in domestic, comparative, and international labor law and labor relations who are committed to the enforcement of ILO core labor standards.

B. The membership of the Panel shall be tripartite: one-third of the members shall be Vietnamese nationals; one-third shall be United States nationals; and one-third shall be nationals of countries other than Vietnam and the United States.

C. The number of members of the Panel shall be no less than three.

III. The Panel of Independent Experts shall supervise the annual fact-finding necessary to enable the USTR to make the determinations required in Sections 3, 4, and 5 of this Act. In establishing the protocols for and conducting such fact finding, the Panel of Experts shall:

A. Consult regularly with officials of the Vietnamese Ministry of Labor, manufacturers of covered articles, Vietnamese workers and unions, nongovern-

mental organizations, representatives of the International Labor Organization, and such other individuals and constituencies as the Panel may deem to be interested or knowledgeable parties.

B. Authorize any individuals or entities as the Panel may choose, in the public or private sector, to assist the Panel in conducting the monitoring and investigation of relevant conditions in Vietnam.

IV. The United States Trade Representative shall not grant any of the incentive quotas specified in this Act unless the Government of Vietnam ensures that the Panel of Independent Experts and its authorized monitors and investigators:

A. Are afforded access to the facilities of manufacturers, unimpeded by agents of the manufacturers, officials of the Government of Vietnam, or any other persons.

B. Are free to make unannounced visits to the facilities of manufacturers, unimpeded by agents of the manufacturers, officials of the Government of Vietnam or of local governments in Vietnam, officials of the Vietnam Confederation of Labor or any other persons.

C. Are free to interview any employee or manager of any manufacturer, and any union officers or agents, either on or off the manufacturer's property, as the Panel and its authorized monitors and investigators may choose, unimpeded by agents of the manufacturers, officials of the Government of Vietnam or of local governments in Vietnam, officials of the Vietnam Confederation of Labor or any other persons.

D. Are afforded access to all relevant documents of any manufacturer and any branch or agency of the Government of Vietnam, provided that the Panel and its authorized monitors and investigators do not compromise the confidentiality of legally recognized trade secrets. The Government of Vietnam shall ensure, through its power of subpoena or other official process, that the Panel and its authorized monitors and investigators are expeditiously afforded such access.

E. Are enabled to conduct their fact-finding activities without intimidation or reprisal to themselves and to any persons they interview or from whom they obtain documentation. The Panel, if it sees fit, may require that manufacturers and officers of the Government of Vietnam provide verbal and written assurances to employees and other parties that they will not be subject to intimidation or reprisal for communicating or otherwise cooperating with the Panel and its authorized monitors or investigators. Each manufacturer shall post such notices, the content and placement of which the Panel may specify, of the requirements imposed by this Act on manufacturers and officers of the Government of Vietnam, including all substantive and procedural standards which they must meet in order to be awarded incentive quota.

V. On or before March 1st of each year, the Panel shall issue a Report and Recommendation to the United States Trade Representative. The Report shall include a statement of facts relevant to all determinations that the USTR is required to make under this Act. The Report shall also include the Panel's Recommendation about whether those determinations should be positive or negative. The USTR shall implement the Panel's Recommendations unless the USTR finds that the Recommendations are arbitrary and irrational.

SECTION 7

JUDICIAL REVIEW OF DETERMINATIONS BY THE USTR

I. The United States District Courts shall have jurisdiction over any claim that the USTR incorrectly found that a Recommendation of the Panel of Independent Experts was arbitrary and irrational, as set forth in Section 6(V) of this Act. Provided: The United States District Courts shall not have jurisdiction over any claim challenging the USTR's determination to deny the incremental quotas provided in this Act. Such determination shall be final and unreviewable.

II. Any interested party may bring a claim in the United States District Courts as provided in the first sentence of the preceding subsection. For purposes of this Act, interested parties shall include any worker or union in the apparel and footwear industry of the United States or Vietnam, and any non-governmental, non-profit organization providing advocacy for the interests of those workers or unions.

RESPONSES TO QUESTIONS FROM SENATOR GRASSLEY

Question 1: Mr. Levinson, under the terms of the U.S.-Cambodia Textile Agreement, the United States committed to increase Cambodia's textile quotas by 14 percent if the U.S. determined by December 1st of each year that working conditions

in the Cambodian textile and apparel sector substantially complied with internationally recognized worker rights.

Cambodia took strong steps to achieve this goal. Unfortunately, the United States failed to implement its part of the bargain. First we missed the December 1, 1999 deadline. Then, we did not give Cambodia the full 14% increase. Instead, we provided a 5% increase in May, followed by a 4% increase in September for a total quota increase of 9%. My understanding is that the Cambodian government was very disappointed.

In fact, many investors and Cambodian government officials felt deceived by the U.S. Given our faulty track record, why would any national want to enter into a similar bilateral textile agreement with the United States?

Answer: The U.S. did not deceive investors and Cambodian officials in the Cambodia Textile Agreement. The agreement says that Cambodia is eligible for 14% additional quota for "substantially complying" with Cambodia labor law and ILO core labor standards. No one seriously argues that Cambodia is substantially complying with Cambodia labor law and ILO core standards. So by a literal reading of the agreement Cambodia should not have received any quota increase. However, there was a widespread feeling that there had been improvements in Cambodia. Therefore they were awarded a partial increase in quota.

Question 2: Mr. Levinson, you oppose approval of the Vietnam Bilateral Trade agreement unless it includes worker rights provisions or environmental protections or at least until we negotiate a bilateral textile agreement with Vietnam similar to the one we negotiated with Cambodia.

A lot of people disagree with you. A letter I received from Vietnam Labor Watch states: "We urge you to support the pending Bilateral Trade Agreement with Vietnam. Rejecting the BTA at this particular time is sending the wrong signal when the country is in the midst of labor reforms. We believe that having a strong U.S. corporate presence in Vietnam will lead to improvements of labor conditions of Vietnamese workers because U.S. companies have high standards for employee benefits and labor practices. This could only serve as a stimulus other corporations in Vietnam to improve." The letter continues: "Rejecting the BTA at this moment is non-constructive and in fact would be destructive to improving labor rights there."

Vietnam Labor Watch also calls for negotiation of a bilateral textile agreement similar to the agreement that was negotiated with Cambodia. I have attached the entire letter for your review. But they are not going to stop the Bilateral Trade Agreement and economic development until these demands are met.

Shouldn't we use all tools, including the positive examples of U.S. corporations abroad, to promote labor rights?

Do you disagree with the conclusions of Vietnam Labor Watch, as expressed in the attached letter? Does UNITE believe that the Vietnamese people will be better off economically and politically if Congress disapproves the U.S. Vietnam Bilateral Trade Agreement?

Answer: I respect the work of Vietnam Labor Watch (VLW). As you point out, VLW agrees with me about the importance of including labor rights in the upcoming Vietnam-US textile agreement. VLW also agrees with me that the Vietnamese people would be better off if labor rights were part of the Vietnam Bilateral Agreement. However, VLW believes that if the Vietnam Bilateral does not have labor rights, which they would prefer, it should still be passed. Here we disagree with our friends at VLW. We believe the Vietnam Bilateral should be defeated until it includes labor rights.

COMMUNICATIONS

STATEMENT OF THE VIETNAM LABOR WATCH

[SUBMITTED BY THUYEN NGUYEN, DIRECTOR]

I am writing to urge your strong support for the United States-Vietnam Bilateral Trade Agreement recently referred to the Senate by President Bush.

Viet Nam Labor Watch was formed in 1996 in response to the first reports of NIKE's abuse of female workers in its manufacturing facilities in Viet Nam. For the past five we have worked actively here in the U.S. and in Viet Nam to promote the rule of law in foreign-operated factories and respect for the dignity and humanity of Vietnamese workers. We support responsible US investment in Viet Nam because we believe that with rare exception it is a positive element in the development of Viet Nam's labor rights regime and an essential input to Viet Nam's economic development. Similarly, we view our activities to promote respect for the law and transparency in the workplace as a fundamental support for expanding and sustainable foreign investment in Viet Nam.

A strong U.S. corporate presence in Viet Nam will act to improve the working conditions of that country's laborers. American companies have modern and internationally-accepted standards for working conditions and employee rights and benefits, and their presence in the country will serve to raise the bar for all foreign-invested enterprises there.

Labor conditions in Viet Nam have been the subject of continuing media attention mainly because of the physical abuse and systemic wage cheating to which NIKE and other companies in the garment and shoe manufacturing industries have subjected their workers, but NIKE's example must be seen as an aberration. Most American companies operating in Viet Nam have made every effort to respect Viet Nam's Labor Code and to conduct themselves as good corporate citizens and effective ambassadors for growing US-Vietnamese relations and for American investment in specific. Coca-Cola, for example, pays its bottle washers twice the legal minimum wage, almost \$100. per month, and like other American employers has attracted highly-skilled and educated Vietnamese to its workforce because of its pay and benefits package and its reputation for respect for its employees.

Because of the role the state sector asserts for itself with regard to workers' rights and labor relations, labor activism in Viet Nam is always complicated and sometimes difficult. We began our first inquiries in Viet Nam not knowing what to expect from the government labor bureaucracy. But Vietnamese officials did not attempt to impede our efforts on behalf of workers; over the past five years they have, instead, facilitated our work. They have provided us with access to factories and workers even in defiance of factories' foreign management, and have never asked to accompany or chaperone us in our contacts with workers—a standard which has yet to be achieved in the so-called “independent monitoring” carried out by NIKE and others. At both the central and local government levels relevant officials have provided us with local expertise and critical information on conditions in American-invested facilities, information which the Vietnamese official media have worked to disseminate further.

Our most recent research and advocacy campaign pertains to the serious physical abuse and forced labor to which 250 Vietnamese foreign workers, almost all of them women, were subjected to in American Samoa (for more, see www.vlw.org). Here likewise the Vietnamese government agencies and official press have worked actively and cooperatively to expose the abuses taking place in American Samoa, recently sentencing the director of a labor export agency who recruited workers for American Samoa to six years in prison and publicizing the workers' demands for appropriate compensation.

Viet Nam's extensive government and quasi-government infrastructure for representing the rights and concerns of its workers is greatly challenged by the growth of the private-sector economy and the unprecedented influx of foreign investment over the past decade. But the Vietnamese Ministry of Labor, War Invalids, and Social Affairs (MOLISA) and the Viet Nam General Confederation of Labor (VGCL) are and will continue to be uniquely placed to facilitate the work and interests of foreign labor rights organizations. President Clinton in Hanot last November presided over the signing of an agreement to formalize engagement and cooperation on labor issues between the two governments. To oppose the bilateral trade agreement on the basis of the current state of labor relations in Viet Nam is ill-conceived and counterproductive; it would cast these already complicated issues in an adversarial context, and in doing so undermine those in the Vietnamese government and elsewhere who are working to promote the position of workers in Viet Nam's rapidly-changing economy.

U.S. law requires our trading partners to respect workers' rights and internationally-accepted labor practices to retain GSP, OPIC, Export-Import Bank, and other investment privileges. These laws and Viet Nam's Labor Code are much more effective in promoting the improvement of labor standards in Vietnam than a punitive approach to Normal Trade Relations status. The Senate for its part in approving this trade agreement should ask the Administration to expand and strengthen efforts to assist Viet Nam in the implementation of its Labor Code and to enforce vigorously relevant U.S. laws as well.

Labor conditions in Viet Nam are far from perfect, developing quickly, and the subject of much discussion and debate within Viet Nam. The tensions between attracting foreign investment and actively promoting the health and well-being of laborers are significant and far from being resolved, and trade dollars and jobs should not be traded for the dignity and humanity of workers. Nevertheless, in this complicated and sometimes ambiguous environment responsible American investment will serve only to strengthen the enforcement of laws designed to protect Viet Nam's workforce. It is on the basis of this reality that we are writing to you asking for your support.

