

# U.S.-VIETNAM TRADE RELATIONS

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HEARING  
BEFORE THE  
COMMITTEE ON FINANCE  
UNITED STATES SENATE  
ONE HUNDRED NINTH CONGRESS  
SECOND SESSION

ON

**S. 3495**

TO AUTHORIZE THE EXTENSION OF NONDISCRIMINATORY TREATMENT  
(NORMAL TRADE RELATIONS TREATMENT) TO THE PRODUCTS OF  
VIETNAM

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JULY 12, 2006

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**TO AUTHORIZE THE EXTENSION OF  
NONDISCRIMINATORY TREATMENT  
(NORMAL TRADE RELATIONS TREATMENT)  
TO THE PRODUCTS OF VIETNAM**

WEDNESDAY, JULY 12, 2006

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

The hearing was convened, pursuant to notice, at 10:08 a.m., in room SD-215, Dirksen Senate Office Building, Hon. Charles E. Grassley (chairman of the committee) presiding.

Present: Senators Lott, Thomas, Smith, Bunning, Baucus, and Lincoln.

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

The CHAIRMAN. Thank you, everybody, for being here on a very important issue.

This hearing provides our committee the opportunity to examine a bill introduced by Ranking Member Senator Baucus and Senator Smith to authorize the extension of nondiscriminatory treatment of products from Vietnam. This treatment is also referred to as Permanent Normal Trade Relations (PNTR).

Under current law, we provide Vietnam “condition normal” trade relations. It is conditional, because it has to be renewed annually. Title IV is sometimes referred to as Jackson-Vanik.

The bill that Senator Baucus and Senator Smith introduced would change that. It would allow the President to proclaim Jackson-Vanik no longer applicable to Vietnam, and then henceforth we would extend unconditional normal trade relations to Vietnam.

The purpose of today’s hearing is to consider the merits of the bill and explore the context of consideration. By context, I mean the current state and direction of our bilateral relations, as well as the pace and the direction of internal reforms within Vietnam.

The impetus for the Baucus-Smith bill is the recent conclusion of our bilateral agreement on Vietnam’s accession to the WTO. Vietnam has been negotiating terms to do that since 1995. We still need to complete multilateral negotiations on the Working Party Report and Protocol of Accession that describes how Vietnam will conform its laws and regulations to the rules of WTO.

Once those multilateral negotiations are completed and Vietnam accedes, the United States must extend unconditional normal trade relations to that country. If we do not, we will not enjoy the market

access benefits of our bilateral agreement with Vietnam, and those benefits are very significant.

Vietnam's current average applied tariff on agricultural imports is 27 percent. Upon accession, tariffs on more than three-quarters of U.S. agricultural exports to Vietnam will be bound at 15 percent, or even less.

We will realize, also, significant reductions in duties on our exports of beef, pork, soybeans, fruit, and dairy products. More than 94 percent of U.S. exports of manufactured goods will face duties of 15 percent, or even less. In particular, Vietnam will bind almost 90 percent of its tariff lines on agriculture and construction equipment at rates of 5 percent or less.

Vietnam will also provide significant market access opportunities across the entire services spectrum: key areas of banking, insurance, telecommunications, energy, express delivery, distribution, and computers and related services. So, the commercial merits of accession of Vietnam to the WTO are amply demonstrated.

But that is not to say that there are not concerns. Now, as an example, concerns have been raised that Vietnam does not adequately protect human rights and religious and political freedoms. We are going to hear from some of our witnesses who will testify about those concerns.

Others may say that the best way to address such concerns is to engage Vietnam, to bring it into the community of trading nations, because that will help the reform process and enhance accountability and respect for the rule of law by all concerned.

I received a letter of support from the U.S.-Vietnam WTO Coalition that raises that point. The letter is signed by a number of respected Democrats and Republicans who urge Congress to extend permanent normal trade relations to Vietnam, and to do it as soon as possible. The list includes Madeleine Albright, James Baker III, Warren Christopher, Henry Kissinger, Robert Rubin, and Colin Powell. That is among many people who signed the letter.

In addition to that letter, the committee has received numerous statements in support, each of which will be made a part of the record. We have also received statements expressing additional concerns, such as the inadequate protection of intellectual property rights by Vietnam. Those statements will also be made a part of the record.

We have a diverse group of witnesses today, and I will take the time to speak about them now and will not introduce them at the time of the separate panels.

Panel one is Deputy U.S. Trade Representative Karan Bhatia and Deputy Assistant Secretary of State for East Asian and Pacific Affairs Eric John.

On our second panel, we have Jon Caspers, former president of the National Pork Producers Council, a constituent of mine. We have Christian Schlect, president of the Northwest Horticultural Council; Jeffrey Shafer, vice chairman, Global Markets, Citigroup; and Augustine Tantillo, executive director of the American Manufacturing Trade Action Coalition.

We have on panel three Chris Seiple, president of the Institute for Global Engagement; Mr. T. Kumar, advocacy director for Asia

at Amnesty International; and Ms. Virginia Foote, president of the U.S.-Vietnam Trade Council.

I would like to note that the committee also sought to have a labor witness testify at today's hearing. Committee staff reached out to the AFL-CIO, to the International Brotherhood of Teamsters, and the Union of Needletrades, Industrial, and Textile Employees.

There could have been some scheduling conflicts and those organizations were unable to send a witness to today's hearing, but I would encourage them, even though they could not come, to submit statements for the record.

Senator Baucus?

**OPENING STATEMENT OF HON. MAX BAUCUS,  
A U.S. SENATOR FROM MONTANA**

Senator BAUCUS. Thank you, Mr. Chairman. Thank you very much.

Reflecting on Vietnam's victory in the year 1426 over China, the Vietnamese Confucian poet Wen Chai wrote: "Peace follows war as day follows night."

For America and Vietnam, those words once would seem only wishful thinking. Now those words seem entirely appropriate. They define the reconciliation between the United States and Vietnam.

Remember the Tet Offensive in 1968? Remember the Christmas bombing at Hanoi in 1972? Remember the helicopters leaving Saigon in April of 1975? I remember those times. At those times I would never have dreamed that I would be sitting here, sponsoring legislation to take the final step to normalize U.S.-Vietnam relations. I am proud to play a small part in this journey from night to day, from war to peace.

The journey began when President George H.W. Bush first sought daylight. He presented Vietnam a road map to normalization in April of 1992. The journey continued when my Finance Committee colleague, Senator John Kerry, along with other Senators, worked diligently in the early 1990s to account for prisoners of war and persons missing in action.

The journey continued when President Bill Clinton lifted the United States economic embargo on Vietnam in 1994, and normalized political relations the following year. That was 11 years ago yesterday.

The journey pushed to its last mile when President George W. Bush and his administration worked diligently to pave the way for Vietnam's entry into the World Trade Organization. President Bush travels to Hanoi later this year, and we will continue to complete the journey by granting Vietnam permanent normal trade relations.

America's relationship with Vietnam is no longer just about the past. It is no longer about the night. It is about a hopeful present. It is about an even more promising new day.

More than three out of five of Vietnam's 83 million people were born after the war. Vietnam is booming. Vietnam's economy is growing by more than 8 percent a year. Vietnam is committed to economic reform, it is committed to opening markets, and it is committed to reducing poverty.

In the past 5 years, trade between America and Vietnam has quintupled. It has grown from \$1.4 billion in 2001 to \$7.6 billion in 2005. America trades more with Vietnam than we do with Peru, Costa Rica, Guatemala, Morocco, Oman, Bahrain, and other free trade agreement parties. Vietnam is America's 44th-largest trading partner.

Vietnam has reached these levels before it joins the WTO. When that happens, and it will be soon, Vietnam will further open its market to American farmers, ranchers, manufacturers, and service providers.

The bilateral WTO accession deal that Vietnam and America concluded last May will yield significant benefits to Americans. Vietnam will reduce to 15 percent or less its tariffs on agricultural goods that affect three-quarters of U.S. farm exports. Vietnam will cut tariffs to 15 percent or less for 94 percent of all U.S. exports.

Vietnam will permit U.S. banks, insurance companies, and distribution companies to establish 100-percent foreign-owned subsidiaries immediately, or within a few short years.

Vietnam will eliminate BSE-related restrictions on all beef products and recognize the equivalency of U.S. food safety inspections.

Vietnam's WTO accession is a big deal. It is a big commercial win for the United States. It is the most economically significant trade initiative in some years. Over 150 U.S. companies have written this committee letters in support. It commands broad political support in both chambers of Congress.

But to get the benefit of Vietnam's accession, we must come together to grant Vietnam PNTR. We must come together to give Vietnam, permanently, what we already give it on an annual basis.

The time to do this is now, before the President travels to Hanoi in November. The time is now, before other countries, like China, beat us to the punch, benefitting first from Vietnam's market opening commitments. Now is the time to complete the transition from the past to the future.

Now is the time to step from day to night, and in so doing, may America and Vietnam fulfill other words of blessing penned by Wen Chai: "In so doing, may we regain tranquillity for 10,000 generations."

Thank you, Mr. Chairman.

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

The CHAIRMAN. Since Senator Smith is a partner in this effort, would you like to say something? We will depart from the normal process of just having the two leaders speak.

**OPENING STATEMENT OF HON. GORDON SMITH,  
A U.S. SENATOR FROM OREGON**

Senator Smith. Well, thank you, Mr. Chairman. I am very pleased to be here. I appreciate you and Senator Baucus scheduling this hearing on this important legislation. I am pleased to join with Senator Baucus as a co-sponsor of this.

I want to also thank Chris Schlect from the Northwest Horticultural Council for testifying today about the importance of Vietnamese trade to fruit tree growers in Oregon, Washington, and Idaho.



I would put my whole statement in the record, Mr. Chairman, if I may.

Last December, Senator Lott, I, and others visited Vietnam. We visited with President Luong and frankly were, I think, much impressed with the desire of the Vietnamese people and their government to get beyond the past and to look towards a future that has strong linkage to the United States of America.

I think it goes without saying that we congratulate our ambassador, Ambassador Bhatia, and the USTR team for the work they have done on this. I think it also is important to point out that Vietnam has the fastest-growing economy in southeast Asia. Our exports, after the bilateral trade agreement, last year alone rose by 24 percent. There is no telling how important this emerging market is to U.S. producers. There are 83 million people there. I was amazed at their desire for U.S. goods, specifically our agricultural goods.

So whether it is apples, pears, boneless beef, or frozen french fries, and specifically soft white wheat that is grown in the Pacific Northwest, this is a tremendous opportunity for my State, and I think the United States.

Oregon companies like Nike and Columbia Sportswear have long used Vietnam as a source of production. The Intel Corporation has a huge presence in Oregon. They have announced a new semiconductor plant in Ho Chi Minh City. Oregon has a number of important ties to Vietnam, and I believe it is in all of our interests that Vietnam have the ability to accede to the WTO and be subject to the rules of international trade.

So I think this is an important piece of legislation. It is timely, with the President's upcoming visit. I think it is a very important message that we send to Southeast Asia, that America wants to be included in their hopes and dreams, and commerce. Commerce spreads peace, and I think that is the future we look forward to with Vietnam. Thank you, Mr. Chairman.

The CHAIRMAN. Thank you.

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

The CHAIRMAN. And I have already introduced our first panel, all the panels, so we will proceed with you, Mr. Ambassador, then the Secretary.

So, proceed.

**STATEMENT OF HON. KARAN K. BHATIA, DEPUTY U.S. TRADE REPRESENTATIVE, OFFICE OF THE U.S. TRADE REPRESENTATIVE, EXECUTIVE OFFICE OF THE PRESIDENT, WASHINGTON, DC**

Ambassador BHATIA. Great. Thank you very much, Chairman Grassley, members of the committee. It is a real privilege to be here today to be able to testify on behalf of the Bush administration in strong support of S. 3495.

This legislation represents another milestone, frankly, in a process that began over 15 years ago when the U.S. restored diplomatic relations with Vietnam.

We believe that WTO accession for Vietnam will benefit the United States economically. It will promote reform in Vietnam and

it will support broader American interests in Southeast Asia. Accordingly, we ask for the committee's support as we do take this next step forward in this important bilateral relationship.

I would like, if I may, to note the importance of the economic dimension of that relationship and describe some of the benefits that PNTR and WTO accession will offer American exporters and investors.

Let me, in that regard, begin by briefly describing the current U.S.-Vietnam trade relationship. Since 2001, our two-way trade has grown rapidly, from just under \$1 billion to \$7.8 billion, and over that same period, U.S. exports have increased 150 percent, to \$1.2 billion, making Vietnam among the fastest-growing Asian markets for U.S. goods.

This growth in trade, I believe, reflects, frankly, the rapid growth in Vietnam's own economy. Over the past 5 years, Vietnam's GDP has increased from about \$31 billion to \$52 billion, approximately two-thirds. This year, Vietnam's GDP is forecast to achieve about 8 percent growth, and frankly we do not see any sign of it slowing down.

Now, the United States and its industrious companies, workers, farmers, and ranchers have sought to support and participate in this rapid economic acceleration. And whether you want to talk about farmers in the Midwest exporting pork and soybeans, or ranchers in the mountain West raising cattle, or fruit and vegetable growers in the Pacific West, manufacturers of industrial products ranging from aircraft to construction equipment, high-technology products, wine and spirits, even motorcycles, or certainly producers of services, financial services, express delivery, and many, many other services, Americans have embraced the economic potential of this country of 82 million people.

American companies have also increasingly seen Vietnam as a platform for regional production, and in that regard as an attractive alternative to China.

Now, with these trends in mind as sort of the backdrop, let me turn to the bilateral agreement that we have negotiated. A number of members have already summarized some of the key features of that, so I will be brief.

But that agreement, simply stated, builds on the progress that we have achieved over the last 5 years, and I believe promises even greater access to one of Southeast Asia's most dynamic economies.

On industrial goods, tariffs on more than 90 percent of U.S. exports of manufactured goods will fall to 15 percent or less; on many key U.S. exports, such as computers, telecommunications equipment, civil aircraft, engines and parts, tariffs will be eliminated entirely.

Tariffs on agricultural products of key interest to U.S. farmers also will be substantially reduced in Vietnam as a result of our bilateral deal. Duties on almost 80 percent of all farm exports will fall to 15 percent or less, including on cotton, beef and pork offals, boneless beef, whey, grapes, apples, pears, almonds, raisins, cherries, frozen fries, and certain categories of chocolate. Vietnam will also lock in low tariffs on other key U.S. farm exports such as poultry.

In the services area, Vietnam has agreed to provide substantial market access across 114 services sectors, and among these are areas in which U.S. firms are globally competitive, such as financial services, telecommunications, energy services, express delivery services, engineering services, construction, wholesale, retail and franchise services, as well as professional services.

Now, significantly, Vietnam has committed to the elimination or phase-out of all WTO-prohibited industrial subsidies and agricultural export subsidies. Indeed, as part of our agreement, Vietnam has already repealed its major subsidy program for its textile and garment producers and, upon accession, will cease all prohibited subsidies, which is an issue that our textile manufacturers, I should point out, identified as a major goal in these negotiations.

It will also implement laws to fully comply with WTO intellectual property rules, known as TRIPS, including providing data protection, and we are working closely with the Vietnamese government to ensure that the law and implementing regulations meet these obligations.

More broadly, accession will support our broader linkages with the commercially and strategically critical Southeast Asian region, whose 570 million people purchased \$50 billion worth of U.S. goods last year.

Granting PNTR to Vietnam, as Senator Smith observed, will send a clear signal of commitment to Asia and to the Nations of Southeast Asia, and I believe will complement other U.S. trade priorities in Asia, such as the FTAs we are negotiating with Korea, Malaysia and Thailand, and the numerous other trade and investment dialogues we are pursuing across the region.

Of course, Mr. Chairman, as you recognized, we cannot realize any of these benefits without the PNTR legislation before the Congress, which will allow the U.S. to establish WTO relations with Vietnam at the time of its accession.

Because WTO rules require that members grant each other the equivalent of permanent normal trade relations, this legislation, PNTR, has to be enacted if we are going to obtain the benefits of the bilateral agreement that I have just described, or, for that matter, the right to enforce WTO rules and disciplines upon Vietnam.

Before I close, let me touch, if I can, just for a moment on issues of human rights and religious freedoms that have, rightly, been a significant focus for the administration and for many in Congress.

While my State Department colleague, Deputy Assistant Secretary John, I know will address these issues in greater detail, I do want to state that we believe that this bilateral agreement will clearly help to encourage advances in Vietnam's human rights record.

Clearly, the prospect of WTO accession and Vietnam's implementation of its BTA commitments have created momentum for improvement in these areas. In addition, many of the changes that I described a moment ago will enhance the rule of law and promote transparency, thereby buttressing broader principles of openness, due process, and rule of law.

These changes alone will not cure the problems associated with human rights and religious liberty, but they will allow new ideas

and information to flow into Vietnam that will encourage further freedom and openness.

With that, Mr. Chairman, I would simply say to you, the administration strongly urges the Senate to move quickly to a vote on PNTR. A PNTR vote this summer will not only allow us to lock in the valuable market access commitments that Vietnam has made, but will also, I believe, increase our leverage in the ongoing multilateral discussions where we still have important issues at stake.

Thank you very much.

The CHAIRMAN. Thank you, Ambassador.

[The prepared statement of Ambassador Bhatia appears in the appendix.]

The CHAIRMAN. Now, Mr. Secretary?

**STATEMENT OF ERIC JOHN, DEPUTY ASSISTANT SECRETARY,  
BUREAU OF EAST ASIAN AND PACIFIC AFFAIRS, U.S. DEPARTMENT OF STATE, WASHINGTON, DC**

Mr. JOHN. Mr. Chairman, thank you for the opportunity to testify before the Finance Committee today on permanent normal trade relations for Vietnam. I would like to request that my full statement be entered into the record today.

The CHAIRMAN. It will. Yes.

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

Mr. JOHN. The Department of State enthusiastically supports Congressional approval of PNTR for Vietnam. Vietnam's accession to the WTO comes in the context of a remarkable transformation that has been under way in Vietnam for some time now.

I have been working on, and following, Vietnam for the past 17 years, and I can tell you that this transformation has brought about dramatic positive change inside Vietnam, has enabled us to improve our own bilateral relationship, and has turned Vietnam into an increasingly responsible player and a potential partner.

When I first traveled to Vietnam for the State Department in 1989, the country was a Soviet client state, just beginning to move away from doctrinaire Marxist policies that had produced economic ruin.

The Communist Party and government rigidly controlled people's lives. In fact, I remember when my first flight landed there in 1989, the security services went through the plane before we could disembark to collect all the foreign magazines and newspapers from the flight so they would not be entering the country.

In the late 1980s, Vietnam's leadership recognized the failure of doctrinaire Marxism and abandoned it in favor of a policy of *doi moi*, or renovation, designed to promote economic development. The government began significant economic reforms and started to reach out to the international community, including the United States. *Doi moi* has been a significant success for Vietnam.

Bilaterally, we now work with the Vietnamese in a broad number of areas that would have been unimaginable even a decade ago. Our health experts are working intensively with their Vietnamese counterparts to combat avian influenza and HIV-AIDS. We are beginning to engage regularly on regional issues, ranging from Burma to North Korea.

Secretary Rumsfeld's recent positive visit last month to Hanoi imparted additional momentum to a growing bilateral military relationship that just saw two U.S. Navy ships make a well-received port call to Ho Chi Minh City.

While we enjoy excellent cooperation from the Vietnam government on POW-MIA issues, we continue to press for even more access to sites and records to ensure the fullest possible accounting of U.S. service members lost in the war in Southeast Asia.

To me, nothing highlights Vietnam's change more than the events of a couple of months ago. Vietnam held its first party Congress, a week-long, highly sensitive political event during which the government traditionally puts off foreign—particularly American—visitors.

Just before the Congress, however, Vietnam warmly welcomed Speaker of the House Hastert, and smack-dab in the middle of the Congress, it welcomed Bill Gates and accorded him celebrity treatment.

I go through all of this to make one basic point: for Vietnam, WTO accession and PNTR status are only the latest chapter in a long story of change and opening to the world that continues to be written. Vietnam's transformation and outreach to the world, including the United States, did not start with the WTO and will not end with the WTO.

I will not suggest that WTO accession and PNTR status will be magic bullets that bring about rapid or dramatic improvements in human rights and religious freedom. They will, however, keep Vietnam committed to the very positive course on which they embarked 20 years ago. Helping Vietnam stay on that course is very much in our interest.

As my colleague from USTR, Ambassador Bhatia, laid out in some detail, there are some critical economic and commercial issues, and PNTR status for Vietnam and its accession to WTO is both good for Vietnam and for the United States.

While there are, indeed, many positive things going on in Vietnam and in our burgeoning bilateral relationship, there are some remaining areas that are of concern.

These involve continuing deficiencies in Vietnam with respect to human rights and restrictions on the ability of Vietnamese to freely practice their religious beliefs.

Vietnam's record on religious freedoms, up until only recently, was abysmal. Its designation in 2004 as a "country of particular concern," or CPC, was well-deserved. That said, we have seen significant progress by Vietnam on this front.

Shortly after being designated as a CPC, Vietnam revised its legal framework, governing the practice of religion. Vietnam also proved receptive to U.S. overtures for formal agreement on religious freedom, which specifies areas for improvement.

On May 5, 2005, we concluded an agreement through a formal exchange of letters. It was the first of its kind ever attempted, negotiated, or signed under the International Religious Freedom Act.

Vietnamese religious leaders now tell us that they are allowed more freedom to conduct religious activities, that there is greater acceptance of various types of religious activities, such as house

churches, and that they experience fewer difficulties with Vietnamese authorities.

To be sure, reports of violations continue in Vietnam. In Vietnam's northern tier provinces, there has been insufficient progress, and religious organizations find it difficult to register under the Framework on Religion.

In recent weeks, Vietnamese authorities informed us that the first two house churches have been registered in the Northwest Highlands. Overall, reports of violations have sharply declined in number, while evidence of positive developments has multiplied.

In the sensitive Central Highlands region, for example, over 400 "meeting places" in the Gia Lai province have been registered—religious meeting places—and government pressure on house churches has eased significantly.

Incidentally, for the first time, in 2006, with the direct support of the U.S. Congress, we are providing economic support funds to increase opportunities for ethnic minorities in the Central Highlands region.

There are other examples. Catholic Church Seminary classes have doubled in size, and 57 new priests were ordained in a public ceremony in Hanoi in November of 2005. Unregistered Baptists held their first Easter public revival prayer meeting earlier this year, with government approval. Seventh Day Adventists, Grace Baptists, and the largest of Vietnam's Mennonite groups have registered in Ho Chi Minh City and are now seeking national-level recognition.

In the broader area of human rights, Vietnam continues to restrict fundamental freedoms, and the Department of State's 2005 Human Rights Report categorizes the country's human rights record as "unsatisfactory."

On the other hand, there has been progress in some areas. In the last 18 months, 18 prisoners of concern to the United States have been released. Only four people remain on our list of prisoners of concern, including Dr. Pham Hong Son, whose case we have raised repeatedly with Vietnamese authorities.

In February, we resumed the bilateral human rights dialogue with Vietnam after a 4-year suspension and raised some tough issues with the government in key areas where its human rights record does not meet international standards.

The government of Vietnam engaged us substantively, and we made it known that concrete follow-up needs to take place. WTO membership will require Vietnam to continue to open its economy, embrace transparency in commercial dealings, and abide by the rule of law in the global trading system. It is no accident that these same characteristics are most likely to contribute to further openings in Vietnam's political outlook.

Building on the visit to the U.S. last year by Vietnam's Prime Minister, and culminating in the visit of our own President to Hanoi this coming November, we are in the midst of a watershed year for bilateral relations. The new leadership team in Vietnam, in place since last month, seems well-disposed to continue and build upon the reform policies of its predecessors, a positive sign.

A key element of our engagement with Vietnam is ensuring its accession to the WTO, which will keep Vietnam on a positive over-

all reform trajectory. An affirmative and early vote on PNTR—before the August recess, if it can be scheduled—would be a major boost to the relationship and to reform in Vietnam and would create early opportunities and benefits for both nations.

Let me conclude by reiterating one fundamental point: Vietnam, for its own internal reasons, is undertaking a significant transformation that has profound positive effects inside the country and internationally. WTO accession and PNTR status are the logical next steps in Vietnam's transformation, and it is absolutely in our Nation's interest to support them.

Thank you.

The CHAIRMAN. Thank you very much.

We will have 5-minute rounds.

We have a communication of this question to both of you from California Assemblyman Van Tran, who forwarded to this committee a statement for the record from one of his constituents, who is a writer and publisher of books in English and Vietnamese.

His constituent has asserted that, despite our 2001 bilateral trade agreement with Vietnam, we still do not enjoy two-way trade in books, cassettes, DVDs, videos, movies, and films because U.S. exports are effectively banned by the Vietnamese government. So, your response, and how would such an allegation be handled if Vietnam accedes to the WTO?

Ambassador BHATIA. Thank you, Mr. Chairman. The issue is one that I am familiar with. As a matter of fact, a few weeks ago, Congressman Royce, over on the House side, convened a gathering of a number of Vietnamese and Vietnamese-American authors, artists, and others to express a set of concerns on this front.

I think it is fair to say that the WTO accession and the bilateral agreement that we have acknowledged do a couple of things that are going to help in this regard. First of all, with respect to some areas, it simply will open up greater opportunities for imports. So, for instance, U.S. companies now are going to be able to form joint ventures to open movie theaters, which is a step forward in the right direction.

I think another commitment that has been obtained in this area is a commitment by Vietnam that when it applies import licensing policies in the area of books and periodicals and so forth, it will happen through a state trading enterprise, and the policies that will apply there will have to be done on a commercial basis, which is the second important thing.

But I think, third, and perhaps most importantly here, WTO accession is going to require Vietnam to abide by the rule of law. It is going to have to make clear what its policies are.

I think a lot of the concerns about censorship and so forth, in reality, derive from the fact that there is sort of an arbitrariness to them. Indeed, right now within Vietnam there is no clear sense of what can and cannot be done. Part of the problem that this group has expressed to me is that there is simply a lack of predictability. They just do not know.

What WTO accession, perhaps more importantly than anything, does, is it establishes clear rules. It establishes a process that is going to have to be followed to ensure that people know what policies will and will not apply with respect to importation of materials

like this. So I think, all said, is it a perfect solution? No. But it is a significant step forward.

The CHAIRMAN. Do you have anything to add, Mr. John? You do not have to, but if you do—

All right.

Just one point before I ask my last question. That is, I think we all can be cynical about countries joining the WTO. China is still playing us for a sucker in a lot of respects.

There are obligations of predictability, what we ought to expect under the WTO. So we ought to be able to make clear to the Vietnamese what WTO is. It is about predictability, transparency, rule of law in international trade. If you want the benefits of it, you have to abide by it fully.

This question is also from the same constituent I referred to there in California, and you talked a little bit about intellectual property rights and the fact that Vietnam has numerous laws on that, yet Vietnam still remains on the USTR's Special 301 watch list. Why is that? Do you expect the Working Party Report and the Protocols of Accession to contain additional obligations with respect to Vietnam's enforcement of IPR?

Ambassador BHATIA. Mr. Chairman, you are right to observe that Vietnam remains on our Special 301 list. Just to take a step back, Vietnam was perhaps among our most concerning countries in the world before the bilateral trade agreement was concluded. It was a huge leap forward in terms of intellectual property, with many not only TRIPS commitments, but TRIPS-Plus commitments that they undertook.

I think the last 4 years, we have been in a process of working with Vietnam as it, itself, has been pushing forward legislation. And not just legislation, but also the instruments for ensuring that IPR is effectively protected and enforced, everything from police forces to having the rules and regulations in place necessary to process them.

So I think that process has been ongoing, and we have actually been quite pleased, I think, with what we have seen happening there. That said, there continues to be a problem with piracy, for instance, on the streets.

One of the things, with reference to what is happening in the multilateral session, yes, absolutely IPR remains an issue there. Principally the issue concerns whether there continue to be portions of the Vietnamese law that they have now enacted and are moving forward with that need to be tweaked or need to be changed to ensure that they come into compliance with TRIPS, and that is an area that is very much a focus, not only of us, but frankly of many of our other trading partners in dealing with Vietnam, and we will pursue that in the multilateral process.

The CHAIRMAN. Thank you.

Senator Baucus?

Senator BAUCUS. Thank you, Mr. Chairman.

Mr. Ambassador, I have been pressing to get this PNTR legislation passed by the end of this month. After all, the President is going to Hanoi in November for the APEC leadership meeting, and it will be difficult to take this up, I think, in September, just prior



to elections, because at that point things get a little more political and it is a little harder, sometimes, to get things done.

So I am asking you, how committed is the administration to getting this bill passed this month so we do not have to wait until September?

Ambassador BHATIA. Senator Baucus, I think it is fair to say the administration just, first of all, generally, is deeply, deeply committed to seeing PNTR enacted. I think that is reflected in everything that has been said, starting with the signing of the bilateral market access agreement, to remarks that I made yesterday at a U.S.-ASEAN Business Council. There is no question that we are committed to doing it. As I said yesterday, we are committed to working with the Congress to have it done quickly.

Ideally, yes, it would be done in July. It would be done before the August recess. We do not obviously control the Senate's or the House's schedule, and would not presume to, but we would be happy to continue working with this committee and with the Senate and leadership of both Houses to get it done as quickly as possible. We believe it is a very important piece of legislation.

Senator BAUCUS. I think the administration's role is very important here, because the more you are involved, the more likely it is that the Majority Leader will allow the bill to come up, and it will not take up a lot of floor time with a lot of amendments. But it is going to take work from a lot of people, all the way around, to get this passed right away.

Again, I am very concerned that if it is held over until September, it is going to be even that much more difficult to get passed. So, I urge you to send the message to the administration—some of whom are probably watching this hearing right now, undoubtedly—to get very engaged.

It is my experience with free trade agreements, or with this, that it takes the active involvement of the administration. It took the active involvement of President Clinton to get the North American Free Trade Agreement passed, and it is going to take the active involvement, I think, of President Bush to get this passed as well, particularly if he wants to get it passed quickly.

Ambassador BHATIA. I would only again reiterate, Senator, that I know that the administration—and I include all the agencies and feel comfortable in including the White House—has strong support for seeing this piece of legislation move forward.

Senator BAUCUS. Would you tell this committee what the consequences would be if this were not enacted?

Ambassador BHATIA. Well, Senator—

Senator BAUCUS. And say if it were not enacted this year.

Ambassador BHATIA. I think, in general, to reiterate a point I made in my testimony—and I will not talk about issues of human rights, but just on the economic front—

Senator BAUCUS. Right.

Ambassador BHATIA. The danger, frankly, here, is that we do not gain the benefits of Vietnam's WTO accession, that we do not gain the benefits—the reductions in tariffs, the commitments that they made that go beyond tariff reductions, that we do not resort to dispute settlement, for instance, against Vietnam—all of the full range of commitments would not be open to U.S. companies. I can

tell you, there is a great deal of support, frankly, for Vietnam's accession among many of our trading partners.

Senator BAUCUS. But would other countries get the benefits?

Ambassador BHATIA. If Vietnam accedes to the WTO and we do not enact PNTR, then we are unable to grant unconditional MFN treatment to Vietnam and the situation there would be that Vietnam would be in a position not to grant MFN treatment to the United States and its goods. So, I think we run a real risk of being in a situation where our companies would be placed at a competitive disadvantage. Companies, workers, everybody would be at a disadvantage.

Senator BAUCUS. What about China? Would that benefit China, compared with the United States, if the United States did not grant PNTR?

Ambassador BHATIA. China would be one of the countries, presumably, that might enjoy those other privileges, yes.

Senator BAUCUS. And India, as well.

Ambassador BHATIA. Yes, sir.

Senator BAUCUS. And virtually every other country.

Ambassador BHATIA. Yes, sir.

Senator BAUCUS. And the United States will be left out in the cold.

Ambassador BHATIA. Yes. Without PNTR, yes.

Senator BAUCUS. And what signals will that send to the rest of the world if the United States does not grant PNTR this year, particularly when the President is going to Hanoi for the APEC meeting?

Ambassador BHATIA. I think it would be a very troubling signal. Not only with respect to the APEC meeting, but, frankly, also with respect to negotiations that we have under way with other key trading partners: Korea, Malaysia, and others. I think it would be very troubling to be sitting here across the table from those countries and not have the support of the Congress for Vietnam.

Senator BAUCUS. Well, I agree with you, Mr. Ambassador, very strongly. I am going to do all I personally can to get this enacted this year, and hopefully this month, for all the reasons that you have indicated.

Ambassador BHATIA. Thank you very much for your support, Senator.

Senator BAUCUS. Thank you.

The CHAIRMAN. Thank you.

We will go to Senators Bunning, Lott, Smith, and Lincoln. That is the order of attendance.

Senator BUNNING. First of all, Mr. Chairman, I would like to put my opening statement into the record.

The CHAIRMAN. Yes. Everybody's opening statement will be in the record.

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

The CHAIRMAN. And let me announce, for the second and third panel, so they do not have to ask, your full statement will be put in the record, and then we would ask you to summarize, each of you, in 5 minutes.

Senator BUNNING. And I get an extra 15 seconds, since you just took that.

The CHAIRMAN. Yes, you do.

Senator BUNNING. Thank you. Thank you, Mr. Chairman.

Mr. Bhatia, under the 2001 bilateral trade agreement between the U.S. and Vietnam, an agreement I opposed, Vietnam agreed to undertake a number of measures, including easing barriers to the U.S. Services, committing to protecting intellectual property rights and providing protection for foreign direct investments.

Critics have expressed concern that the Vietnamese government has not implemented, in law or practice, many of these concessions which should have been phased in by December of 2004.

In light of this, Mr. Bhatia, what guarantees does the Congress have that Vietnam will follow through on future commitments?

Ambassador BHATIA. Senator Bunning, you are right. There are many commitments contained in the BTA, really commitments that run across the spectrum. We have just completed a BTA review process, as a matter of fact, with Vietnam.

I have to tell you, when one looks at the amount of commitments that were made back in 2001 and where they stand today, it really is fairly impressive. Vietnam has passed more than 80 laws, it has overhauled many sectors of its regulatory regimes. I think our sense is, frankly, they have probably done better in many respects than we could have expected there.

Senator BUNNING. But the point I am making is, they have passed laws and they are on the books, but they are not enforcing them. Intellectual property, particularly. I bring that up. China promised, when they were going into the WTO, that they would enforce intellectual property rights.

Ambassador BHATIA. Absolutely.

Senator BUNNING. And they are not doing it.

Ambassador BHATIA. Yes.

Senator BUNNING. I made the same trip that Senator Smith did. I was on the same trip. They are not enforcing their laws. What makes you think they are going to enforce them once they get into the WTO, when they are not doing it now?

Ambassador BHATIA. I guess I would point to a couple of things. First of all, in the WTO setting, they are going to be party to multilateral agreements, and there are going to be multilateral dispute settlement systems available to us to enforce those laws. Indeed, with respect to China—

Senator BUNNING. We do not have them now with our agreement, our bilateral agreement?

Ambassador BHATIA. Yes. But the multilateral process, I think, is much more effective in this regard, Senator, because it is not just us enforcing them, it is the whole world enforcing them.

Senator BUNNING. The WTO dispute mechanism works how?

Ambassador BHATIA. Effectively, we, or any other country in the world, are able to bring complaints, for lack of a better word, against a country for non-compliance with—

Senator BUNNING. Then if we are ruled against or ruled for, what is the enforcement mechanism?

Ambassador BHATIA. There are penalties that can be enacted if people do not.

Senator BUNNING. Penalties.

Ambassador BHATIA. That happens all the time. It happens with respect to us, it happens with respect to others. It is a rule of law system.

Senator BUNNING. I understand what the rule of law is, Mr. Ambassador. But the fact of the matter is, if you walk the streets of Beijing, if you walk the streets of Ho Chi Minh City, you can buy on the streets things that are illegally and improperly manufactured and knock-offs of just about anything you want.

Ambassador BHATIA. Perhaps, Senator Bunning, I can point out that, in addition to the laws, the other half of what needs to happen is the enforcement on the street. You are right. To that regard, various parts of the administration have been working with Vietnam to beef up their enforcement, ranging from law enforcement, to having the necessary rules and regulations. We are committed to doing that.

Senator BUNNING. Thank you.

Mr. John, you indicated that the Vietnamese have made strides in the area of religious freedoms over the last 18 months. That timing appears to coincide with Vietnam's efforts to join the WTO. If they succeed in that goal, how do we know that they will continue to make improvements in this area?

A follow-up is, is it true that the Vietnamese government has the right of refusal of bishops from the Catholic Church into Vietnam now, right now?

Mr. JOHN. With respect to the first part of the question, whether, if we passed PNTR, we would have that same type of leverage or negotiating leverage with the Vietnamese, I believe that we would.

I believe that the reasons that Vietnam wants to engage with us on issues of human rights and religious freedom—speaking to religious freedom, in your question—is because it wants, and needs, a better relationship with the United States, a strong relationship with the United States, not solely because it needs PNTR.

Vietnam is a middle-sized power in a tough, competitive region. It has to balance its relationship with China, it has to balance its relationship with the United States, and it needs that strong relationship with the United States.

I believe that, were we to pass PNTR, Vietnam still would need to have that religious and human rights dialogue with us and to make significant progress in those areas, as we define it, because that is an inherent part of a good bilateral relationship with us.

Senator BUNNING. On the question with the Vatican?

Mr. JOHN. I would have to get back to you to give you the correct answer.

Senator BUNNING. Well, the answer is that they do have refusal of any bishop appointed by the Vatican. So you do not have to look it up, I am telling you.

Thank you.

The CHAIRMAN. Senator Lott?

Senator LOTT. Thank you, Mr. Chairman.

I want to thank the two witnesses for their fine testimony. Some of the questions I had, you answered during your testimony, so I will spare you repetition. Thank you, Mr. Chairman and Senator

Baucus, for having a timely hearing. This is obviously an important issue.

I agree with Senator Baucus, it would be very positive that we could move aggressively on this and complete action in the next 3 weeks, and I will support that effort.

I must say, I was very impressed—surprisingly so—in many respects when I had the occasion last year to visit Vietnam personally as a part of the Congressional delegation led by Senator Gordon Smith.

Like a lot of Americans, I have had a lot of negative feelings and hesitations over the past 30, 35 years, but I was very much impressed with what I found. The change in the attitudes of the people on the street, as well as the government, was an amazing thing to me.

So I am favorably disposed towards this effort. Of course, I have generally been for free trade and fair trade efforts in my years in the Senate, all the way from NAFTA, to CAFTA, to PNTR for China, and bilateral agreements with Jordan, the Andean agreement, and so on. So, I am going to continue that practice.

I must say that on occasion I am very disappointed in the conduct of some of our trading partners. In the aftermath, Senator Grassley mentioned China. We have been concerned about some of their conduct. I personally have been extremely disappointed in South Korea. Of course, I have been involved in an 8- or 9-year-old harangue with the Canadians over timber. So, it is not always what it should be.

I emphasize to the Vietnamese and to our trading partners all over the world: free trade is fair trade. It is equal trade, both ways. When I look at a country, and the United States is the number-one export market, but when I look at the top five or six in terms of imports into their country, the United States is nowhere to be seen, there is something not right. But I do believe that it is in everybody's best interests to move toward fewer barriers, lowering tariffs, prohibiting dumping, all kinds of invasions into our markets that are not fair.

I must say, in the case of Vietnam, I have been particularly sensitive to the issues of shrimp and besol fish, which is not catfish. Their fillets have been a real problem. Of course, we have had a ruling in our favor in that area, so I would urge our trading partner of the future, Vietnam, to be sensitive to these, and all other areas. Do the right thing: be free, open and fair. If you are not, some day the American people and their representatives will say, well, if everybody in the world is going to be allowed to cheat, or does cheat, we are not going to do this any more.

So my only question this morning, I guess, would be—well, I have two. One, you passed over somewhat lightly, Mr. Ambassador, when you were talking about tariffs, how much tariffs were going to be reduced. You did not say specifically how much tariffs on agricultural products would be reduced. What is the answer there?

Ambassador BHATIA. Senator, it varies a good deal product to product, product line to product line. What I have said is, on average, or as a broader statement, what is fair to say is that, for 80 percent of our exports, the duties are going to fall to 15 percent or less.

I can give you just a few examples, just illustrative kinds of things here. Take everything from potatoes, where tariffs goes from 35 percent down to 13 percent, whey, where they go from 20 percent to 10 percent, ice cream, 50 percent to 20 percent, beef sausages, 50 percent to 22 percent. So it varies line to line.

But I think what is fair to say is that our agricultural products are facing, in many, many categories, lower tariffs, and of course also those tariffs now are going to be bound, in most cases, which means that their ability to change them over the course of time would be limited.

Senator LOTT. All right.

I do want a commitment from you, Mr. Ambassador, and from the U.S. Trade Representative, that you will aggressively ensure fair trade. Finally, I think the administration did show movement, and the previous administration, in the Canadian timber thing.

Ambassador BHATIA. Yes.

Senator LOTT. It continues to this day. It looks like now maybe we have found a solution, but it took us 8 years.

Ambassador BHATIA. Yes, sir.

Senator LOTT. It has been a difficult issue for a lot of us, including me, because the home builders in my State were saying, we like cheap lumber, and I was saying to them, I do not care if it is cheap, they are cheating.

Ambassador BHATIA. Yes.

Senator LOTT. And we have to find a solution. Well, I think we did. So I just want a commitment that, under your leadership and our new U.S. Trade Representative, you are going to aggressively enforce this, and all, trade agreements.

Ambassador BHATIA. Sir, I am happy to give you that commitment. I know it is one that is shared by Ambassador Schwab, by the President, and by the administration, generally, to vigorously enforce our trade laws.

Senator LOTT. All right.

Thank you very much, Mr. Chairman.

The CHAIRMAN. Senator Smith, then Lincoln, then Thomas.

Senator SMITH. Gentlemen, obviously I am for this. But I would like to pursue the issue that Senator Bunning has raised. It really goes more to timing in terms of my own enthusiasm.

I appreciate what Senator Baucus raised about the importance of the message we send, but I have a nagging concern about the issue of religious freedom and our leverage on that if we proceed on a time table that reduces our leverage, because freedom of conscience is a very important value to our Nation. I do not know whether they perceive the Catholic Church as a subversive political organization. It is not. It is an institution of faith.

Mr. John, you spoke of the Baptists and other religious minorities, evangelical Christians. You did not mention the Latter-Day Saints or the Jehovah's Witnesses. I am wondering, what is their legal status? When will they be given State recognition, and what does that mean? Can they build a church or do they just have to meet in a home?

Mr. JOHN. I do not know the status of Latter-Day Saints. I can get back to you on that.

But to get back to the issue—

Senator SMITH. How about the Baptists? Where are the Baptists? Do they have legal recognition?

Mr. JOHN. I believe they can have house churches if they have national status. I am not sure. I will have to get back to you on that.

[The information appears in the appendix on p. 91.]

Mr. JOHN. But I think the larger question that Senator Bunning was asking is, what happens if we were to pass PNTR next year and we still have concerns about religious freedom, which we will? How are we going to get the Vietnamese to move forward? I think we do have leverage, for the very simple and fundamental reason that the Vietnamese do want to have, and need, a good relationship with the United States.

As you pointed out, it is at the core of our values and it is at the core of having a good relationship with the United States. This is not a bilateral relationship that is built around trade. This is a bilateral relationship that is built around shared interests and values.

Senator SMITH. Built around values.

Mr. JOHN. To that extent, yes, we do still have interests and we still are going to remain committed to working with the Vietnamese on these issues.

Senator SMITH. What does it mean to have state recognition? Does that mean they can own property on which they can build a cathedral or a church?

Mr. JOHN. You can own property. One of the difficulties that the Catholic Church has faced, and it is beginning to make progress in, for example, is delivery of social services, working with AIDS victims, being able to work with the community and own property, build churches where you want to build churches.

So, State recognition is important to have a really vital, functioning church community, which is really what a church is. That is something that Vietnam still falls far short on.

Senator SMITH. Do they understand that the free exercise of religion includes the practicing of one's faith, openly, if one chooses?

Mr. JOHN. They understand that on the theoretical level, yes. If you are going to talk about practical implementation—

Senator SMITH. I mean, will they receive missionaries? Can Catholic Relief go in there and attend to AIDS victims? Can the Baptists set up a soup kitchen?

Mr. JOHN. You can have religious NGOs go in, you can have missionaries. The level of activity is more circumscribed, I believe, than we would like.

Another difficulty that we have with religious freedom is the implementation of the laws that Vietnam has right now under the religious framework. Some provinces, such as in the north and northwest, are not implementing.

Some provinces in the Central Highlands are not implementing it as well as others. In the South, it is better. In the Hanoi region, it is better. So we have seen progress, and I think that is something that Hanoi is committed to, but it has problems with control of the provinces. In terms of implementation, I think it is going to improve.

Senator SMITH. Well, I would just simply ask if you gentlemen can give me the status of these various faiths, Christian minorities, Jews, if they are there. How are they treated? What does free exercise of religion mean? What does state recognition include?

That is my only issue on timing. This is important to the American people, and we are going to hear about it if the status quo continues and we lose leverage that we ought to exercise, because we are on the side of the angels on this one.

Mr. JOHN. Absolutely. It is important to us as well.

The CHAIRMAN. Yes. Tell them the Chairman of this committee is a Baptist, and I am no conspirator or any threat to them. If they want me to come over there and prove it to them, I will.

Mr. JOHN. I am sure they would welcome your visit, sir.

The CHAIRMAN. I do not want to travel, but if it takes that to wake them up, I would be glad to do it.

Senator Lincoln?

Senator LINCOLN. Thank you, Mr. Chairman. Thank you again for moving so quickly issues that are important. And while I am generally supportive of the legislation that is currently before the committee to grant permanent normal trade relations with Vietnam, I am concerned about a couple of things, as my colleagues have been.

One, that U.S. consumers and certain U.S. industries are being unfairly harmed by the trading practices of some of the Vietnamese exporters. Most members of the committee, I think, are aware of the long and difficult fight that the U.S. farm-raised catfish industry has waged against the illegal imports of certain frozen fish fillets from Vietnam into the U.S. market. My colleague from Mississippi brought a little bit of that up, but I would like to expand on it.

We all remember the Truth in Labeling provision that was included in the 2002 Farm Bill that prohibits the imports of Vietnamese beso and trawfish from being falsely labeled as catfish.

We are also aware that in 2003, the Department of Commerce and the International Trade Commission agreed that certain fish products from Vietnam were being dumped into the U.S. market, harming U.S. producers, and imposed antidumping duties of up to 63 percent.

Unfortunately, gentlemen, some Vietnamese exporters still do not follow the rules, as Senator Bunning was mentioning, that we have put into place to establish the basis upon which trade may be conducted, and also to protect the health of consumers.

Mr. Chairman, I have been very concerned that a substantial amount of imported fish from Vietnam has recently been found to contain antibiotic residues that are prohibited in the U.S. because they are carcinogenic. In fact, three States have initiated emergency orders to remove the product from commerce and destroy it: Mississippi, Alabama, and Louisiana.

I am also concerned, Mr. Chairman, that substantial amounts of frozen fish imports from Vietnam are being mislabeled and sold in the U.S. as wild-caught grouper. It is just one other step that we had to deal with in regard to catfish with the same fish in competition with another fish that we have here in the U.S.



The fish are neither wild, nor is the species indicated, but rather they are the same beso or trawfish that are mislabeled for the purpose of commanding a higher price and to avoid paying anti-dumping duties. State agencies in five States have seized illegally labeled shipments and have ordered them destroyed: Mississippi, Alabama, Louisiana, Florida, and California.

These shipments, and more that we do know about, went through the U.S. Government's inspection process, they were approved, and then sold in this country, creating harmful conditions for consumers and undermining the hard work and the investment of U.S. fish producers.

So in my view, Mr. Chairman, that is certainly not acceptable. I would like to get some assurances from the administration that they are going to be taking steps to address this problem.

I would also like to reinforce some of my other colleagues, particularly in terms of the issues of human rights. I also hope that we will see a continued improvement.

You have mentioned the improvements that exist, but to find that the country of Vietnam still remains on the CPC list, I think is of great concern, and that is going to be an enormous issue for us to make sure that we are following through on.

But I guess my real question is, what is the U.S. Government doing to investigate the incidents that I have mentioned here, and the practices, and what are we going to do to prevent it from happening in the future?

Ambassador BHATIA. Senator, if I can address the issues of the catfish, to begin with, then human rights.

Senator LINCOLN. Absolutely.

Ambassador BHATIA. First of all, I would point out, just to give you and any other members of the committee who are concerned about this reassurance, that the WTO accession process does not have any effect on either the antidumping orders that are currently in place or the ability to bring further antidumping actions going forward in the future.

Senator LINCOLN. Hopefully it strengthens them.

Ambassador BHATIA. Well, I think it strengthens them in the sense that it brings Vietnam into the international rule of law system and causes them to recognize that these are—

Senator LINCOLN. Well, that is the assurance you gave Senator Bunning. I am hoping that it is still maintained.

Ambassador BHATIA. Absolutely. But antidumping is a domestic trade remedy, obviously. The international trade remedies that we would be able to pursue would be for violation of WTO commitments.

Senator LINCOLN. Right. And strengthening.

Ambassador BHATIA. The dumping issue is one that we would be able to continue to pursue as a matter of domestic law, is all I am saying. There is nothing that we are giving up in the WTO accession process that would preclude us from bringing those domestic suits.

Senator LINCOLN. Right.

Ambassador BHATIA. Second, on the issue of the imports that contain banned antibiotics or other chemicals and the mislabeling issue, this did come to my attention.

My understanding is that the FDA is coordinating with a broad range of agencies on this issue, both to work internally within the U.S. Government to ensure that Customs and others do an effective job in capturing these things and catching them at the border. Indeed, I think they are working closely in that front to inspect shipments, issue import alerts, and to prevent the entry of tainted products into the United States.

The FDA is also working, frankly, with the Vietnamese to ensure that the illicit exporters of these products, which are, as you describe, efforts to get around our antidumping duties, are prohibited. I think what is fair to say is, the Vietnamese have tried to be engaged in this subject. It is not in their best interests, frankly, for them to be perceived as a scofflaw in this area.

Senator LINCOLN. It has happened once.

Ambassador BHATIA. Yes.

Senator LINCOLN. The point I bring up is, fool me once, shame on you.

Ambassador BHATIA. Absolutely. Absolutely.

Senator LINCOLN. But fool me twice, it is certainly our responsibility to make sure that, as we move into these agreements, that it is understood that this is prohibited and it is not something we are going to tolerate. It is unacceptable.

Ambassador BHATIA. We will communicate that. Yes.

Senator LINCOLN. Thank you.

The CHAIRMAN. Senator Thomas?

Senator THOMAS. Thank you.

Thank you, sir. First of all, let me say, gentlemen, that we appreciate the administration reaching out to the members as we go into these trade agreements and providing a chance to talk about them.

Vietnam will soon enter into the WTO. It is my understanding that, without this agreement, the United States will not benefit fully from Vietnam's compliance with WTO commitments, yet our global competitors will benefit.

Can you elaborate on the impact that the failure to pass this would have on U.S.-based export industries?

Ambassador BHATIA. Well, Senator, as I mentioned, if Vietnam accedes to the WTO and we have not passed PNTR and we are not in a position to extend unconditional MFN treatment to the Vietnamese, then all of the various benefits that we would gain—not only from the bilateral accession commitments that we obtained, but for those that were negotiated multilaterally or those that other countries may have negotiated with Vietnam—will not be available to our companies.

So in a very, very basic way, it means that our exporters may face higher duties, our exporters may not have the same abilities to establish businesses in the Vietnamese market. U.S. workers, manufacturers, farmers, and ranchers are not going to have the same opportunities in this fast-growing economic space that our other major trading partners will have. It is as simple as that.

Senator THOMAS. So, if we do not pass this, is it fair to say that U.S. investment in China and exports from China will probably increase?

Ambassador BHATIA. Well, I think it is certainly fair to say that many U.S. companies that are looking for bases of regional produc-

tion and elsewhere that might look at Vietnam will not have that as an option, and many of them will, in fact, retain China as a base. Yes, I think that is fair to say.

Senator THOMAS. All right. Good.

Mr. John, I am sorry I missed your testimony, but I was in another committee. I read your testimony, and in two pages you outlined the non-trade progress that has been made in Vietnam. There are several witnesses who challenge that much progress has been made.

Given your opinion that significant progress has been made on non-trade issues, why do we need, then, to pass this if that is the case?

Mr. JOHN. Why do we need to pass PNTR?

Senator THOMAS. Yes. You indicated that a lot of non-trade progress has been made. Yet, we say we will achieve non-trade progress by passing PNTR.

Mr. JOHN. Right.

Senator THOMAS. How do you relate those two things?

Mr. JOHN. I think PNTR and WTO accession for Vietnam, just as they help U.S. businesses sell to Vietnam, help the Vietnamese economy and help enhance Vietnamese individual liberties.

I think that type of atmosphere and the context that those economic benefits create help other individual freedoms flow along with that, such as human rights.

Senator THOMAS. So even though you think it has been doing well, you think this would be an additional asset?

Mr. JOHN. Yes. It has been doing well, but it could do better, and this would help it.

Senator THOMAS. All right. Thank you.

Thank you, Mr. Chairman.

The CHAIRMAN. Yes. Senator Baucus wants a second round. Does anybody over here want a second round? We have 35 minutes of testimony from seven other witnesses.

Senator BAUCUS. And I will be brief, Mr. Chairman.

The CHAIRMAN. All right. Anybody else can have equal time, too. Go ahead.

Senator BAUCUS. Thank you very much. I appreciate it, and also the committee's indulgence.

Mr. Ambassador, I would like to know what plans, sort of strategically, the administration has for pursuing the dynamic growth that is occurring in Asia. I am talking about Asian countries other than Japan, and also other than China.

I believe strongly that, as one of the most dynamic regions in the world, and it will probably be even more dynamic from an economic point of view in the future, that we must be pretty bold in the United States and pretty aggressive, because there are opportunities there for the United States if we are, and there will be major problems for the United States if we do not.

In addition to PNTR for Vietnam, and pursuing a Korean FTA, as well as a Malaysia FTA, what is the administration thinking about, what plans do you have, to capitalize on the momentum that we are now starting to generate with Korea, Vietnam, and Thai FTAs, and so forth, so we can take advantage of these opportunities?

Again, if we do not, I think it will be very much to our peril. There are also national security implications here, as well as trade implications, and a lot of foreign policy implications. So what are we doing? What is your plan?

Ambassador BHATIA. Senator, I guess it was 7 or 8 months ago when we were sitting here at my confirmation hearing and you raised this subject at that time. I feel pretty good about where I think we are at this point. Since that time, as you mentioned, we have launched FTA negotiations with Korea, and Malaysia as well.

We have been engaged in a broad range of less than FTA, but still very substantial, very robust, meaningful trade and investment sort of negotiation dialogues with countries throughout Southeast Asia: Indonesia, Philippines, Brunei.

We have a number of sectoral sort of initiatives working under those TIFAs which are strong. The President has laid out, in his Enterprise for ASEAN initiative, a desire to basically build a network of FTAs throughout Southeast Asia—I am just focusing on Southeast Asia right now—which, theoretically, could ultimately be knitted together.

I completely agree with you, this is a very high-priority region for the administration, not only from an economic perspective, but as Secretary John can tell you, from a strategic perspective as well.

More broadly, we have a new institution with India, our Trade Policy Forum, that has been working sector by sector to make trade and investment progress with them. With the Japanese, we have a deep regulatory reform dialogue. I just recently concluded a sub-Cabinet-level meeting with METI and with MOFA on that front.

I think, big picture, what you are seeing us do here is, country by country in East Asia, we are either working through an FTA, through its structured TIFA-kind of dialogue, or through some other form of meaningful dialogue to make sure that we are present.

When our other major trading partners are in there, trying to establish their footprint, we are there first, we are there more proactively, we are there more broadly. I can tell you that both at USTR and at the other economic agencies, the amount of travel that has been going on to this region, which means meaningful engagement on their own turf, has been going up a great deal. There is more that could be done, there is more that should be done, but I am pleased.

Senator BAUCUS. I find that very encouraging. But I must say, in my travels to Asia, I still hear complaints that America is, if not AWOL, just not sufficiently present, does not show up. Other countries do, but the United States does not.

Now, I sense that that is starting to change, and I very much appreciate that.

Ambassador BHATIA. Thank you.

Senator BAUCUS. As of a few months ago, I still heard some of this. So I just encourage you, keep stepping it up.

Ambassador BHATIA. We will keep it up. Thank you.

Senator BAUCUS. Thank you.

Senator BUNNING. Mr. Chairman?

The CHAIRMAN. Yes. Senator Bunning?

Senator BUNNING. Thank you.

Mr. John, as recently as June 5, 2006, your State Department issued a Report on Human Trafficking that cited Vietnam as a Tier 2 country. Tier 2, meaning Vietnam does not comply with the minimum standards for the elimination of trafficking.

Mr. John, are you aware of improvement efforts by the Vietnamese government to combat human trafficking since this report was issued almost a month ago?

Mr. JOHN. We have an ongoing dialogue with Vietnam about improvements, what they need to do to improve their efforts in human trafficking. In the last month—I cannot think of any specific improvements that they have made in the last month.

Senator BUNNING. Can you, for people who might be watching, or just for my own information, define what “human trafficking” means?

Mr. JOHN. You are looking at two large, really bad categories. One is that women are trafficked for sexual exploitation.

Senator BUNNING. Prostitution and other things.

Mr. JOHN. Right. And also a related category would be being trafficked against their will as wives. A second category would be trafficked for labor, illegal labor trafficking.

I think with Vietnam, the concern has been largely in that first category. We have made improvements in terms of, there were allegations that Vietnamese women were trafficked to Singapore, as well as Malaysia.

Senator BUNNING. But this is just 1 month ago that your Department of State said that Vietnam was not complying, that it was a Tier 2 country.

Mr. JOHN. Yes.

Senator BUNNING. Is that correct?

Mr. JOHN. Correct. Out of the three tiers.

Senator BUNNING. All right.

Mr. Bhatia, can you provide more details on the textile and apparel provisions in his agreement? I understand that the Vietnamese have agreed to eliminate its non-WTO compliance subsidies to the textile and apparel industry within 1 year.

I also understand that if Vietnam fails to meet this commitment, the U.S. can reimpose quotas. How long can these quotas be put back in place?

Ambassador BHATIA. Senator Bunning, that is close to right. The Vietnamese commitment actually is to eliminate all prohibited WTO subsidies upon accession.

Senator BUNNING. To WTO status.

Ambassador BHATIA. Yes. I mean, upon accession. They will do it upon accession. So it is not 1 year, it is upon accession. As a matter of fact, often people are given some sort of a phase-in period for this. With respect to textiles and apparels, we did not permit them a phase-in. We demanded that they be eliminated ab initio, and they have already undertaken steps in that regard.

Second, the point you referenced really has to do with a special enforcement mechanism that we built in. We heard our textile industry. They were concerned about a level playing field here.

Senator BUNNING. They still are.

Ambassador BHATIA. I understand that. I understand that. And to take belts and suspenders, as it were, to address this problem,

because normally the remedy would be to bring suit in the WTO. But we did more than that in this agreement.

What we have done is, we built in a mechanism where, if we see that they have not complied or they somehow attempt to reinstitute illegal subsidies in this area, we have the ability to reimpose quotas on Vietnam at the level that exists under the BTA.

So, Senator, on the textile front, we heard our textile industry's concerns, which were about subsidies. We went as far as one can conceivably go within a WTO accession agreement to get the elimination of the—

Senator BUNNING. I have one more question I want to make sure I get in.

Ambassador BHATIA. I know this is of great concern, so I just wanted to make clear that we have about as much security there as we have ever had.

Senator BUNNING. Concerns have still been raised about alleged existences of preferential interests and tax rates, wage controls, and rent holidays in the textile industry in Vietnam. Is that true or false?

Ambassador BHATIA. Those concerns have been raised, absolutely. What I can tell you, Senator, is that if there are WTO-prohibited subsidies, which include things, for instance, such as tying subsidies, tying these kinds of benefits to exports or to the use of domestic materials, those will be—those must be—eliminated by the time of accession.

Senator BUNNING. Thank you very much, Mr. Chairman.

Ambassador BHATIA. Broader subsidies are a different issue.

The CHAIRMAN. Should I go on to the next panel? All right. We thank the administration witnesses very much. Thank you for coming.

Now we turn to people I have introduced already, but I will mention them by name: John Caspers, National Pork Producers; Christian Schlect, president, Northwest Horticultural Council; Jeffrey Shafer, Citigroup Global Markets; and Augustine Tantillo, executive director, American Manufacturing Trade Action Coalition.

So when you folks get seated, we are going to go in the order that I introduced you. I think that is the same order in which you are seated.

We did give the administration witnesses about 7 or 8 minutes; we ask you—and I hope you have been informed—to modify your statements to 5 minutes, even though the longer statement will be put in the record.

So, Mr. Caspers, we welcome you here from Iowa. I noticed, Mason City is getting plenty of rain compared to Waterloo. I hope you feel you are very fortunate to be in the garden area part of the State.

Mr. CASPERS. I do. That is good news, Senator.

The CHAIRMAN. Yes. Thank you, Mr. Caspers. Go ahead.

**STATEMENT OF JON CASPERS, FORMER PRESIDENT,  
NATIONAL PORK PRODUCERS COUNCIL, SWALEDALE, IA**

Mr. CASPERS. Thank you, Chairman Grassley, Mr. Ranking Member, and members of the committee. I am Jon Caspers, past

president of the National Pork Producers Council, and a pork producer from Swaledale, IA.

I operate a nursery-to-finish operation, marketing approximately 18,000 pigs per year. In 2005, U.S. pork exports set another record for the 15th year in a row. Much of the growth in U.S. pork exports is directly attributable to new and expanded market access through recent trade agreements.

However, as the benefits from the Uruguay Round and North American Free Trade Agreement are fully realized, the negotiation of new trade agreements becomes paramount to the continued growth and profitability of U.S. pork producers.

While the WTO negotiations clearly offer the single biggest opportunity to increase exports, the bilateral and regional negotiations also offer significant opportunities. We are pleased that the United States and Vietnam signed a bilateral WTO accession agreement on market access and that Vietnam's PNTR bills were introduced into the U.S. Congress.

The National Pork Producers Council strongly supports Vietnam's accession to the WTO. U.S. pork exports have benefitted from virtually all recent trade agreements, and the agreement with Vietnam will be no different.

In Vietnam, a country of 84 million people, pork represents 72 percent of meat consumption and will be an excellent market for pork and pork products. Tariffs on key pork and pork products will be reduced by 50 percent over 5 years, including tariffs on hams and carcasses, which will fall from 30 percent to 15 percent in that time frame.

More important, tariffs on pork variety meats will be immediately cut from the MFN level of 20 percent to 15 percent, with further reductions to 8 percent over 4 years. Rates on processed pork products will be reduced from 20 percent to 10 percent over 5 years.

Vietnam has agreed to recognize that the U.S. meat inspection system is equivalent to its own meat inspection system. Vietnam has also agreed to implement the WTO agreement on sanitary and phytosanitary measures, upon accession.

As a result, Vietnam will apply science-based sanitary and phytosanitary standards to all agricultural goods. This is critically important, because non-scientific barriers are used in many countries to prevent meat and poultry product imports from the U.S., even after tariffs are reduced in trade deals.

Additionally, Vietnam has made commitments to grant distribution and trading rights for all foreign-owned enterprises. It is, therefore, relinquishing state control of essentially all agricultural products, providing a meaningful opportunity for U.S. pork exporters to have many customers in Vietnam.

This is a very ambitious commitment, given that China took years to phase out distribution and trading rights after its WTO accession.

Increased market access for U.S. pork, along with the elimination of state-controlled distribution and trading rights, will add to the bottom line of U.S. producers. According to Iowa State University economist Dermot Hayes, U.S. live hog prices will increase by ap-

proximately 52 cents per pig when the agreement is fully implemented.

To put this economic impact in perspective on a farm like mine, marketing approximately 18,000 pigs per year, PNTR for Vietnam will mean over \$9,000 in additional profits.

There are many other agricultural organizations in support of Vietnam's accession to the WTO. NPPC is coordinating the Agricultural Coalition for U.S.-Vietnam Trade, consisting of 36 organizations representing the vast majority of U.S. farmers, ranchers, food producers, and exporters.

Three-fourths of U.S. agricultural exports to Vietnam will see tariffs reduced and bound in the WTO at 15 percent or less. This is a substantial reduction from the current average tariff on agricultural products of 27 percent.

To realize the benefits of this agreement, the United States does not have to reciprocate anything, other than to grant the same normal trading rights to Vietnam on a permanent basis that the U.S. grants to virtually all of its trading partners and to all 150 WTO member countries.

It is the same status that Vietnam already enjoys from us, but which must be periodically renewed. Providing Vietnam normal trade status requires no tariff concessions on the part of the United States, no new access for products from Vietnam, and no new commitments on non-tariff measures.

Normal trade status for Vietnam has never been a big issue, and making this relationship permanent should not be controversial now. Congress has consistently authorized continuing Vietnam's status by overwhelming majorities.

NPPC strongly supports WTO membership for Vietnam and will urge Congress to approve PNTR status for Vietnam as a necessary step in the membership process.

Mr. Chairman and Mr. Ranking Member, members of the committee, thank you for the opportunity to present.

The CHAIRMAN. Thank you very much, Jon.

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

The CHAIRMAN. Now, Mr. Schlect?

**STATEMENT OF CHRISTIAN SCHLECT, PRESIDENT,  
NORTHWEST HORTICULTURAL COUNCIL, YAKIMA, WA**

Mr. SCHLECT. Thank you, Mr. Chairman and members of the committee.

The Northwest Horticultural Council supports this bill authorizing the extension of permanent normal trade relations to Vietnam.

My name is Christian Schlect, and I serve as president of the Northwest Horticultural Council, which was founded in 1947 and based in Yakima, WA. We represent the apple, pear, and cherry industry of Idaho, Oregon, and Washington. We work on Federal issues and international trade policy for our members.

Orchards in the Pacific Northwest grow about 65 percent of the fresh-market apples grown in the United States. They raise more pears and sweet cherries than any other region in the country. For



example, Oregon, Senator Smith's State, is in the top three in both cherries and pears.

In terms of foreign trade, the Pacific Northwest exports about 30 percent of its annual fruit crop. Our industry's economic health is dependent upon opening and maintaining overseas markets.

Vietnam, with its population of over 84 million, is an important future market for our fruit. With a tropical climate that does not allow for the production of such deciduous tree fruits as apples and pears, it will eventually join such strong existing Asian markets as Hong Kong, Taiwan, and Singapore as an important destination for the fruit of our orchards.

Even now, in the 2005 shipping season, U.S. apple exports to Vietnam totaled 116,000 cartons. Upon accession to the WTO and the grant of PNTR, importers in Vietnam expect these shipments to jump by 40 percent.

When Vietnam does come within the ambit of the World Trade Organization, it will lower its import duties and be bound by a new set of international trade disciplines. In terms of the former, the current applied duties on U.S. apples of 25 percent, pears of 25 percent, and cherries of 40 percent will each be reduced to 10 percent over the course of 5 years.

As for disciplines, the most important for our traders is the sanitary and phytosanitary measures of the WTO. Vietnam has pledged to apply science-based S&P standards to all agricultural goods. And having a respected international forum in Geneva within which to bring—and hopefully resolve—the all-too-common and vexing technical disputes involving agricultural trade is a valuable step forward.

Rejecting PNTR for Vietnam would be a critical commercial and foreign policy misstep by our country. Instead, PNTR's passage is a quiet opportunity for the United States to further open doors of understanding and trade to a country once a bitter enemy, which is now actively seeking a more constructive and mature relationship.

When I first visited Washington, DC as the newly appointed president of the Northwest Horticultural Council in 1980, one of the first individuals my predecessor, Mr. Falk, introduced me to in his final trip was his friend, going back to their law school days at the University of Washington, Senator Henry Jackson, or as Mr. Falk called him, "Scoop." Together, they worked for over 30 years in securing access to foreign markets for our growers' fruit.

I believe Senator Jackson, if he were alive today, would understand and have adapted to the changing circumstances of history. He would see that the valid political and moral impulses then behind his and Congressman Vanik's 1974 trade amendment, aimed primarily at protecting the right of emigration for Soviet dissidents, no longer has reason to be applied by our country to today's Vietnam, and he would still be helping our fruit growers open new export markets.

Thank you.

The CHAIRMAN. Thank you, Mr. Schlect.

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

The CHAIRMAN. Now, Mr. Shafer?

**STATEMENT OF JEFFREY R. SHAFER, VICE CHAIRMAN,  
CITIGROUP GLOBAL MARKETS, NEW YORK, NY**

Mr. SHAFER. Mr. Chairman, members of the Committee on Finance, my name is Jeffrey Shafer, and I am vice chairman, Global Banking at Citigroup. I have previously appeared before this distinguished committee in my current capacity and when I served as Assistant Secretary, then Under Secretary, of the Treasury for International Affairs.

The issue before the committee today, whether to grant Vietnam permanent normal trade relations and thus pave the way for its access to the WTO, is of immense personal, as well as professional, interest to me.

I served with the U.S. Army First Infantry Division in Vietnam and have returned in recent years to advise government officials and offer Citigroup's support of their efforts to develop a market economy, to fully engage in the global economy, and thereby to offer a better future to their people.

The transition from conflict to cooperation between the United States and Vietnam is one of the great achievements by any two countries in my lifetime, as so eloquently highlighted by Senator Baucus in his introductory comments.

Many in this room and across America have supported the arduous process of reconciliation between our two proud peoples in the normalization of relations between our two great nations.

Today, the United States enjoys strong and mutually beneficial ties with one of Asia's fastest-growing economies. The country is a growing market for U.S. exports. During the past year alone, we saw an increase of 24 percent, and exports have reached \$1.2 billion.

Citigroup congratulates U.S. and Vietnamese negotiators for achieving a comprehensive WTO accession agreement that will provide broad market access across a range of U.S. goods and services. Citigroup's principal objective in supporting these negotiations has been to achieve commercially significant liberalization for trade, financial, and payment services.

We believe that the agreement is a good one in this respect and it will be an important step in securing broader U.S. national interests, and that it will contribute to economic modernization and growth in Vietnam, a market of 85 million people.

The financial and capital markets in Vietnam are seriously under-developed and inefficient. Liberalization through WTO accession, by opening to foreign institutions and accepting WTO disciplines, will help to change this.

I want to give a broad picture of what is being offered. As of April of 2007, the U.S. and other foreign firms will be able to establish 100 percent foreign-invested subsidiaries.

Upon accession, foreign securities firms will be able to open joint ventures with up to 40 percent foreign ownership, and after 5 years, own 100 percent of securities firms.

Cross-border market access commitments will be comparable or superior to those of OECD countries. Vietnam will allow insurance companies to open direct branches, offering non-life insurance after 5 years from accession.

With minimal limitations on scope of business, Vietnam will provide foreign insurance firms with full national treatment and implement a commitment for branching in the non-life area.

Now, Citigroup has been well placed to observe the developing business and policy climate in Vietnam which have laid the basis for WTO membership. Our largest subsidiary, Citibank, has been operating in Vietnam since 1993, when President George H.W. Bush eased trade restrictions and allowed U.S. companies to establish representative offices.

Shortly after President Clinton lifted the trade embargo, Citigroup applied for a branch license in Hanoi and opened for business in January of 1995.

In less than 13 years, we have become the largest foreign bank in the country, and we believe the fifth largest bank of any kind. We have also played a leading role in the American business community and have fully encouraged normalized relations between our two countries.

We have helped provide critical technical assistance, and we believe that we have been a model corporate citizen as a visible representative of American business in the country.

We are hopeful that Congress will approve PNTR for Vietnam at the earliest possible opportunity to ensure that Americans can benefit from the range of Vietnamese commitments made in the WTO accession negotiations. We made significant progress in our bilateral relationship during the past decade, and we have done so with the bipartisan support of the U.S. Congress.

The Vietnamese have worked diligently to address the many concerns that have been raised over the years in trade, and indeed in some of the non-trade areas that have been discussed this morning.

We must do everything possible now to encourage and support the efforts of the reformers in Vietnam who are advocating for more openness, more engagement with the international community, more liberalization in economic affairs, and moving towards a global standard, and not to pull the rug out from under them by failing to move forward here.

Mr. Chairman and members of the committee, the decision the Congress makes on this issue will have significant and lasting impact. Failure to maintain the forward momentum in this relationship would undermine U.S. interests in a large, strategically located emerging market.

The granting of PNTR represents an opportunity to complete the final chapter of our reengagement with Vietnam and with the Vietnamese people, and to ensure that cooperation continues to be the basis of our relationship.

On behalf of Citigroup, and as one ex-soldier, I urge you to move forward on approval of PNTR for Vietnam in as expeditious a manner as possible this summer. Thank you.

The CHAIRMAN. Thank you.

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

The CHAIRMAN. Now we hear from American Manufacturing. Go ahead, Mr. Tantillo.

**STATEMENT OF AUGUSTINE D. TANTILLO, EXECUTIVE DIRECTOR, AMERICAN MANUFACTURING TRADE ACTION COALITION, WASHINGTON, DC**

Mr. TANTILLO. Thank you, Mr. Chairman and members of the committee. My name is Auggie Tantillo, and I appreciate this opportunity to testify at this important hearing. I am the executive director of the American Manufacturing Trade Action Coalition.

AMTAC represents a number of industrial sectors, including chemicals, tool and die, industrial mold and metal products, and furniture. Our largest constituency, however, is textiles and apparel, and it is on their behalf that I have been asked to testify this morning.

AMTAC strongly opposes granting Vietnam permanent normal trade relations at this time. Our opposition is based on the belief that granting PNTR to Vietnam would replicate the policy mistake made by the U.S. Government in 2001, when we allowed China to join the WTO prior to their transitioning from a non-market, state-run economy to a non-subsidized, more open, transparent, free-market economy.

By permitting China to join the WTO prematurely, the U.S. forfeited its leverage to insist that China address critical issues, such as its inability to enforce IPR violations, its under-valued currency, and its rampant use of non-performing loans.

The inability to combat these unfair trade practices has resulted in an unmitigated disaster for U.S. manufacturers attempting to compete with the Chinese industrial juggernaut.

In fact, China accounted for \$202 billion last year of our overall trade deficit, a record \$717 billion annual deficit. We believe it would simply be unwise to ignore this painful lesson and allow Vietnam to become a WTO member prior to substantial progress on their part from a state-run economy to a much more open, market-driven economy.

In regard to textiles and apparel specifically, Vietnam is a proven capable and aggressive textile competitor. Since being granted conditional NTR in December of 2001, Vietnam's textile and apparel exports to the United States have soared by nearly 6,000 percent. Over the past 12 months, Vietnam has shipped \$3.1 billion of textiles and apparel to the U.S. alone.

The growth of these imports from Vietnam has come at the expense of numerous U.S. producers and has also come at the expense of many regional preference trading partners, such as those in the Caribbean Basin, CAFTA, and, of course, Mexico, as part of NAFTA.

During this same period, when Vietnam was granted conditional NTR and their trade grew by 6,000 percent, imports of textiles and apparel from Mexico and the CAFTA countries fell by \$42.3 billion.

In 2005, textiles and apparel accounted for over 53 percent of the total U.S. trade deficit with Vietnam, a deficit that would have been significantly greater if the U.S. had not imposed textile and apparel quotas in 2003.

So the question is, how did Vietnam grow so quickly and so demonstrably? The answer is, Vietnam subsidizes its textile sector tremendously. It also benefits from the fact that Vietnam does not allow its currency to float freely.

In terms of subsidies, the main state-owned textile company, by the name of Venitex, has received \$891 million in direct subsidies over the past 5 years. They have also benefitted from wage controls, preferential interest rates, rent holidays, export subsidies, preferential tax rates, and, again, direct investment from the Vietnamese government.

Noting this, the U.S. textile industry asked the U.S. Government to ensure that there were adequate safeguards in place prior to concluding the bilateral agreement, and of course prior to endorsing Vietnam's accession to the WTO. What we were given is a completely inadequate safeguard mechanism that is almost impossible to trigger.

It requires a WTO arbitrator to review whether or not Vietnam is eliminating its prohibited subsidies. Even if we are to get the WTO to agree with us on that claim, it only lasts for 12 months. The quotas have to be eliminated after a 12-month period, and even if Vietnam is not eliminating its prohibited subsidies, we have no recourse at that point.

In conclusion, Mr. Chairman, we thank you for this time and this opportunity. We are greatly concerned that granting Vietnam full WTO rights prior to a significant movement on their part to eliminate their subsidies in advance and to deal with other key issues such as IPR concerns, would be a replication of the same mistake that we made with China in 2002.

Thank you.

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

The CHAIRMAN. I think your last sentence emphasizes something I said earlier, that we need to make sure that we are not played for a sucker in the case of Vietnam like we have been with China, and we could be with some other countries as well, but China is the most visible.

Now, I say that, not speaking in agreement with everything you said, but it is something that Uncle Sam needs to be cognizant of so we are not "Uncle Sucker."

Mr. Caspers, in regard to the benefits of the agreement for the pork industry, Vietnam has agreed to recognize our meat inspection system as being equivalent, which is important under this agreement and under the WTO.

I want you to tell what that would mean in statistics of advantage to pork producers. But before you answer, I want to make this comment. There are a couple of countries, of which Russia is the only one I can now think of, where they are trying to do a plant-by-plant authorization of our inspection system as opposed to the entire system.

So I want to emphasize that, from the standpoint of practice, Vietnam is doing it the way that it should be done in regard to their approval of our system, as we would do in the approval of their system. You approve of the process we do, not plant by plant. So, Russia, as one example, is wrong in trying to circumvent the traditional approach to approvals of inspection systems.

Mr. CASPERS. Well, absolutely. The approval of the U.S. meat inspection system is really the gold standard for trade agreements. What we have seen is, in trade agreements where that has been

a part of that, trade then, in fact—because of the reduction in tariffs and the recognition of the meat inspection system—becomes much more simplified, and in reality trade increases, as the intent of the agreement is.

You mentioned plant-by-plant inspections. There is any other number of means we see in countries around the world where they put unfair disadvantages on exports of U.S. pork products out of the U.S. In those places where they recognize our meat inspection system, the trade agreements accomplish, by and large, the full intent, and trade then actually can take place.

The CHAIRMAN. And for Mr. Schlect, you anticipate that our exports of your products will increase significantly if Vietnam joins the World Trade Organization.

In your view, what are the consequences if we do not extend permanent normal trade relations with Vietnam, and therefore will not benefit from market access commitments that Vietnam has made?

Mr. SCHLECT. Mr. Chairman, I think they fall into two categories. One is, on the technical side, where many of the trade disputes in all of agriculture kind of fall into, in the sanitary and phytosanitary dispute resolution. We would not have access to that set of disciplines or that venue to bring problems to the world community where Vietnam might throw up a barrier to our trade on a technical front.

The other point is on the tariff side. If we do not get the same reductions in tariffs as our competitors, the committee needs to know that apples, pears, and cherries are grown worldwide.

Apples, for example, in this context. The People's Republic of China is the world's largest apple-producing nation now, and they already supply Vietnam with low-quality, less expensive apples. That would continue and be magnified.

Upper-end apples, in terms of quality, would probably be supplied in greater quantity by our competitors in New Zealand and Australia, so our market share would ebb and probably be destroyed by competitors who would have a tariff rate that we would not enjoy.

The CHAIRMAN. Thank you.

Mr. Shafer, your group has been doing business there, as you said, since 1993. Maybe some of the challenges that you faced in those 13 years, if we have Vietnam in the World Trade Organization, will be minimized.

Mr. SHAFER. That is right. I emphasized the progress we have made and how successful we have been, but there are many areas of business that are now precluded to us that would be opened up if we were to complete this agreement, including the capacity to branch freely, to have 100 percent owned subsidiaries, and to offer credit cards and other consumer services.

Right now, we have been very successful in serving the needs of U.S. and other multinationals in the larger corporations there. We think we can deal with the broad market in Vietnam and bring state-of-the-art banking to the country.

The CHAIRMAN. All right.

Mr. Tantillo, I know you made it very clear about your opposition and your fear of Vietnam in regard to textiles.

Let me ask you this question. Is there any possibility, or have you thought about, Vietnam, with this agreement, could be taking some textile business away from China once it would come into the World Trade Organization, and, by so doing, could Vietnam's accession end up not having as much of an impact on U.S. producers, but could instead help reduce our trade deficit with China?

Now, maybe the overall difference to the American producer might not change, but it could have that benefit of maybe spreading the jobs a little more worldwide where they tend to be concentrated now in China.

Mr. TANTILLO. Well, Mr. Chairman, we do fully expect Vietnam to grow considerably once they get full WTO rights. In fact, it is their projected claim that they will soon become the second-largest supplier of textiles and apparel to the United States, second only to China. They do offer a bit of a counterweight, mainly because their wage rates are lower, if you can conceive of it, than the Chinese.

In terms of our view, what we are simply saying is, let us move forward with our relationship with Vietnam. Let us establish a healthy, strong, bilateral structure with them, but let us also be logical. Vietnam is not going to transition from a state-run economy to a more transparent, market-oriented economy overnight.

In that interim, there should be adequate safeguards for U.S. industry, which does not have the benefit of state-sponsored subsidies. Remember, USTR was very specific: they only dealt with so-called prohibited subsidies, subsidies directly focused on exporting. Production subsidies are not necessarily covered by this agreement.

The agreement does not deal with Vietnam's manipulated currency. Until they make progress in that area, our approach would simply be, let us ensure that we have safeguards so that if they do surge and they do disrupt the market, it does not come at the cost of tens of thousands of U.S. jobs.

The CHAIRMAN. A final comment on my part. Going back to what you said, in comparison to China, and your statement that it is obvious that Vietnam is not going to become a market economy overnight, whether it is China or whether it is Vietnam, the transition ought to be according to what they tell us before they get in the WTO.

China has not. We do not want to make the same mistake with Vietnam. In other words, does Vietnam understand that they are making a commitment, not to do it overnight, but they are making a commitment to doing it, and are they going to do it on time? That is what I want assurances of.

Mr. TANTILLO. Mr. Chairman, we agree with you totally. Our view is that we ought to reserve some leverage to ensure that they do make progress on those commitments, as opposed to being without any recourse 2, 3 years from now, noting that they are having an amazingly disruptive effect on our market.

The CHAIRMAN. Now, to Senator Baucus.

Senator BAUCUS. Thank you, Mr. Chairman.

Is it Mr. Tantillo?

Mr. TANTILLO. Tantillo.

Senator BAUCUS. Tantillo. You use the American pronunciation, not Italian?

Mr. TANTILLO. It is actually Italian, and I am very proud of that this weekend, based on the World Cup. [Laughter.]

Senator BAUCUS. I will bet you are. Congratulations.

Mr. TANTILLO. Thank you very much.

Senator BAUCUS. I am just curious, in your view, why the United States should impose safeguards on textiles from Vietnam into the United States, when we do not with other countries. We do with China, but that is because China is so large.

But there are so many other countries that export textiles to the United States that we do not impose safeguards on, and also countries that export a lot more textiles than Vietnam does. So why do you think we should put safeguards on textiles from Vietnam, but not from other countries, but for China?

Mr. TANTILLO. Senator, I think the connection point is China. When we allowed China to accede to the WTO, we had a very specific safeguard mechanism based on the fact that they are a non-market economy.

Senator BAUCUS. Right.

Mr. TANTILLO. We assumed that they were not going to transition to a more transparent, open economy overnight. Vietnam, unfortunately, replicates many of those same problems. There is a state-owned textile company in Vietnam that received nearly \$1 billion in direct investment over the past 5 years.

It is now the tenth-largest exporter in the world, based on their own acknowledgement. This company has also enjoyed rent holidays, tax holidays, and export rebates. In addition, Vietnam has a manipulated and under-valued currency.

Our point is simple: the similarities are striking. The safeguard that we have utilized with China was absolutely essential. What we would like to see is, prior to going forward, an inclusion of similar-type safeguards that ensure that state-sponsored exporters in Vietnam are not given an absolute advantage in our marketplace.

Senator BAUCUS. What is the size of the textile exports from China, though, compared with Vietnam? What is the ratio?

Mr. TANTILLO. The Chinese exported about \$22 billion worth of textiles and apparel last year to the United States, and Vietnam exported \$3.1 billion.

Senator BAUCUS. And there are other countries, like Mexico, for example, and Hong Kong, that are more than Vietnam.

Mr. TANTILLO. That is correct. Vietnam is our sixth-largest supplier at this point. There are five other countries that are larger producers. However, those countries are from what we would deem to be market-oriented producers. They have market-driven principles. As a result, we think that there is a bit of a difference there that needs to be acknowledged in terms of how, and when, we allow Vietnam to accede.

Senator BAUCUS. Thank you.

Mr. Shafer, I am just curious about Citibank's views in Asia. You are liberalizing now under this Vietnam PNTR. What other sort of major opportunities or problems does your company see with respect to financial services liberalization in that part of the world?

Mr. SHAFER. We see Asia as a very important opportunity for us. We have been in the region for 104 years. We operate in 16 coun-



tries, and we are seeking that as a major area of growth for our business.

We do see restrictions on our business in most of the Asian countries that are greater than those we face elsewhere in the world, so we look for every opportunity to see liberalization.

This agreement with Vietnam is an important one; the Singapore Free Trade Agreement was another. The WTO agreement, if we can get there in the Doha Round, is another very important front, I think, in creating better opportunities.

Senator BAUCUS. But in Asia, what is the root of the problem for financial services? Is it just the banking system? Is it protectionism? What is it? Cultural? What is it? What is the problem?

Mr. SHAFER. It is history. I first faced this when I was responsible for negotiating financial services agreements at the Treasury in the 1990s, and I did find that there was more of a history of feeling that they needed to have control and have domestic operations of their banks and their securities firms. That mind-set is changing, and the countries are moving forward. But I think it does take continuous effort on the part of the U.S. to negotiate further opening.

Senator BAUCUS. What is causing the mind-set change?

Mr. SHAFER. I think, partly, opportunities. I think, partly, they are beginning to reach the point where their banks are starting to get big enough and strong enough to look abroad. They see the benefits that we bring. We employ 35,000 people in Asia, so we are important job creators for them. As they see the benefits, then they are more prepared to move forward.

Senator BAUCUS. In what countries do you see the greatest potential?

Mr. SHAFER. I would say the entire region, and the biggest ones, obviously, are China, India and Korea.

Senator BAUCUS. Besides China. I am talking about, in addition to China.

Mr. SHAFER. We think India is very important. We have acquired a major bank in Korea. We look at Singapore and Hong Kong as important regional financial centers, and we see that business as very important.

But I look very broadly at the Philippines, at Indonesia, and every place where we have operations, and we see a region that is going to grow. The ASEAN region has half the GDP of China—we tend to lose sight of how important it is, because it is a number of different countries—and it is growing nearly as fast, so we do see the whole region as a very important part of our future.

Senator BAUCUS. What is the EU doing in Southeast Asia?

Mr. SHAFER. They are very active. I was thinking, as we were talking about what if we do not pass this agreement and the EU were to get all of these benefits, and HSBC and Deutsche Bank, and Société Générale would suddenly have opportunities that we do not have. That would be really very damaging to the competitive position of U.S. banks.

Senator BAUCUS. And you think that is serious? That is significant?

Mr. SHAFER. Oh, I think it is very serious. I mean, Vietnam is not a very large economy today, but with 85 million people, and

growing the way it is, it is going to be a very important global player.

Senator BAUCUS. Thank you very much.

Thank you, Mr. Chairman.

The CHAIRMAN. Thank you.

We thank this panel. You may get some questions in writing from me, or even members who cannot be here, so we would appreciate your cooperation.

Now the next panel: Mr. Seiple, Mr. Kumar, and Ms. Foote. Maybe I should go back and say, Mr. Seiple, president, Institute for Global Engagement; Mr. Kumar, advisory director for Asia, Amnesty International; and Ms. Foote, president of the U.S.-Vietnam Trade Council.

So we are going to go in the order of: Mr. Seiple, so you can start out right away, Mr. Kumar, and then Ms. Foote. I think you were probably here, but let me remind you, we will put your entire long statement in the record and ask you to summarize in 5 minutes. Thank you.

**STATEMENT OF CHRIS SEIPLE, PRESIDENT, INSTITUTE FOR  
GLOBAL ENGAGEMENT, WASHINGTON, DC**

Mr. SEIPLE. Certainly. Chairman Grassley, Senator Baucus, thank you for the privilege of speaking with you about Vietnam.

This September marks my fourth trip to Vietnam since the U.S. designated Vietnam as CPC in September of 2004. Over the course of these visits, to include several meetings with Vietnamese officials visiting the United States, I have had the opportunity to meet and observe many government and religious leaders in Hanoi, and, more importantly, at the provincial level, especially in the northwest and Central Highlands.

These visits have also been punctuated by a July 1, 2005 agreement between our organization, the Institute for Global Engagement, and the Vietnamese USA Society to strengthen U.S.-Vietnam relations by working together on religious freedom.

This agreement has already witnessed ground-breaking delegation visits to the United States and to Vietnam this year, and will include the first-ever Conference on Religion and Rule of Law in Vietnamese history in September in Hanoi.

While there are many technical and tactical issues to debate, I believe that we can distill these discussions to two strategic questions: (1) Has Vietnam begun to move toward a rule of law system that will preserve, protect, and promote religious freedom in Vietnam, as well as enhance the trade between our two countries? (2) If so, how should the U.S. practically encourage Vietnam to continue moving in the right direction?

Irrespective of its origin, a strategic shift has taken place in the Vietnamese mind-set regarding religious freedom. Evidence of this shift began with the promulgation of national ordinances, instructions, and guidelines on religious freedom from November of 2004 through March of 2005.

Although significant discrepancies among these documents must be clarified, the government has begun the unprecedented process of training officials at all levels about these decrees and how to address religious freedom at the local level.

This shift has also created the space in which religious freedom organizations like IGE, my organization, can contribute to an opening civil society by providing third-party accountability regarding religious freedom.

Finally, there is increased awareness among government officials that faith-based groups contribute to social society and social stability by providing for the poor and needy, alleviating the financial responsibility of the state for those same folks, and by serving as a moral bulwark against the increased corruption that inevitably accompanies an economy in transition.

This evolution of word and deed among government officials at the national and provincial levels marks the beginning of a new pattern, I believe, in the history of Vietnam's human rights.

To be sure, implementation of these changes is uneven. There are too many examples of people of faith being harassed because of their belief systems, in some places more than others.

Yet, these positive changes continue to take place, deepening and broadening the opportunity for a rule of law system to take root and permanently provide for religious freedom, as well as normal trade relations.

In this overall context, I believe the U.S. should honor Vietnam's good-faith efforts on religious freedom, lift CPC, and then establish PNTR. These two particular actions send a strong signal that we both respect the efforts made thus far by the Vietnamese government, especially to protect religious freedom, and that we expect the government of Vietnam to continue creating the rule of law structure necessary to promote religious freedom and free trade in a sustainable manner. If such efforts do not continue at a reasonable pace, the U.S. should be ready to re-designate CPC, possibly with sanctions.

Perhaps most importantly, removing CPC and establishing PNTR encourages the progressive elements among Vietnam's leadership. Vietnam possesses many true patriots amidst its government's bureaucracy. I have met many of these national servants who want what is truly best for their country and for their citizens. If we do not tangibly support them, hard-liners gain the advantage and impede the progress that we all seek.

Progress is often not pretty, and never comes easy. In fact, it is the direct result of difficult and long-term work of building relationships of trust and respect. Through relational diplomacy between states and between peoples, it is indeed possible to understand one another and, as a result, develop solutions that are sustainable, if only because we have developed them together.

Thank you again, Mr. Chairman, for inviting me to this vital conversation.

The CHAIRMAN. Thank you very much.

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

The CHAIRMAN. Now, Mr. Kumar?

**STATEMENT OF T. KUMAR, ADVOCACY DIRECTOR FOR ASIA,  
AMNESTY INTERNATIONAL, WASHINGTON, DC**

Mr. KUMAR. Thank you very much, Mr. Chairman, for inviting Amnesty International to testify at this important hearing. It reminds us of the testimonies we gave during China's PNTR.

I will come back to China in the closing remarks, but before I go into it, I want to give our position, Amnesty International's position, on whether granting PNTR is good or bad for the United States. We do not take a position, so our analysis is pretty much an objective analysis about human rights in Vietnam.

So I stand out compared to other witnesses of not taking a position. I do not know about your position, but so far everyone has endorsed giving PNTR. So, it gives me added responsibility to highlight the reality on the ground in terms of human rights.

We have divided human rights practices in Vietnam into three major categories. One is, of course, what is the current status of human rights abuses that have been going on for years?

First is the restriction on freedom of expression, assembly, and association. That goes directly to one of the issues you mentioned in your opening remarks, of inviting labor organizations. Unfortunately, they did not show up. We feel that since there are restrictions, three unions may find it difficult to exist, given the current reality. I will not emphasize that; we do not take a position on PNTR. I just wanted to remind you of that.

Second, there are national security legislations that are in place that have been abused to silence political opponents.

Third, continuing imprisonment of political prisoners. Political prisoners include religious prisoners, civil society leaders, and, lately, Internet users, the freedom of people who have been using the Internet.

Fourth, repressive practices against minority communities, especially in the mountain areas, in the hill areas of the Central Highlands.

Fifth, concerns about independence of the judiciary, which we feel should be addressed because that should balance any abuses that may be happening there.

Sixth, restrictions on religious freedom, which Mr. Seiple mentioned earlier, so I do not want to go into that.

Finally, is the death penalty. We know that even the United States practices this, so I do not want to dwell on that.

There is one area where we feel the situation has deteriorated, and that is freedom of the Internet. As you can imagine, recently there was a lot of uproar in China about certain U.S. companies helping China to restrict freedom of Internet access.

Fortunately, none of the U.S. companies are involved in assisting Vietnam. Only 2 weeks ago, July 1, Vietnam introduced new regulations restricting Internet access to its citizens. That is extremely disturbing.

Even though the Vietnamese know they are waiting for WTO accession, their steps are not encouraging. That is very disturbing for us to see, that they have introduced new legislation. We are waiting to see how it is going to be implemented.

However, there are improvements, positive signs in Vietnam that have been taken. First, political restriction appears to have eased recently. We do not know the reason. You can guess that it is because of WTO or this PNTR debate, but we hope that is not the linkage and that it is a genuine political will on the Vietnamese government's point of view to open it up, and we are happy about that.

Second, recent debates about corruption, which is extremely helpful for business leaders to see, opened up. The National Assembly basically had hearings on that, and that is a very encouraging, very positive development in Vietnam.

Finally, the first time we have observed that National Assembly members have basically spoken up in a different tune, or different views from the Communist Party. These discussions were broadcast live on TV and radio. So these three issues, we feel, are extremely encouraging, and we hope, given PNTR, may encourage them to open up.

But there was a question I noticed in the first panel about giving PNTR to open up human rights and freedoms. We do not know what will happen in Vietnam, but there is one area where we have seen negative aspects, and that is in China. We did not take a position on PNTR for China at that time.

Unfortunately, after PNTR was given to China, they are in a different mode altogether. They are completely ignoring international standards, even completely going against U.S. wishes and requests for improvements of human rights. In religious freedom, political freedom, you name it; false accusation, incarceration, and execution of political prisoners is going on.

So our concern is whether giving PNTR will encourage or discourage Vietnam from going forward. We can only hope. But it is your responsibility, Mr. Chairman, to make sure that the issues of human rights, religious freedom and other rights are taken very seriously when you are debating this, because this is not about U.S. businesses, more than about U.S. interests, this is about the people of Vietnam.

So when you are giving this PNTR, make sure that you do not inadvertently give the wrong signal to the people of Vietnam or to the Vietnamese government, that you can do whatever you want. So this is a great opportunity, and we urge you to take this opportunity and take it forward to make sure that the Vietnamese people enjoy full freedom.

Thank you very much.

The CHAIRMAN. Thank you, Mr. Kumar.

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

The CHAIRMAN. Now, Ms. Foote?

**STATEMENT OF VIRGINIA B. FOOTE, PRESIDENT,  
U.S.-VIETNAM TRADE COUNCIL, WASHINGTON, DC**

Ms. FOOTE. Thank you. Chairman Grassley, thank you very much for holding these hearings today. I am here representing the U.S.-Vietnam WTO Coalition, which is a group of 120 companies and associations who are very much in favor of Vietnam's accession to the WTO, and this vote on PNTR in front of you.

We are a group of farm organizations, trade associations, veterans groups, NGOs operating in Vietnam, and many companies who are either doing business in Vietnam now, or are interested in doing business there. This is an extremely important vote for us.

Vietnam has concluded the bilateral agreements that it needs to join the WTO, including most recently the one with the United States, and is now working to complete the multilateral process,

and looking to finish that process by October and have the General Council procedures completed by mid-October.

The goal for Vietnam, and for all of us, is to see Vietnam be a full member of WTO when they host the APEC Summit leaders this year in November. We expect President Bush to attend those meetings and have a bilateral meeting with the Vietnamese as well at that time, and we hope that Vietnam is, in fact, a full member of WTO by then.

If, by October, the U.S. has not had the PNTR vote, we are concerned that the U.S. would have to take the non-application clause, and therefore the commitments that Vietnam makes in joining WTO would not be extended to American companies.

The agreement that the U.S. reached, in particular, but that will then be multilateralized, is of enormous importance to U.S. manufacturers, farmers, and agricultural businesses, as we heard in the earlier panel. It opens up market access in goods and services, but it also makes some very important commitments for Vietnam to adhere to the key principles of the WTO.

Unlike some of the trading partners that have been mentioned earlier, Vietnam has had to work to get their laws and regulations ready for implementation on accession.

These are not commitments that are going to be allowed to be phased in. In the last year, Vietnam has either upgraded or added new amendments to over 50 laws that will bring them into compliance with their WTO commitments on accession, not later.

PNTR is also important, I think, for all of us because it is part of a continuing effort to normalize relations with Vietnam, our former enemy, that began with the Reagan administration and has been carefully shepherded by each administration since then, and with bipartisan support from Congress.

As you mentioned earlier, we submitted a letter today, signed by what we have called our "eminent persons list" of former Cabinet officials, and that letter is signed in support of PNTR for Vietnam.

It includes: Henry Kissinger, James Baker, Madeleine Albright, Bob Rubin, Colin Powell, and Tony Lake, to name just a few of the distinguished members of Cabinets since the Reagan administration who are supportive of this.

It is because, since 1988, our bilateral relationship has brought progress on all fronts, and I really want to emphasize on all fronts. I think the panels that were here today from the administration, private sector, and NGOs, each area that is important to the U.S., have had progress.

The MIA-POW work has gone extremely well, and continues to go well. We have a counter-narcotics program in Vietnam now. Obviously, trade and investment have gone well. There has been a growth in military cooperation.

We have had a labor dialogue with Vietnam, and we hope that the labor MOU that expired earlier at the end of 2005 will be renewed soon. There has been the release of political prisoners in the last year. There are four political prisoners left and we are working on their release.

But overall, Vietnam is a country of great optimism. Our members are particularly interested in the future. It is a bustling coun-

try of 85 million; half of the population is under 25. It seems to have a very promising future.

The growth rates there are enormous. Poverty reduction has been historic. Vietnam's economy, most of the economy and employment, is not in the state sector any more, but in a growing private sector, and thousands of SMEs have been founded in the last several years.

Vietnam takes seriously its WTO commitments, and I can commit that the private sector will continue to be involved in programs to get those laws implemented, to get the regulations addressed and issued in ways that are compliant with the WTO. Again, the bilateral commitments that they have made to the U.S. will be a key part of that.

I want to just comment, briefly, on the textile area, in that 4 percent of the U.S. import market is coming from Vietnam, 25 percent is coming from China. When the EU lifted quotas on Vietnam, the imports did not increase. I think these safeguard regimes are very tough on Vietnam, and the companies who are producing there will keep them in mind.

This is an important agreement. It is an important time. There are veterans, Vietnamese Americans, and business people traveling to Vietnam in tremendous numbers: 350,000 Americans went to Vietnam this year. Vietnam is on a time frame and an accession program that we hope will be finished in October, and we very much urge Congress to have looked at, and voted positively for, PNTR by that time.

Thank you, sir.

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

The CHAIRMAN. I have a few questions. I will not keep us long.

Mr. Seiple, I want to start out with some cynicism you heard expressed earlier today, I think, by Senator Smith and Senator Bunning about religious freedom.

I do not in any way disagree with your analysis that maybe there is some positive movement, but what is your expectation—and it is in regard to, I think Senator Bunning used the word “leverage”—once Vietnam joins the World Trade Organization and we then might lose leverage? Would you anticipate that the Vietnamese government will remain committed to the goals that you have described?

Mr. SEIPLE. Thank you, Senator, for your question. I should also note at the beginning that the Baptists are registered, so there is no need for you to travel there any time soon.

The CHAIRMAN. All right.

Mr. SEIPLE. But we would love to take you over there.

The CHAIRMAN. Does being registered guarantee not being discriminated against?

Mr. SEIPLE. No, it does not, but it is a step in the right direction. I think that is the key to answering your overall question: is Vietnam moving in the right direction or is it not? We are not going to go rapidly from a state-controlled economy to a market economy.

We are not going to go from repression and persecution to open-air gatherings and missionary work across the board. That takes time to change, especially in Asia, especially in a group-based society.

That is not to excuse the wrongs that have taken place or the wrongs that continue to take place sporadically in the country, but they are moving in the right direction.

What leverage do we have? Well, I think there are a number of things. One is that, if we remove CPC, we can still redesignate them as CPC, with sanctions. There are 15 menu options that we can bring back and say, if you do not move seriously on these issues of religious freedom, we can do that.

The second thing that we have, at least until November, is the APEC visit. That is very, very important to the Vietnamese in terms of regional perception. Is that going to be a state visit where the President also happens to attend APEC, or is it going to be an APEC Summit that also happens to be in Vietnam?

That is something that the government can use to its advantage to leverage and make sure that progress continues on and moves forward, in the context of the exchange of letters of May 5, 2005.

The third thing that I would say, returning to Secretary John's comment about just cold-hearted realpolitik, Vietnam, in general, needs us more than we need them. They are a medium-sized power. They were invaded by China as recently as 1979. They think about these things.

For them to be in a good partnership across all fronts in the bilateral relationship is in their best interests, it is in our best interests, and that is why we should stay engaged and continue to work with them, and encourage and applaud the small steps, and expect bigger steps, because we are partners in this together.

Mr. KUMAR. Senator, would you mind if I comment on the same question?

The CHAIRMAN. Yes. Go ahead.

Mr. KUMAR. From our point of view, there are improvements. Several religious leaders have been released, but there are quite a few still in custody, especially the United Buddhist leader. He is an 86-year-old Buddhist monk, and he is still in custody.

Apart from that, the disturbing development was about 2 months ago, in May of 2006. A small Mennonite church was destroyed in Ho Chi Minh City. We have confidence, we checked different sources. It may be an isolated incident, but this is happening. That is disturbing.

The other concern is about the sanctions. As I mentioned, we at Amnesty do not get into sanctions. But if PNTR is given, this is something that you should check anyway. If PNTR is given, any of the sanctions that may be triggered by either trafficking or religious persecution that can be applied, that can intervene, that go against part of the test that has been given, that is something you have to check. So, I thought I should highlight that.

Thank you, Senator.

The CHAIRMAN. I think you answered the question I was going to give to you right now, so I will not ask you a second time, but the extent to which you agreed with Mr. Seiple. I think you have answered that, so I will go on then to another question for you.

Eighty-five million people there, half of them are 25 years old or younger. Joining the WTO is likely to increase the country's trade flow, and that is likely to create new economic opportunities and prosperity for future generations there in that country.



To the extent that Vietnam joining WTO helps to grow its middle class, do you see any potential spill-over benefit because the populace will become more demanding of human rights protections and religious freedoms?

Mr. KUMAR. On the surface, we will say, yes, the possibility is there. When engagement gets in in any form, that helps the community and the people to learn and to move forward. But if you look at China, that is not the case. That is why it is disturbing us. But we are not saying that Vietnam is going to be China. We have to look openly and see that the chances are better that they may move forward. It is a small country.

Our concern is about the Internet. I am coming back to that. Half the population is less than 25. They cannot access the Internet freely. I am not talking about for criminal reasons or pornography, I am talking about just freedom of expression. That is disturbing.

That is why you have the responsibility at this time that these three issues are raised, and we hope accession to the WTO will help, there is no question about it. Even though we do not take a position officially, I personally feel it will help.

Thank you, Senator.

The CHAIRMAN. Thank you.

Now, Ms. Foote, you and your organization take a little bit different view than Mr. Tantillo did. He was talking about the harm that would come to the textile and apparel industry. I think your response would be very helpful.

Ms. FOOTE. Well, as I mentioned, the imports from Vietnam now are quite small. They are about 4 percent of the imports coming into the U.S.; China's, as I said, are 25 percent. The EU lifted quotas on Vietnam about a year and a half ago now, and there was no surge. In fact, the numbers have gone down a little bit into the EU.

So, while I think Vietnam has been, and certainly the quote from the Vice Minister that Vietnam will become the number-two importer, I think that is really wishful thinking. They will continue to import to the U.S. They see us as an important market. They are also buying a lot of our cotton, and that is an important source for them, American cotton. I do not think the numbers will be that dramatic.

But I would also say that the safeguard mechanism that has been built into this agreement is unprecedented, it is tough, it is severe. If Vietnam is found to be out of compliance with their commitments on prohibited subsidies, the hammer comes down hard and fast, and there is no other agreement like this.

The CHAIRMAN. From that standpoint, you are saying it is a lot stronger than what we enacted with China. Anti-surge is what you were talking about, right?

Ms. FOOTE. This is the commitment that the U.S. got from Vietnam on the use of prohibited subsidies. So, it is a slightly different mechanism than was used for China.

The CHAIRMAN. All right.

And you would say stronger, then?

Ms. FOOTE. I do not know that in the China agreement there was any addressing of prohibited subsidies, and a safeguard mechanism triggered directly to that.

The CHAIRMAN. Then my last question to you is in regard to their commitment to implement disciplines, particularly including the agreement on trade-related aspects of IPR. Do you anticipate the need for continued capacity-building efforts in Vietnam in order to see that commitment fully realized, and, if so, what types of efforts does your organization suggest?

Ms. FOOTE. I absolutely do think it is important to continue the programs on IPR enforcement. The laws basically are there now. They just passed another amendment this summer, and there are a few regulatory issues that need to be addressed to be fully compliant with TRIPS. But implementation is key, as it is in many countries. I think there has been some progress there. There have been some high-profile enforcement raids that have made the press.

But I think there really does need to be more public relations work, public awareness work in Vietnam, and quite a few American companies for whom this is important have been involved in programs with U.S. AID on training government officials on the benefits to Vietnam.

The channels for smuggling any product are the same channels that narcotics and money laundering come through worldwide, and there is an important border issue here for products coming in to Vietnam, counterfeit products coming into Vietnam. Right now, there is not a manufacturing and production problem in Vietnam, but they need to be vigilant to make sure that does not happen.

The CHAIRMAN. All right. Thank you very much. Thank you for your testimony.

Before you go, and for you and the previous panels, we have set tomorrow afternoon, close of business tomorrow, for people on the committee to ask questions for answers in writing. We would ask that each of the panelists, all three panelists, could have their responses to us by Friday, July 21. It may not happen, but it usually does happen.

So, thank you very much. We appreciate your fine participation. [Whereupon, at 12:33 p.m., the hearing was concluded.]

## APPENDIX

ADDITIONAL MATERIAL SUBMITTED FOR THE RECORD

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# Committee On Finance

Max Baucus, Ranking Member

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**NEWS RELEASE**

<http://finance.senate.gov>

**Statement of Senator Max Baucus  
Hearing Before the Finance Committee on  
Permanent Normal Trade Relations for Vietnam**

Reflecting on Vietnam's 1426 victory over China, the Vietnamese Confucian poet Nguyen Trai wrote: "Peace follows war as day follows night."

For America and Vietnam, those words once would seem only wishful thinking. Now those words seem entirely appropriate. They define the reconciliation between the United States and Vietnam.

Remember the Tet Offensive in 1968. Remember the Christmas bombing of Hanoi in 1972. Remember the helicopters leaving Saigon in April 1975.

I remember those times. At those times, I would never have dreamed that I would be sitting here sponsoring legislation to take the final step to normalize U.S.-Vietnam relations. I am proud to play a small part in this journey from night to day, from war to peace.

The journey began when President George H.W. Bush first sought daylight. He presented Vietnam a roadmap to normalization in April 1992.

The journey continued when my Finance Committee Colleague, Senator John Kerry, along with others, worked diligently in the early 1990s to account for prisoners of war and persons missing in action.

The journey continued when President Bill Clinton lifted the U.S. economic embargo on Vietnam in 1994 and normalized political relations the following year.

*--2 more--*

The journey pushed to its last mile when President George W. Bush and his administration worked diligently to pave the way for Vietnam's entry into the World Trade Organization. President Bush travels to Hanoi later this year.

And we will together complete the journey by granting Vietnam permanent normal trade relations.

America's relationship with Vietnam is no longer just about the past. It is no longer about the night.

It is about a hopeful present. It is about an even more promising new day.

More than three out of five of Vietnam's 83 million people were born after the war. Vietnam is booming. Vietnam's economy is growing by more than eight percent a year.

Vietnam is committed to economic reform. It is committed to opening markets. And it is committed to reducing poverty.

In the past five years, trade between America and Vietnam has quintupled. It has grown from \$1.4 billion in 2001 to \$7.6 billion in 2005. America trades more with Vietnam than we do with Peru, Costa Rica, Guatemala, Morocco, Oman, Bahrain, or other Free Trade Agreement parties. Vietnam is America's 44th-largest trading partner.

And Vietnam has reached these levels before joining the World Trade Organization. When that happens -- as it soon will -- Vietnam will further open its market to American farmers, ranchers, manufacturers, and service providers. The bilateral WTO accession deal that Vietnam and America concluded last May will yield significant benefits to America.

Vietnam will reduce to 15 percent or less its tariffs on agriculture goods that affect three-quarters of U.S. farm exports.

Vietnam will cut tariffs to 15 percent or less for 94 percent of U.S. exports.

Vietnam will permit U.S. banks, insurance companies, and distribution companies to establish 100 percent foreign-owned subsidiaries immediately or within a few short years.

And Vietnam will eliminate BSE-related restrictions on all beef products and recognize the equivalency of U.S. food safety inspections.

*--more--*

Vietnam's WTO accession is a big deal. It is a big commercial win for the United States. It is the most economically-significant trade initiative in some years. And it commands broad political support in both chambers of Congress.

But to get the benefit of Vietnam's accession, we must come together to grant Vietnam PNTR. We must come together to give Vietnam permanently what we already give it on an annual basis.

The time to do this is now, before the President travels to Hanoi in November. The time is now, before other countries -- like China -- beat us to the punch by benefiting first from Vietnam's market-opening commitments.

Now is the time to complete the transition from the past to the future. Now is the time to step from night to day.

And, in so doing, may America and Vietnam fulfill other words of blessing penned by Nguyen Trai. In so doing, may we "regain tranquility for ten thousand generations."

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**Testimony of  
Ambassador Karan K. Bhatia  
Deputy United States Trade Representative  
On S. 3495**

**Before the Committee on Finance  
United States Senate  
July 12, 2006  
Washington, D.C.**

Chairman Grassley, Senator Baucus, Members of the Committee, it is a privilege to be here today to testify on behalf of the Bush Administration in strong support of S. 3495, which, if enacted, will authorize the President to grant Vietnam permanent normal trade relations, or PNTR, with the United States, and will help clear the way for Vietnam to join the World Trade Organization. This legislation represents another milestone in a process that began over 15 years ago, when the United States restored diplomatic relations with Vietnam.

We believe that WTO accession for Vietnam will benefit the United States economically, will promote reform in Vietnam, and will support broader American interests in Vietnam and in Southeast Asia as a whole. Accordingly, the Administration asks for the Committee's support as we take another step forward in this important bilateral relationship.

I would like to note the importance of the economic dimension of that relationship and describe some of the benefits that the bilateral market access agreement related to Vietnam's WTO Accession, which we signed in May in Ho Chi Minh City, will offer American exporters and investors.

Let me begin by briefly describing the current U.S.-Vietnam trade relationship. In 2000, bilateral trade was less than \$1 billion. Since 2001, when our Bilateral Trade Agreement (BTA) with Vietnam went into effect, two-way trade has grown to \$7.8 billion, an increase of more than 400 percent. Over that same period, U.S. exports to Vietnam increased 150 percent – to \$1.2 billion – making Vietnam among the fastest growing Asian markets for U.S. goods. The United States is now Vietnam's sixth-largest supplier of goods – and the only Western nation in a group that includes the other ASEAN nations, China, Taiwan, Korea, and Japan.

The growth in trade reflects the rapid growth of the Vietnamese economy. Over the past five years, Vietnam's GDP has increased by two-thirds – from \$31 billion to \$52 billion. This year, Vietnam's GDP is forecast to achieve about eight percent growth, and there is no sign of it slowing down.

The United States – and its industrious companies, workers, farmers, and ranchers – have sought to support and participate in Vietnam's rapid economic acceleration. Whether it is farmers across the Midwest exporting pork and soybeans, or ranchers in the Mountain West raising cattle, or fruit and vegetable growers in the Pacific West; manufacturers of industrial products ranging from aircraft, to construction equipment, hi-tech products, wine and spirits, and even Harley-Davidson motorcycles; or producers of financial, express delivery, and other

services, Americans have embraced the economic potential of this country of 82 million people. U.S. companies have also increasingly seen Vietnam as a platform for regional production – and, in that regard, as an attractive alternative to China.

With these trends in mind, let me turn to the bilateral agreement that the Administration has negotiated. I know that our negotiators have consulted on numerous occasions with this Committee on various aspects of the Vietnam bilateral agreement before, during and after the negotiations, and I want to say that we very much appreciate all of the input and feedback received from you and your staff. We remain open to further discussions with you should you have questions on the agreement, the PNTR process or the next steps involved in Vietnam's WTO accession process.

Vietnam's bilateral market access agreement with the United States builds on the progress we have achieved over the past five years and promises even greater access to one of Southeast Asia's most dynamic economies.

On industrial goods, tariffs on more than 90 percent of U.S. exports of manufactured goods will fall to 15 percent or less. On many key U.S. exports, such as computers, telecommunications equipment, and on civil aircraft, engines, and parts, tariffs will be eliminated. Vietnam's tariffs on auto and motorcycle tariffs will fall by 50 percent or more for SUVs, minivans, large motorcycles and other automotive products. Duties will be eliminated on 91 percent of Vietnam's imports of medical equipment and on 96 percent of scientific equipment. Vietnam will bind tariffs on virtually all of its agricultural and construction equipment imports at 5 percent or less. In addition, tariffs on chemicals, cosmetics, and pharmaceuticals will be cut significantly. This means real benefits for U.S. exporters.

Tariffs on agricultural products of key interest to U.S. farmers also will be substantially reduced in Vietnam as a result of our bilateral deal. Duties on almost 80 percent of our farm exports will fall to 15 percent or less, including on cotton, beef and pork offals, boneless beef, whey, grapes, apples, pears, almonds, raisins, cherries, frozen fries, and certain categories of chocolate. Vietnam also will lock in low tariffs on other key U.S. farm exports, such as poultry. Moreover, Vietnam has made a number of important commitments regarding implementation of its agricultural policy, including its pledges to apply science-based sanitary and phytosanitary standards to all agricultural goods; to recognize the U.S. food safety inspection systems for beef, pork, and poultry as equivalent to its own inspection systems; and to implement regulations for biotech and shelf-life in a non trade-disruptive manner.

In the services area, Vietnam has agreed to provide substantial market access across 114 services sectors. Among these are areas in which U.S. firms are globally competitive, such as telecommunications, energy services, express delivery services, engineering services, construction services, wholesale, retail, and franchise services and professional services.

Vietnam also made commitments that will create real opportunities for U.S. financial services companies. As of April 1, 2007, U.S. and other foreign banks will be able to establish 100 percent foreign-invested subsidiaries. As Vietnamese legal entities, these subsidiaries will receive non-discriminatory treatment upon accession. A U.S. bank subsidiary will be able to

take unlimited local currency deposits and issue credit cards. Vietnam already provides for bank branching. Upon accession, U.S. and foreign securities firms will be able to open joint ventures with up to 49 percent foreign ownership, with 100 percent ownership allowed after five years. U.S. insurance firms will be able to operate through 100 percent foreign-owned subsidiaries and Vietnam will allow direct branches of foreign firms to offer non-life insurance five years after accession.

Significantly, Vietnam has committed to the elimination or phase out of *all* WTO-prohibited industrial subsidies and agricultural export subsidies. Indeed, as a result of our agreement, Vietnam already repealed its major subsidy program for its textile and garment producers, and upon accession will cease all prohibited subsidies – an issue that our textile manufacturers identified as a major goal in these negotiations. Vietnam also will eliminate import bans on most products and make the remaining import licensing procedures WTO-consistent. It further will implement laws to fully comply with WTO intellectual property rules, known as TRIPS, including providing data protection. We are working closely with the Vietnamese Government to ensure that the law and implementing regulations meet its obligations. This is a win for U.S. companies doing business in Vietnam.

In addition, the Administration achieved two other significant outcomes in our WTO bilateral agreement to protect American companies from unfair competition by Vietnam's remaining state-owned and state-controlled enterprises. First, Vietnam has confirmed that its state-owned and state-controlled enterprises will make purchases and sales in international trade based on commercial considerations. Secondly, Vietnam – which the Department of Commerce has determined to be a non-market economy – agreed that the United States can continue to use special calculation methodologies in antidumping cases until the Department determines that Vietnam has become a market economy or the year 2018, whichever comes first.

Vietnam has worked hard to prepare for WTO membership. In the last few years, Vietnam has enacted over 80 new laws and regulations to bring its trade regime into consistency with international norms. Many of these changes were made to implement Vietnam's commitments in our 2001 bilateral trade agreement, including implementation of important transparency obligations. Moreover, Vietnam has adopted an important notice and comment process to engage stakeholders in the development of its regulations and legislation. This is an important signal. Vietnam's legislators have incorporated much of the public input they received into these new laws. In some cases, Vietnam's National Assembly has completely overhauled draft laws submitted by the government in ways to make them consistent with international norms and/or WTO rules. These are momentous changes for a country with no previous record for transparency in its legislative and regulatory processes and will reduce arbitrary administrative action, and support reform, openness, and good governance in Vietnam.

Still, we are seeking to further strengthen and consolidate Vietnam's commitments on WTO rules and obligations in the multilateral negotiations for Vietnam's WTO accession, which will continue next week in Geneva. Among the important areas where we are still negotiating is intellectual property rights. Vietnam is in the process of finalizing its laws to bring its policies and practices into full WTO TRIPS compliance, including on data protection, copyrights, and



enforcement. The United States is working closely with the Vietnamese Government as it drafts these laws and implementing regulations.

More broadly, accession will support our broader linkages with the commercially and strategically critical ASEAN region, whose 570 million people purchased \$50 billion worth of U.S. goods last year. Granting PNTR to Vietnam will send a clear signal of our commitment to Asia and the nations of Southeast Asia, and will complement other U.S. trade priorities in Asia, such as the free trade agreements that we are negotiating with Korea, Malaysia, and Thailand, and the numerous other trade and investment dialogues that we are pursuing across the region.

Of course, we cannot realize any of these benefits without the PNTR legislation before the Congress, which will allow the United States to establish WTO relations with Vietnam at the time of its accession. Because WTO rules require that Members grant each other the equivalent of permanent normal trade relations, PNTR legislation must be enacted if we are to obtain the benefits of the bilateral agreement we have negotiated as part of Vietnam's accession or have the right to enforce WTO rules and disciplines with respect to Vietnam.

Before I close, let me touch upon the human rights and religious freedom issues that have, rightly, been a significant focus for the Administration and for many in Congress. My State Department colleague, Deputy Assistant Secretary Eric John, will address these issues in greater detail, but I want to emphasize several things.

As Americans, we cherish freedom of conscience and what the President has called "the matchless value" of every human being, and we take seriously the notion that our trade relations with any nation might be tarnished by disregard for the liberties of that nation's people.

We believe that this bilateral agreement – though it is principally commercial in nature – will help to encourage advances in Vietnam's human rights record. Clearly, the prospect of WTO accession and Vietnam's implementation of its BTA commitments have created momentum for improvement in these areas. In the new bilateral agreement, we have won a commitment to allow imported motion pictures and broadcast films and have achieved significant tariff reductions on them, and we have secured the right for U.S. firms to establish production facilities and movie theaters in Vietnam. For published materials, including religious materials, Vietnam has committed to make purchases and sales on commercial terms and has pledged not to interfere in commercial decisions made by the private sector. In addition, the many changes in Vietnam's trade and commerce laws and regulations that I described a moment ago will enhance the rule of law and promote transparency, thereby buttressing broader principles of openness, due process and rule of law.

These changes alone will not cure the problems associated with human rights and religious liberty in Vietnam. But they will allow new ideas and information to flow into Vietnam that will encourage further freedom and openness. These changes will also allow us to deliver a stronger message in non-economic areas of the relationship where we have concerns, thus encouraging further improvements in human rights and religious freedom.

The Administration strongly urges the Senate to move quickly to a vote on Permanent Normal Trade Relations with Vietnam. A PNTR vote this summer will not only allow us to lock in the valuable market access commitments Vietnam has made – to the benefit of American and other foreign exporters – but also increase our leverage in the ongoing multilateral talks, where we still have important issues at stake. We believe that the advantages of the bilateral market access agreement are clear, and we urge your favorable consideration of this legislation, so that American exporters can capitalize on the opportunities emerging in Vietnam, so that we can help to bring an important trading partner into the rules-based international trading system, and so that we can complete the process of normalization of U.S.-Vietnam relations that has been pursued by U.S. administrations on a bipartisan basis for the past twenty years.

Thank you for this opportunity to testify. I look forward to your questions.

**STATEMENT FOR SENATOR BUNNING  
SENATE COMMITTEE ON FINANCE**

**S. 3495—A bill to authorize the extension of nondiscriminatory treatment  
(normal trade relations treatment) to the products of Vietnam  
12 July 2006**

Thank you, Mr. Chairman.

I would like to welcome our guests. We appreciate your willingness to share your observations and expertise with the committee today.

I look forward to learning more of the details of our proposed bi-lateral agreement with Vietnam.

Today, I plan to spend some time discussing with our guests a number of concerns about the political climate in Vietnam. I am disturbed by various reports about the lack of religious and political freedoms allowed to the Vietnamese people.

I opposed the initial granting of normal trade relations status to Vietnam in 2001. I will need to be convinced that the Vietnamese have made real improvements in a number of different areas before I will be prepared to support the bill we will be discussing today.

I look forward to a report on the progress that has been made in these matters.

I have some questions and I look forward to hearing your responses.

Thank you.

**Statement Of**

**Jon Caspers**  
*National Pork Producers Council*

**Before the**  
**Senate Finance Committee**

**On**

**A bill to authorize the extension of nondiscriminatory  
treatment (normal trade relations treatment) to the  
products of Vietnam**

**July 12, 2006**

Mr. Chairman, Mr. Ranking Member and Members of the Committee:

I am Jon Caspers, Past President of the National Pork Producers Council and a pork producer from Swaledale, Iowa. I operate a nursery-to-finish operation, marketing 18,000 hogs per year.

Mr. Chairman, I greatly appreciate everything that you and other members of this Committee have done to advance U.S. agricultural exports. I strongly believe that the future of the U.S. pork industry, and the future livelihood of my family's operation, depend in large part on further trade agreements and continued trade expansion.

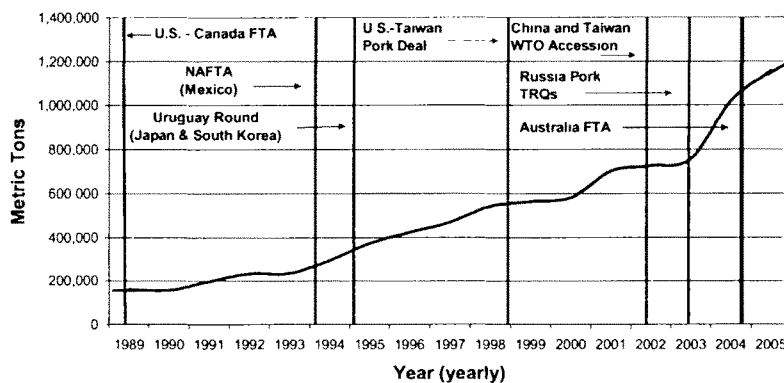
The National Pork Producers Council is a national association representing 44 affiliated states that annually generate approximately \$14.35 billion in farm gate sales. The U.S. pork industry supports an estimated 566,000 domestic jobs and generates more than \$84 billion annually in total U.S. economic activity.

Pork is the world's meat of choice. Pork represents 40 percent of total world meat consumption. (Beef and poultry each represent less than 30 percent of global meat protein intake.) As the world moves from grain based diets to meat based diets, U.S. exports of safe, high-quality and affordable pork will increase because economic and environmental factors dictate that pork be produced largely in grain surplus areas and, for the most part, imported in grain deficit areas. However, the extent of the increase in global pork trade – and the lower consumer prices in importing nations and the higher quality products associated with such trade - will depend substantially on continued agricultural trade liberalization.

#### **PORK PRODUCERS ARE BENEFITING FROM PAST TRADE AGREEMENTS**

In 2005 U.S. pork exports set another record. Pork exports totaled 1,157,689 Metric Tons valued at \$2.6 billion, an increase of 13 percent by volume and 18 percent by value over 2004 exports. U.S. exports of pork and pork products have increased by more than 389 percent in volume terms and more than 361 percent in value terms since the implementation of the NAFTA in 1994 and the Uruguay Round Agreement in 1995. Total exports increased every year in this period and set a record in 2005 for the 15<sup>th</sup> straight year.

## U.S. Pork Exports

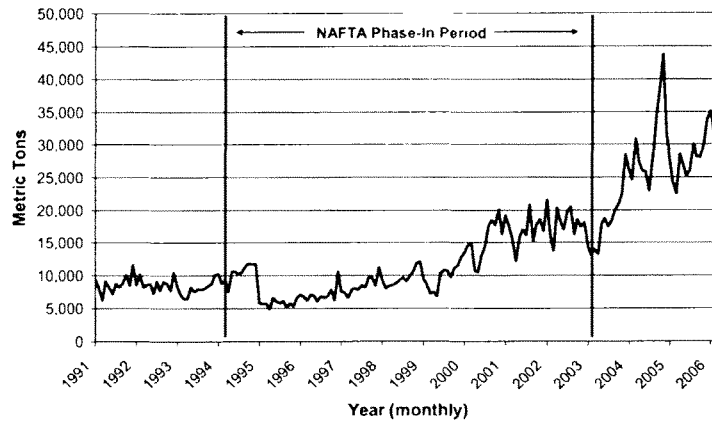


The following 8 export markets in 2005 are all markets in which pork exports have soared because of recent trade agreements.

### Mexico

In 2005 U.S. pork exports to Mexico totaled 331,488 metric tons valued at \$514 million. Without the NAFTA, there is no way that U.S. exports of pork and pork products to Mexico could have reached such heights. In 2005, Mexico was the number two market for U.S. pork exports by volume and value. U.S. pork exports have increased by 248 percent in volume terms and 358 percent in value terms since the implementation of the NAFTA growing from 1993 (the last year before the NAFTA was implemented), when exports to Mexico totaled 95,345 metric tons valued at \$112 million.

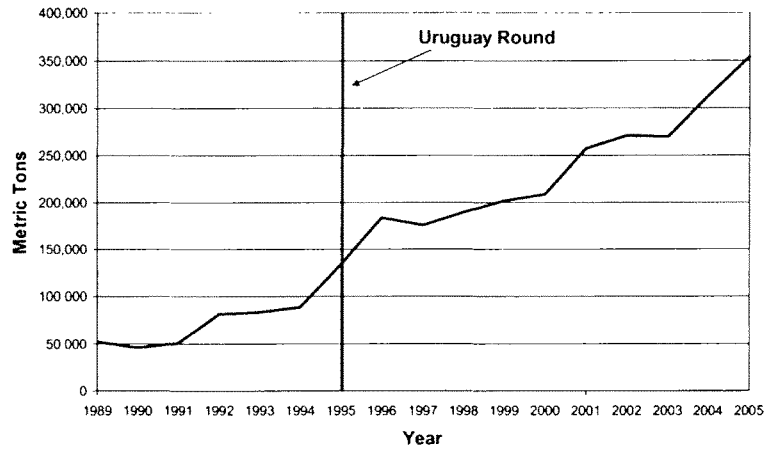
### U.S. Pork Exports to Mexico



### Japan

Thanks to a bilateral agreement with Japan on pork that became part of the Uruguay Round, U.S. pork exports to Japan have soared. In 2005, U.S. pork exports to Japan reached 353,928 metric tons valued at just over \$1 billion. Japan remains the top value foreign market for U.S. pork. U.S. pork exports to Japan have increased by 322 percent in volume terms and by 191 percent in value terms since the implementation of the Uruguay Round.

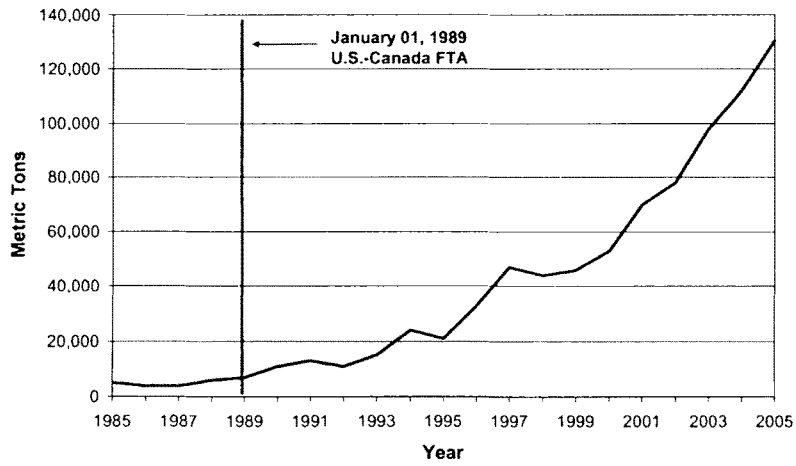
**U.S. Pork Exports to Japan**



**Canada**

U.S. pork exports to Canada have increased by 1,816 percent in volume terms and by 2,422 percent in value terms since the implementation of the U.S. – Canada Free Trade Agreement in 1989. In 2005 U.S. pork exports to Canada increased to 130,581 metric tons valued at \$396 million.

**U.S. Pork Exports to Canada**

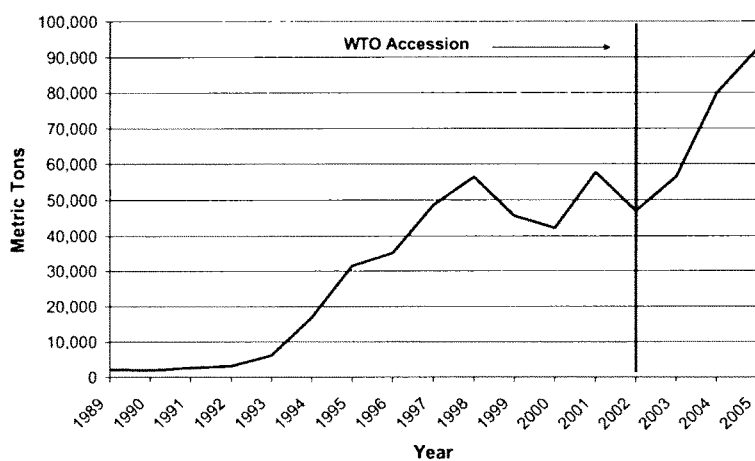




### China

From 2004 to 2005, U.S. exports of pork and pork products to China increased 22 percent in value terms and 16 percent in volume terms, totaling \$111 million and 92,255 metric tons. U.S. pork exports have exploded because of the increased access resulting from China's accession to the World Trade Organization. Since China implemented its WTO commitments on pork, U.S. pork exports have increased 60 percent in volume terms and 67 percent in value terms.

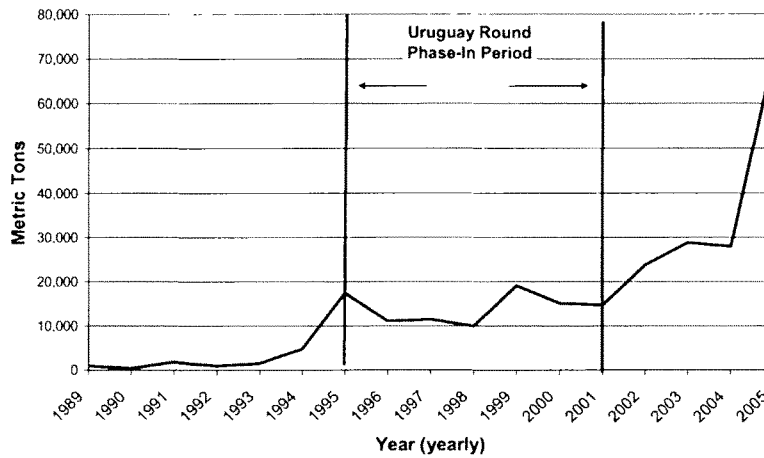
**U.S. Pork Exports to China**



### Republic of Korea

U.S. pork exports to Korea have increased as a result of concessions made by Korea in the Uruguay Round. In 2005 exports climbed to 71,856 metric tons valued at \$155 million, an increase of 1,425 percent by volume and 1,705 percent by value since implementation of the Uruguay Round.

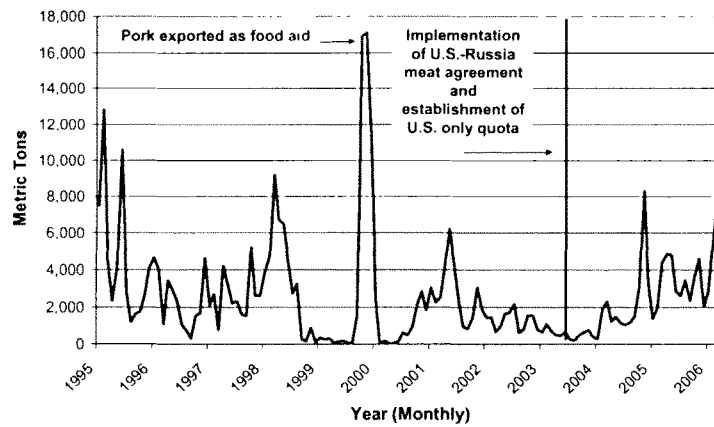
### U.S. Pork Exports to South Korea



### Russia

U.S. exports of pork and pork products to Russia increased 48 percent in volume terms and 71 percent in value terms in 2005 versus 2004, totaling 40,315 metric tons valued at \$72 million. U.S. pork exports to Russia have increased largely due to the establishment of U.S.-only pork quotas established by Russia as part of its preparation to join the World Trade Organization. The spike in U.S. pork export to Russia in the late 1990s was due to pork shipped as food aid.

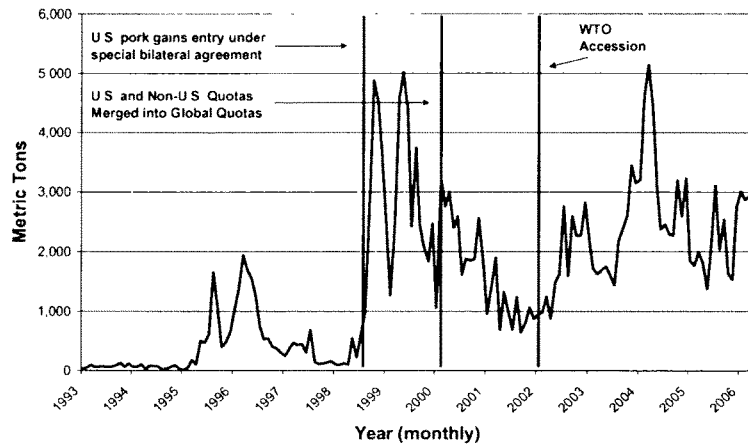
### U.S. Pork Exports to Russia



### Taiwan

In 2005, U.S. exports of pork and pork products to Taiwan increased to 24,555 metric tons valued at \$41 million. U.S. pork exports to Taiwan have grown sharply because of the increased access resulting from Taiwan's accession to the World Trade Organization. Since Taiwan implemented its WTO commitments on pork, U.S. pork exports have increased 94 percent in volume terms and 132 percent in value terms.

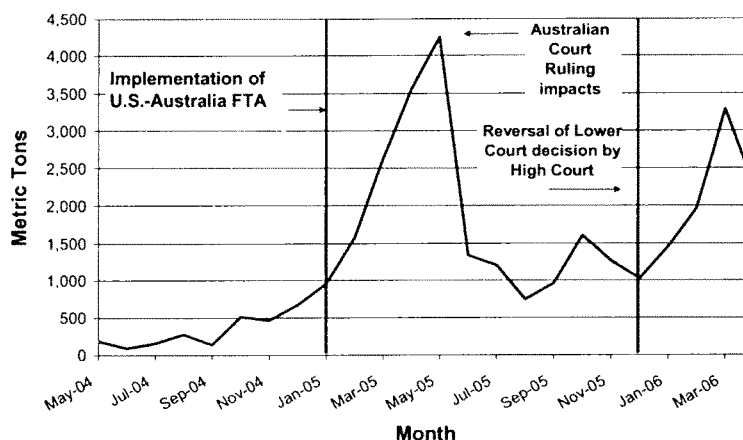
**U.S. Pork Exports to Taiwan**



### Australia

The U.S. pork industry did not gain access to Australia until recently, thanks to the U.S. – Australia FTA. U.S. pork exports to Australia exploded in 2005 making Australia one of the top export destinations for U.S. pork. Even with the disruption caused by a legal case over Australia's risk assessment of pork imports, U.S. pork exports to Australia in 2005 totaled \$60 million—a 463 percent increase over 2004 exports.

### U.S. Pork Exports to Australia



#### Impact of Pork Exports on Prices

The Center for Agriculture and Rural Development (CARD) at Iowa State University has calculated that in 2004, U.S. pork prices were \$33.60 per hog higher than they would have been in the absence of exports.

#### Impact of Pork Exports on Jobs

The USDA has reported that U.S. meat exports have generated 200,000 additional jobs and that this number has increased by 20,000 to 30,000 jobs per year as exports have grown.

#### Impact of Pork Exports on Economy

The U.S. Bureau of Economic Analysis (BEA) has calculated that for every \$1 of income or output in the U.S. pork industry, an additional \$3.113 is generated in the rest of the economy. The USDA has reported that the income multiplier from meat exports is 54% greater than the income multiplier from bulk grain exports.

#### Impact of Pork Exports on Feed Grain and Soybean Industries

Pork production is a major user of U.S. feed grains and oilseeds. U.S. hog slaughter in 2005 consisted of 100.807 million head of U.S.-fed pigs and 2.774 million head of pigs fed in Canada and imported into the U.S. for slaughter. The U.S.-fed pigs consumed an estimated 1.062 billion bushels of corn, 105.8 million bushels of other feed grains such as barley, grain sorghum and wheat and the soybean meal from 418 million bushels of soybeans.

U.S. pork exports in 2005 accounted for 12.5% of total U.S. pork production. This implies that 136.3 million bushels of corn and the soybean meal from 52.2 million bushels of soybean were exported in the form of pork from U.S.-fed pigs.

**CONGRESS NEEDS TO PASS PNTR FOR VIETNAM**

The National Pork Producers Council strongly supports Vietnam's accession to the WTO. U.S. pork exports have benefited from virtually all recent trade agreements and the agreement with Vietnam will be no different. In Vietnam, a country of 84 million people, pork represents 72 percent of meat consumption and will be an excellent market for U.S. pork and pork products.

Tariffs on key pork and pork products will be reduced by 50 percent over five years, including tariffs on hams and carcasses, which will fall from 30 percent to 15 percent in that timeframe. More important, tariffs on pork variety meats will be immediately cut from the MFN level of 20 percent to 15 percent, with further reductions to 8 percent over four years. Rates on processed pork products will be reduced from 20 percent to 10 percent over five years.

Vietnam has agreed to recognize the U.S. meat inspection system as equivalent to its own meat inspection system. Vietnam has also agreed to implement the WTO Agreement on sanitary and phytosanitary measures upon accession. As a result, Vietnam will apply science-based sanitary and phytosanitary standards to all agricultural goods. This is critically important because non-scientific barriers are used in many other countries to prevent meat and poultry imports from the U.S., even after tariffs are reduced in trade deals.

Additionally, Vietnam has made commitments to grant distribution and trading rights for all foreign-owned enterprises. It is therefore relinquishing state control of essentially all agricultural products, providing a meaningful opportunity for U.S. pork exporters to have many customers in Vietnam. This is a very ambitious commitment, given that China took years to phase-out distribution and trading rights after its WTO accession.

Increased market access for U.S. pork along with the elimination of state controlled distribution and trading rights in Vietnam will add to the bottom line of U.S. pork producers. According to Iowa State University economist Dermot Hayes, U.S. live hog prices will increase by \$0.52 per hog when the agreement is fully implemented. That increase in sales equates to a 4.4 percent increase in pork producer profits based on 2005 data

There are many other agricultural organizations in support of Vietnam's accession to the WTO. NPPC is coordinating the Agricultural Coalition for U.S.-Vietnam Trade consisting of 35 organizations representing the vast majority of U.S. farmers, ranchers, food producers and exporters. Three-fourths of U.S. agricultural exports to Vietnam will see tariffs reduced and bound in the WTO at 15 percent or less. This is a substantial reduction from the current average tariff on agricultural products of 27 percent.

To realize the benefits of this WTO agreement, the United States does not have to reciprocate anything other than to grant the same normal trading rights to Vietnam on a

permanent basis that the U.S. grants to virtually all of its trading partners and to all 150 WTO member countries. It is the same status Vietnam already enjoys from us, but which must be periodically renewed. Providing Vietnam normal trading status requires no tariff concessions on the part of the United States; no new access for products from Vietnam, and no new commitments on non-tariff measures. Normal trade status for Vietnam has never been a big issue and making this relationship permanent should not be controversial now. Congress has consistently authorized continuing Vietnam's status by overwhelming majorities.

NPPC strongly supports WTO membership for Vietnam and will urge Congress to approve Permanent Normal Trade Relations (PNTR) status for Vietnam as a necessary step in the membership process.

**Statement of**  
**Virginia B. Foote**  
**President, U.S.-Vietnam Trade Council**  
**Executive Vice President, US-ASEAN Business Council**  
**Testimony Before the**  
**Senate Finance Committee**  
**on PNTR for Vietnam – S.3495**  
**July 12, 2006**

Chairman Grassley, Senator Baucus and other Members of the Senate Finance Committee, I am pleased to be here today representing the U.S.-Vietnam WTO Coalition, the U.S.-Vietnam Trade Council which is part of the U.S. ASEAN Business Council to testify before your Committee on its consideration of Permanent Normal Trade Relations (PNTR) for Vietnam.

The U.S.-Vietnam WTO Coalition is a coalition of over 120 American companies, farm groups, trade associations, veterans associations, and public interest organizations supportive of Vietnam's accession to the World Trade Organization and the attainment of full U.S.-Vietnam normalization. Many of our members have submitted supporting statements for the record today which I am pleased to request be included in the record. In addition we have a letter signed by former U.S. Cabinet officials including Henry Kissinger, James Baker, Madeline Albright, Bob Rubin, Colin Powell, and Tony Lake to name just a few distinguished names on the list<sup>1</sup>. We have also submitted a letter signed by over 130 companies and associations, which I also hope can be included into the record today.

Mr. Chairman, all members of our Coalition view Vietnam's WTO accession as extremely important to their businesses, to the bilateral economic relationship and to US-Vietnam relations overall. We urge Congress to consider S. 3495 granting PNTR to Vietnam so that we may benefit from the market access and other commitments made by Vietnam during this accession process.

**Status of Vietnam's Accession**

Since embarking on its Doi Moi reform program in 1986, Vietnam has sought to integrate into the international economic community. It became a member of the Association of

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<sup>1</sup> July 11, 2006 letter in support of PNTR for Vietnam signed by: Madeleine K. Albright, James A. Baker III, Charlene Barshefsky, Samuel L. Berger, Harold Brown, Warren Christopher, William S. Cohen, Lawrence S. Eagleburger, Carla A. Hills, Michael Kantor, Henry A. Kissinger, Anthony Lake, Colin L. Powell, Robert E. Rubin, George P. Shultz, Robert S. Strauss, and Clayton Yeutter

Southeast Asian Nations (ASEAN) in 1994 and a signatory to the Asia Pacific Economic Community (APEC) in 1998. It has been a little more than ten years since Vietnam first applied to become a member of the World Trade Organization. On May 31, 2006, it concluded with the United States the last of its bilateral agreements. Today, it is on track to become a full member of the WTO by November and is working to complete the multilateral process by the WTO General Council meeting in mid-October. Then on November 18, 2006, Vietnam will welcome world leaders from 21 nations, including President George W. Bush, as the host of the Asia Pacific Economic Forum (APEC) Summit in Hanoi. We hope that it will be able to do so as a full member of the global trading community – and that the U.S. will have met its obligation under the WTO to grant PNTR to Vietnam. It would be a terrible set back to our members if the United States were to have to take the non-application clause in October, meaning that the extensive commitments and trade enhancing measures that Vietnam is committed to would not be extended to Americans.

#### **The U.S.-Vietnam WTO Agreement and Benefits to Business**

We applaud the agreement that USTR concluded with Vietnam in May. It is enormously important to U.S. businesses, providing improved market access for U.S. manufactured and agricultural goods. Tariffs for most manufactured goods will be reduced to an average of less than 15%. Tariffs for U.S. priority sectors such as construction equipment, pharmaceuticals, aircraft parts, chemicals, and IT products will, for the most part, have low duties of 0-5%. Such increased market access is expected to directly benefit companies such as Caterpillar, Dupont, Dow Chemicals, Boeing, Eli Lilly, GSK, Merck, Intel, IBM, Johnson & Johnson, Motorola, and Pfizer, and indirectly impact many others.

The U.S. agriculture sector also stands to gain from this agreement with tariffs falling from an average of 26% to less than 15%. This means improved market access for our exports of soybeans; whey; cotton; grapes; apples, pears; selected beef, pork and variety meats; and processed foods. In addition committing to implementing disciplines outlined by the WTO Agreement on Sanitary & Phytosanitary (SPS) Agreement guaranteeing the adoption of scientifically based measures, Vietnam has committed to recognizing the international standards for the inspection of beef, pork, and poultry, and has signed on to a protocol eliminating all BSE-related restrictions on beef.

The market for U.S. services will also be substantially liberalized in Vietnam with Vietnam's commitment to open up a broad variety of service sectors including banking, insurance, securities, telecommunications, computer-related services, professional services, distribution, and energy services to name only a few of the over 100 services included in the agreement.

But WTO Agreements of course go beyond market access in goods and services. Critical to improving trade facilitation, transparency, predictability and non-discrimination for business, Vietnam's accession compels it to abide by international trade rules including the elimination of non-tariff barriers and other trade distorting domestic programs. Of great significance is Vietnam's commitment to implement upon accession key WTO disciplines including the *Agreement on Customs Valuation*, *Agreement on Trade Related Aspects of Intellectual Property (TRIPS)*; *Agreement on Trade Related Investment Measures (TRIMS)*; *Agreement on Sanitary & Phytosanitary Measures (SPS)*; and *Agreement on Technical Barriers to Trade (TBT)*. As such, companies will have tools to protect their intellectual property rights, and combat measures such as



forced technology transfer, trade distorting subsidies, local content requirements, and other practices that potentially drain jobs and technology away from the US. Vietnam's actions would also be subject to WTO law, practice, and precedent under the WTO's dispute settlement mechanism.

Of note, on our end, strong U.S. remedies against dumping and import surges will remain intact for Vietnamese goods. The agreement includes a provision recognizing that the U.S. may employ special methods, designed for non-market economies, to counteract dumping for 12 years after Vietnam's accession. Specific to the textile and apparel trade, although Vietnam is currently only the 7<sup>th</sup> largest importer of textiles and apparel accounting for 4% of total U.S. imports<sup>2</sup>, the U.S. sought from Vietnam the immediate elimination of prohibited export subsidies in this sector, and introduced an unprecedented and extremely tough punitive enforcement mechanism with expedited procedures that result in the reintroduction of all current U.S. textile quotas if Vietnam is found to be in violation.

To reap the benefits of Vietnam's WTO accession, we urge Congress to extend Permanent Normal Trade Relations (PNTR) to Vietnam without delay. Without this, the U.S. will be out of compliance with its WTO obligation to grant on a reciprocal basis immediate and unconditional MFN treatment to the products of all WTO members, but more importantly, we risk not receiving the trade concessions and market access that Vietnam will provide and that our competitors from other WTO countries will benefit from. Vietnam is one of the fastest growing markets for U.S. exports in Asia – we cannot afford to miss out on this opportunity.

I note that the United States provides PNTR to virtually all WTO members. Most recently, PNTR has been extended to newly acceded WTO members Ukraine (2006), Armenia (2004), China (2001), Georgia (2000), Albania (2000), Kyrgyz (2000), Mongolia (1999), and Bulgaria (1996). Vietnam is currently one of two trading partners subject to an annual "conditional" waiver in order to receive "conditional" Normal Trade Relations (NTR) status from the U.S.

#### **U.S.-Vietnam Normalization**

PNTR for Vietnam is also about continuing to strengthen the broadening and deepening relationship our two nations have built over the last 15 years, shepherded with tremendous success through the Reagan, Bush I, Clinton, and Bush II Administrations, and with strong bipartisan support from Congress. Since 1988, our bilateral relationship with Vietnam has brought progress on all fronts, including the establishment of a joint task force for the seeking of Missing in Action (1992); the lifting of the trade embargo (1993); the extension of diplomatic relations (1995); an Agreement on Sovereign Debt (1997); a memorandum of understanding (MOU) on Labor (2000); the signing of a landmark Bilateral Trade Agreement (BTA) (2001); A Civil Aviation Agreement (2003); A Bilateral Military to Military Cooperation Agreement (2003); A Bilateral Counter Narcotics Agreement (2003); and an ongoing dialogue on human rights and religious freedom including an Agreement on Religious Freedom (2005). These steps forward are a testament to the benefits of engaging with Vietnam.

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<sup>2</sup> This share ranks Vietnamese imports of textiles and apparel at 7<sup>th</sup>, behind China, Mexico, Honduras, Bangladesh, El Salvador, and Indonesia. China represents 25% of imports to the US

Mr. Chairman, if I may, I would like to submit for the record information on some areas where our continued engagement with Vietnam has brought progress: Throughout the process of normalization, Vietnam has placed high priority on issues important to the U.S. including MIA efforts, emigration goals, and economic integration. Vietnam and the U.S. have also developed important bilateral dialogues on regional issues, human rights and labor standards.

Remarkably, every year we have seen progress on all fronts of the bilateral relationship - economic, political and diplomatic.

#### **Freedom of Emigration**

The Jackson-Vanik Amendment was first waived for Vietnam in 1998 and, since then, has been renewed annually. The initial waiver was pegged to progress on the Program on the Resettlement Opportunity for Vietnamese Returnees (ROVR) and emigration in general. Although it was difficult to reach agreement initially, the implementation of the ROVR program has been very successful. The State Department reports that the government of Vietnam has cleared all but one case of the nearly 20,000 ROVR cases, and is close to completing this program.

The Orderly Departure Program (ODP) 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 processed. Since the initial waiver of the Jackson-Vanik Amendment, 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 and more responsive system developed initially just for ROVR cases.

The cooperative relationship in this area continues to grow. Late last year, our two nations announced a joint *Program on Humanitarian Resettlement* to further facilitate the resettlement of individuals who had qualified under the ODP program but that were unable to apply or process their application before the program closed in 1994.

The success of our engagement in this area has greatly enhanced travel between our two nations – for veterans, tourists, business people and Vietnamese Americans. During 2005, over 350,000 visas were issued, 65% were for Vietnamese-Americans.

#### **Labor Rights**

Vietnam has made profound changes to its legal framework and practices to promote labor rights and standards. In 1992, it became an official member of the ILO and has since ratified 15 ILO Conventions, including four core conventions: Equal Remuneration Convention (No. 100), Discrimination (Employment and Occupation) Convention (No. 111), Minimum Age (No. 138), and the Worst Forms of Child Labor Convention (No. 182).<sup>3</sup> Conventions 29 and 105 on forced labor are expected to be ratified mid 2006.

Vietnam's governing Labor Code, most recently amended in 2002, incorporates 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,

<sup>3</sup> Labour and Social Issues Emerging from Vietnam's Accession to the WTO, (18) Paper, Ministry of Labour, Invalids and Social Affairs (MOLISA).

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. Significantly, Vietnam's National Assembly is now reviewing an amendment to the Labor Code, which would allow independent associations. Revisions are also expected to strengthen collective bargaining and the tripartite mechanism to protect workers. This amendment is currently scheduled to be passed in 2006.

U.S.-Vietnam cooperation in this area is based on a five year Memorandum of Understanding on Labor signed in November 2000. This MOU has resulted in an annual dialogue on labor rights and included \$8 million in technical assistance for the development of social insurance, employment service centers to match job seekers with employment, improvement of employment opportunities for the handicapped, improvement of industrial relations and reduction and settlement of labor disputes, the development of appropriate policies for HIV/AIDS positive employees, and the prevention, withdrawal, and rehabilitation of child labor. Since November 2001, projects in these six fields have been successfully launched, with strong support from Vietnam on implementation. We hope the labor MOU can be renewed this year.

Although more than 289 strikes were recorded from January to May 2006 - a strong indication of industrialization and urbanization - this has led the National Assembly to discuss ways to improve the labor code relating to a labor-management and improve mechanisms that can address employee concerns. Vietnam's continued integration into the global economy through its WTO accession will be an opportunity to help Vietnam promote improved labor standards according to international best practices.

#### **Human Rights and Religious Freedom**

In human rights, profound changes have taken place in Vietnam in the last twenty years. Indeed, one of the key factors in bringing positive changes and expansion of religious freedom and human rights has been Vietnam's integration with the international community and incremental steps to increase personal freedoms and respect human rights. 18 political prisoners have been released in the last couple years, 4 political prisoners remain incarcerated.

In recent years, more attention has been given to ensuring fundamental human rights including socio-economic, cultural, civil and political rights as well as equal rights among ethnic groups. Living standards, rule of law, and poverty reduction has improved greatly and the number of religious followers and dignitaries as well as houses of worship continues to grow.

United States' engagement with Vietnam has brought fruitful results including the promulgation of a new legal framework, including "Decree 22 implementing a new Ordinance on Belief and Religion, and the Prime Minister's Instruction on Protestantism, reflecting many of the issues our two nations have been working on over the last few years and representing significant improvement over previous policy. In May 2005, both sides exchanged letters outlining an *Agreement on Religious Freedom* in which Vietnam committed to fully implement new legislation on religious freedom and render previous contradictory regulations obsolete, instruct local authorities to strictly and completely adhere to the new legislation and ensure their compliance, facilitate the process by which religious congregations are able to open houses of worship, and give special consideration to prisoners and cases of concern raised by the United States regarding the granting of prisoner amnesties.

### **- Freedom of Worship**

Vietnam formally recognizes six religions – Buddhist, Catholic, Cao Dai, Hoa Hao, Islam, and the Protestant faith. The *National Constitution* grants the right to freedom of beliefs and religions. Accordingly, religious and non-religious citizens are equal before the Law and strictly prohibit any discrimination for religious reasons.<sup>4</sup>

There has been in recent years a steady rise in the number of new churches and followers. There are currently about 20 million followers of the six main religions, including 10 million Buddhists, 5.5 million Catholics, 2.3 million Cao Dais, 1.3 million Hoa Haos, close to 1 million Protestants, and about 65,000 Muslims. In addition, there are dozens of millions who practice the Kinh ethnic group's folklore indigenous creeds or the ethnic minority groups' primitive beliefs. Altogether, up to 80 per cent of the Vietnamese population practice one religion/creed or another.

Catholics make up over 8% of the population making Vietnam one of the largest Catholic populations in Asia outside the Philippines, with 6000 Catholic churches and over 1000 charities. Vietnam's relationship with the Vatican is well established. There are currently 2 Cardinals, 1 Archbishop, 36 bishops, 2410 priests and 11,147 parish priests, and 4,390 students in seminary both in Vietnam and overseas. While there have been complaints on the government's limitation of the number of priests ordained, these numbers continue to grow on an annual basis. Restrictions on the release of religious materials have also been eased. From 2003 to the first quarter of 2005, the Religious Publishing House published 913 religious items (4,314,000 copies), of which 1,831,000 belong to Buddhism, 1,237,000 Catholicism, 895,000 Protestantism, 333,000 Hoa Hao and 18,000 Caodaism.

The Protestant church in Vietnam is seeing the fastest growth rate, possibly due to close relationships with organizations outside Vietnam and radio programs coming in from the region. Protestants represent 1.2 percent of the population, half of which are evangelical worshippers and two thirds from minority groups. Most protestants in Vietnam's Central Highlands are in the evangelical faith. Evangelical Church organizations in Northern Vietnam have been in existence since the 1960s. Significantly, in 2001, a Southern Evangelical Church of Vietnam was established; in 2003, the SECV opened a Government-sanctioned theological school in Ho Chi Minh City.

It may be useful to note to the Committee that there are dozens of religious-based American organizations working in Vietnam whose efforts have facilitated the promotion of religious tolerance. These include the Quakers, Mennonites, Catholic Relief Service, Church World Service, World Vision, Maryknoll, Lutheran World Mission, Adventist Development and Relief Agency, Christian and Missionary Alliance, Latter Day Saint Charities, Samaritans Purse, and Assemblies of God.

### **- Central Highlands and Northwest Provinces**

While the situation in the Central Highlands and Northwest provinces are extremely complicated, the economic and social development there continues to show positive

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<sup>4</sup> Article 70 of the Vietnamese Constitution states that. "Citizens have the right to freedom of beliefs and religion, to follow or not to follow a religion. All religions are equal before the Laws."

trends, benefiting many including the region's ethnic minorities. In 2005, more than 48 Protestant chapter churches were established.

The difficulties in the Central Highland cannot be reduced to one issue or one event. Vietnam is a country of 80 million with 54 ethnic minorities, of which the Kinh ethnic group makes up 87% of the population. While there is overall harmony between the ethnic and religious groups, strong prejudices and suspicions do exist. Tensions have emerged among the minority groups in the Central Highlands and Northwest provinces in recent years with the coffee boom drawing Kinh farmers into the area. The Northwest provinces include porous national borders.

Some minority groups over the years have had aspirations for independence or autonomy. Military and political movements for separate states, such as FULRO as an organization and Dega as an independent republic date back to the war period. These movements still exist today – possibly more outside Vietnam than inside – but the disturbances in 2001 are believed by some, fairly or unfairly, to have been aided by, funded by, or instigated by these movements.

#### **- Gender Equality**

Vietnam has gone a long way towards gender equality. According to UNDP assessments, gender equality in primary and lower secondary education has been achieved. Literacy rates among women under 40 years old have gradually increased during the 90s and are now close to the nation's target of 95% literacy rate for women.

The ratio of women working in executive and legislative bodies is also on the rise. Female elected representatives currently account for 27.3% in the National Assembly<sup>5</sup> during the 2002-2007 term.<sup>6</sup> The proportion of women working in local authorities is lower but is also on the rise. Several American women's rights groups and foundations have had exchanges and programs in Vietnam.

Overall, Vietnam continues to take steps in the right direction. We must continue to engage with Vietnam to assist further improvements to human rights and religious freedom. It is our continued engagement that allows American organizations and NGOs<sup>7</sup> working in Vietnam to promote religious tolerance. Denying Vietnam's PNTR will only discourage further reforms, slow down the free flow of ideas and information exchange, and restrict the development of human rights and religious freedom in the country.

#### **Bilateral Military Relationship**

Progress on the seeking of our personnel still missing-in-action (MIA) was established as the cornerstone for U.S. normalization with Vietnam. Since 1992, the President has continuously certified Vietnam as "cooperating in good faith with the United States."

The U.S. and Vietnam have provided reciprocal access to information on MIAs from the war and have to date conducted 75 Joint Field Activities on missing cases since 1988.

<sup>5</sup> 2002-2007 term

<sup>6</sup> The second highest ratio in the Asia-Pacific region only after New Zealand

<sup>7</sup> Some of these include The Quakers, Mennonites, Catholic Relief Service, Church World Service, World Vision, Maryknoll, Lutheran World Mission, Adventist Development and Relief Agency, Christian and Missionary Alliance, Latter Day Saint Charities, Samaritans Purse, and the Assemblies of God.

Both nations are jointly pursuing answers on the 1380 missing in Vietnam, of the 1981 cases missing there. Since the end of the war, 841 Americans have been accounted for, including 601 in Vietnam. Additionally, the Department of Defense has confirmed the fate of all but 48 of 196 individuals in the "last known alive" discrepancy cases. The U.S. has maintained a permanent staff to visit crash sites and interviewed witnesses throughout the country since 1993, with teams of experts going to Vietnam monthly. While borne out of controversy, suspicion, and anguish, this cooperation has since become a model program, greatly supported by veterans and families, and an excellent example of the benefits of engagement.

It is this engagement that has allowed our bilateral military relationship to grow beyond the basis of seeking our missing-in-action. In 2003, U.S.-Vietnam military to military relations made history with the visit of Vietnamese Minister of Defense to the Pentagon. This visit was reciprocated most recently with the visit of Defense Secretary Donald Rumsfeld to Hanoi last month. Today, U.S. naval ships regularly call on ports in Vietnam and the two sides have agreed to increase exchanges and education programs at all levels of the military.

**BTA Implementation, WTO Accession, and Overall Economic Reform**

Thirteen years since lifting of the post-war trade embargo by the U.S., and four-and-a-half years into the entry into force of the U.S.-Vietnam Bilateral Trade Agreement (BTA), U.S. participation in Vietnam's economy is of growing significance. In 2005, total bilateral trade stood at nearly \$8 billion, up by 21% in 2004. Comparisons made on pre-BTA statistics (Year 2000) indicate that U.S. exports to Vietnam and Vietnamese exports to the U.S. for 2005 have increased more than six times.<sup>8</sup> U.S. and U.S. related investment in the Vietnamese economy stands at approximately \$2.6 billion in committed capital and is growing.<sup>9</sup> The U.S. is Vietnam's number one trading partner.

Through the U.S.-Vietnam Bilateral Trade Agreement (BTA), U.S. companies, many of whom are members of this Coalition, have established strong partnerships with Vietnam, including strong public-private partnerships, often working with the extremely effective USAID and Fulbright programs to provide technical assistance on commercial and legal reform in the areas such as Customs, SPS, TBT, investment law, intellectual property rights, insurance, banking, securities, telecommunications. These partnerships which we have been honored to be a part of, have made Vietnam one of the countries in Asia in which the U.S. private sector is most involved and where the US Government has some of its most effective programs. Again, this is a great testimony to the benefits of the ongoing dialogue between our two nations.

While BTA implementation has not been without its challenges, Vietnam has undertaken serious efforts over the last four years to meet its commitments. Since 2001, Vietnam has issued an impressive amount of new legislation, and has made much effort to

<sup>8</sup> Source: TradeStats Express™ - National Trade Data, CIA Factbook and CRS Report on US-VN Relations, March 2, 2006.

<sup>9</sup> *The Impact of the U.S.-Vietnam BTA and its impact on overall and U.S. Foreign Direct Investment in Vietnam*, STAR Vietnam and Vietnam Foreign Investment Agency, National Political Publisher, December 2005

ensure that its laws are BTA and WTO compliant.<sup>10</sup> For its WTO accession, Vietnam's National Assembly has passed more than 50 laws in the last two years alone to come into compliance with the various WTO agreements – all of which will have entered into force by this month (July 2006) – ahead of its accession.

Economic liberalization is, of course, not only strengthening market access for American companies but also benefiting the people of Vietnam. Vietnam's per capita income has nearly tripled since the 1990's, from less than \$250 to \$610 in 2005. Today, Vietnam's purchase power parity calculations puts per capita at over \$2,700. Over the last decade, UNCTAD estimates that Vietnam has reduced the percentage of families living below the official poverty level to less than 30%, from an initial rate of 70%. The number of people below the lower "food poverty line," has also declined from 25% to 15%, indicating that the very poorest segments of the population have experienced improvements in their living standards. These numbers are historic. The World Bank reports that the poverty rate has fallen by half in the past ten years, one of the sharpest declines of any country.

Economic reform through Vietnam's WTO accession will contribute to lifting Vietnam out of endemic poverty by increasing trade, investment, and through the Enterprise law the developing private sector and burgeoning SME sector in Vietnam. A greater share of the economy and labor force now operate in the non-state private sector. Furthermore, by promoting the rule of law in Vietnam, WTO accession will facilitate greater access to information and transparency for both domestic and foreign companies operating in Vietnam. These changes are viewed by its young and vibrant population of 85 million, over half of which is under 25, with much excitement and hopefulness for the future.

Overall, U.S. companies are optimistic about Vietnam's future and potential as well, and we look forward to continuing our relationships. We are confident that Vietnam is serious about its WTO commitments and will undertake implementation diligently. 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. It is a 2000 year old country with a bustling population and an optimistic future.

In closing, I stress again the importance of U.S. involvement in Vietnam's economic development. It is our engagement in developing a market-based economy for Vietnam and a whole range of other programs that make up a fully normalized relationship that will continue to contribute to Vietnam's increased openness, increased transparency in government, rising living standards, greater global integration, and political development. Our policy of normalization has also ensured that American goals are met and that American ideals are advanced. How far we have come with this former enemy proves that this policy has worked year after year.

Mr. Chairman, PNTR for Vietnam is another step in this journey and we urge you and your colleagues to vote in favor of extending PNTR to Vietnam as expeditiously as possible to meet the timeline of accession. Thank you.

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<sup>10</sup> To help track these efforts, the Trade Council's Education Forum has been publishing a monthly *Catalog of Legal Updates*, which compiles summaries of new laws, decrees and regulation that address commercial law reform and with possible impact on BTA and WTO implementation. The *Catalog* is now more than 100 pages in length.



July 11, 2006

The Honorable J. Dennis Hastert  
Speaker  
US House of Representatives

The Honorable Bill Frist  
Majority Leader  
United States Senate

The Honorable Nancy Pelosi  
Minority Leader  
US House of Representatives

The Honorable Harry Reid  
Minority Leader  
United States Senate

We strongly support the President's proposal to grant Permanent Normal Trade Relations (PNTR) status to Vietnam. America's long-term security and economic interests will be advanced by Vietnam's full integration into the rules-based global trading system. Vietnam can become a catalyst for growth and development in Southeast Asia, and will offer significant opportunities for US companies, workers, and consumers.

In the thirty years since the end of the conflict in Southeast Asia, the United States has worked steadfastly to normalize relations with its former adversary. This effort proceeded, step by step, as we sought the fullest possible accounting of American prisoners of war and personnel missing in action. The "Roadmap" to normalization helped to achieve significant progress in this regard. We enjoy today a multifaceted, mutually beneficial relationship with Vietnam that has enabled us to engage on a range of issues, including protection of religious freedom, labor, and human rights.

Vietnam is home to nearly eighty-five million people, more than half of whom are under the age of twenty-five. As a country facing a host of infrastructure and human development challenges, Vietnam merits not only our attention, but also our support for the promising reform process that is underway. In this vein, the 2001 US-Vietnam Bilateral Trade Agreement was an important milestone, and it has contributed to the development of a more open, market-oriented economy with important potential benefits for the Vietnamese and American peoples.

PNTR and WTO accession for Vietnam will strengthen America's linkages with the commercially and strategically important region of Southeast Asia, which, with a GDP of nearly \$3 trillion, represents our fourth largest export market. The comprehensive WTO accession agreement reached by Vietnam and US negotiators will provide even broader market access across a range of US goods and services. Equally important, it will enhance transparency, accountability, and the rule of law.

The granting of PNTR for Vietnam represents the logical next step in the normalization of relations between our two countries, a process that has been made more effective by broad bipartisan support in Congress, and that has spanned successive presidential administrations during the past three decades. We support the granting of PNTR in advance of Vietnam hosting the Annual APEC Leaders Meeting in November, in which President Bush will participate. This will further encourage Vietnam's emergence as a responsible regional partner, as we together address a myriad of complex international economic and security issues.



We urge the Congress to approve PNTR for Vietnam at the earliest possible opportunity this summer.

Sincerely,

Madeleine K. Albright  
James A. Baker III  
Charlene Barshefsky  
Samuel L. Berger  
Harold Brown  
Warren Christopher  
William S. Cohen  
Lawrence S. Eagleburger  
Carla A. Hills  
Michael Kantor  
Henry A. Kissinger  
Anthony Lake  
Colin L. Powell  
Robert E. Rubin  
George P. Shultz  
Robert S. Strauss  
Clayton K. Yeutter

Cc: The Honorable Charles Grassley, the Honorable Max Baucus, the Honorable William Thomas and the Honorable Charles Rangel



July 12, 2006

The Honorable J. Dennis Hastert  
Speaker  
US House of Representatives

The Honorable Bill Frist  
Majority Leader  
United States Senate

The Honorable Nancy Pelosi  
Minority Leader  
US House of Representatives

The Honorable Harry Reid  
Minority Leader  
United States Senate

As members of a coalition of more than 135 American companies, farm groups, associations, and public interest organizations, we strongly support the passage of H.R.5602, the legislation granting Permanent Normal Trade Relations (PNTR) status for Vietnam. The United States and Vietnam concluded bilateral negotiations on Vietnam's accession to the World Trade Organization (WTO) on May 14, 2006, and officially signed the agreement on May 31. The legislation to grant PNTR to Vietnam was introduced in the House and the Senate on June 13. We urge you to support its passage and to do so by the August recess.

Congressional approval of PNTR for Vietnam is necessary for the U.S. business community to take full advantage of the benefits that will be granted to all WTO members after Vietnam's accession. Without PNTR, the United States will be the only WTO member country that will not have access to new market openings for goods and services. With a young and vibrant population of 83 million, Vietnam is one of the fastest growing economies in the world and is the fastest growing market for U.S. products in Asia. Upon joining the WTO, Vietnam will eliminate domestic subsidies, cut tariffs and reduce trade barriers on a wide range of manufactured goods, farm products, and services. WTO membership also compels Vietnam to abide by international laws and practices, and thereby, levels the playing field to enable American companies and products to compete more effectively. Vietnam's accession to the WTO will present great opportunities for American businesses, workers, farmers and consumers.

Timely approval of PNTR is essential not only to U.S. business interests and the overall U.S. trade agenda, but also to U.S. foreign policy interests. These include regional security, cooperation on POW/MIA, continued dialogues and progress on religious and human rights, labor, and other bilateral issues. It is important for the United States to demonstrate its support for Vietnam's reformers in their efforts to strengthen the rule of law and integrate Vietnam into the global economy. With President Bush scheduled to visit Vietnam this November during the APEC Summit, this is a critical time for the U.S. Congress to show support and initiate a significant step forward in the U.S.-Vietnam relationship.

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We would like to thank you for your favorable consideration and look forward to working with you on expeditious approval of PNTR for Vietnam.

Sincerely,

1. 3M
2. ACE-INA
3. Advanced Medical Technology Association
4. AES Corporation
5. Alticor
6. AmCham Hanoi
7. America Vietnam Ventures
8. American Apparel & Footwear Association
9. American Chamber of Commerce in Hanoi
10. American Chemistry Council
11. American Council of Life Insurers
12. American Electronics Association
13. American International Group
14. Anheuser-Busch International
15. Ann Taylor Stores Corp.
16. APL Limited
17. Astro Apparel Inc.
18. AT&T
19. Automotive Trade Policy Council
20. Bankers' Association for Finance and Trade
21. Bauer Nike Hockey
22. Bernard Chaus Inc.
23. Biscotti, Inc.
24. Boeing Company
25. BP America
26. Business Roundtable
27. C&M International
28. California Chamber of Commerce
29. Cargill Incorporated
30. Caterpillar
31. CATINAT
32. Chevron
33. Citigroup Inc.
34. Coalition of Service Industries
35. Cole Haan
36. Colgate-Palmolive (Viet Nam) Ltd.
37. Concorde Apparel, LLC
38. ConocoPhillips
39. Consumers for World Trade
40. Converse
41. DaimlerChrysler

42. Design Resources, Inc.
43. Diageo
44. Direct Selling Association
45. Discovery Communications, Inc.
46. Distilled Spirits Council of the United States
47. Dow Chemical Company
48. DuPont Far East Inc.
49. EDS
50. Emby Hosiery Corp.
51. Emergency Committee for American Trade
52. Exeter Brands Group
53. Express Delivery & Logistics Association
54. Exxon Mobil Corporation
55. FedEx Express
56. Fontheim International, LLC
57. Footwear Distributors and Retailers of America
58. Ford Motor Company
59. Fund for Reconciliation and Development
60. Gap Inc.
61. General Electric Company
62. General Motors Corporation
63. GlaxoSmithKline
64. Grocery Manufacturers Association
65. Haggard Clothing Co.
66. Harley-Davidson Motor Company
67. Herbalife International of America, Inc.
68. Hewlett-Packard
69. Hormel Foods
70. Hurley
71. IBM Corporation
72. IDG Ventures Vietnam
73. Infinity Seafoods, Inc.
74. Intel
75. International Association of Drilling Contractors
76. Information Technology Association of America
77. Information Technology Industry Council
78. JCPenney
79. Jockey International, Inc.
80. Johnson & Johnson Vietnam
81. JPMorgan Chase
82. Kimberly-Clark Vietnam
83. Leading Lady
84. Levi Strauss & Co.
85. Levy Group
86. Liberty Mutual Group
87. Liz Claiborne Inc.

88. Lockheed Martin
89. Lollytogs Ltd.
90. Marsh
91. McDermott
92. Merck & Co., Inc.
93. MetLife
94. Motorola, Inc.
95. National Association of Manufacturers
96. National Electrical Manufacturers Association
97. National Foreign Trade Council
98. National Oilseed Processors Association
99. National Pork Producers Council
100. National Retail Federation
101. Nestle USA
102. New York Life Insurance Company
103. News Corporation
104. Nike
105. Northwest Horticultural Council
106. Oracle Corporation
107. Oxford Industries, Inc.
108. Paul Davril Inc.
109. PepsiCo International
110. Phillips-Van Heusen Corporation
111. Procter & Gamble
112. Retail Industry Leaders Association
113. Rogers & Meador LLP
114. Samuels International Associates, Inc.
115. Securities Industry Association
116. Shell
117. South China Seafood Company
118. Sporting Goods Manufacturers Association
119. SSA Marine
120. Sunrider International
121. Target
122. Telecommunications Industry Association
123. TimeWarner
124. Toyota Motor North America, Inc.
125. Travel Goods Association
126. U.S. Association of Importers of Textiles and Apparel
127. United Technologies Corporation
128. UPS
129. US Chamber of Commerce
130. US-ASEAN Business Council
131. US-Vietnam Chamber of Commerce
132. US-Vietnam Trade Council
133. Vets With A Mission

134. Vietnam Partners LLC
135. Vietnam Silicon Valley Network
136. Vietnam Veterans of America Foundation
137. Wheat Export Trade Education Committee

Cc: The Honorable Charles Grassley, the Honorable Max Baucus, the Honorable William Thomas and the Honorable Charles Rangel

**Testimony of  
Deputy Assistant Secretary Eric G. John  
East Asian and Pacific Affairs  
Senate Finance Committee  
PNTR for Vietnam  
July 12, 2006**

Mr. Chairman, thank you for the opportunity to testify before the Senate Finance Committee on Permanent Normal Trade Relations (PNTR) for Vietnam. The Department of State enthusiastically supports Congressional approval of PNTR for Vietnam.

Vietnam's accession to the World Trade Organization comes in the context of a remarkable transformation that has been underway in Vietnam for some time. I have been working on and following Vietnam for 17 years, and I can tell you that this transformation has brought about dramatic, positive change inside Vietnam, has enabled us to improve our own bilateral relationship to an extraordinary degree, and has turned Vietnam into an increasingly responsible player and a potential partner in the region.

When I first traveled to Vietnam for the State Department in 1989, the country was a Soviet client state just beginning to move away from doctrinaire Marxist policies that had produced economic ruin. The Communist Party and government rigidly controlled people's lives; there was no color, and no dynamism. Reeducation camps still held large numbers of people whose only "crime" was association with the old Saigon government. The human rights situation was appallingly bad. Vietnam was on unfriendly terms with ASEAN, and had no relations at all with us. In most respects, Vietnam was on the outside of the international community and only beginning to try to "look in."

In the late 1980s, Vietnam's leadership recognized the failure of doctrinaire Marxism and abandoned it in favor of a policy of "doi moi" or renovation, designed to promote economic development. The government began significant economic reforms and started to reach out to the international community, including the United States.

Doi moi has been a success. Vietnam today is not the same country it was 20 years ago. It has become a tremendous economic success story, consistently ranked by the World

Bank as one of the world's fastest growing and reforming economies. Indeed, Vietnam's gross domestic product has more than doubled in the past four years from \$23 billion to \$45 billion. It is a strong member of ASEAN, an increasingly positive force in the region, and will soon host the President and other leaders at the APEC Leaders' Meeting.

Bilaterally, we now work with the Vietnamese in a broad number of areas that would have been unimaginable even a decade ago. Our health experts are working intensively with their Vietnamese counterparts to combat avian influenza and HIV/AIDS. We are beginning to engage regularly on regional issues ranging from Burma to North Korea. And Secretary Rumsfeld's very positive visit last month to Hanoi imparted additional momentum to a growing bilateral military relationship that just saw two U.S. Navy ships make a well-received port call to Ho Chi Minh City. While we enjoy excellent cooperation from the Vietnamese government on POW/MIA issues, we continue to press for even more access to sites and records to ensure the fullest possible accounting of US service members lost in the war in Southeast Asia.

Despite continuing human rights concerns, which I will discuss in more detail shortly, there can be no question that the average Vietnamese citizen now enjoys significantly greater freedom than in the recent past to live, work, and worship. The country has opened up tremendously.

To me, nothing highlights Vietnam's change more than the events of a couple of months ago. Vietnam held its Party Congress, a week-long highly-sensitive political event during which the government traditionally puts off foreign - particularly American visitors. Just before the Congress, however, Vietnam warmly welcomed Speaker of the House Hastert. And right smack dab in the middle of the Congress, it welcomed Bill Gates and accorded him celebrity treatment.

I go through all of this to make one basic point: For Vietnam, WTO accession - and PNTR status - is only the latest chapter in a long story of change and opening to the world that continues to be written. Vietnam's transformation and outreach to the world, including the



United States, did not start with the WTO and will not end with the WTO.

I won't suggest that WTO accession and PNTR status will be magic bullets that bring about rapid or dramatic improvements in human rights and religious freedom. They will, however, keep Vietnam committed to the very positive course on which it embarked 15-20 years ago. Helping Vietnam stay on that course is very much in our interest.

There are some very critical economic and commercial reasons that PNTR status for Vietnam and its accession to WTO is both good for Vietnam and for the United States.

Since our Bilateral Trade Agreement (BTA) came into force in 2001, U.S. trade with Vietnam has soared five-fold, hitting \$7.8 billion last year. U.S. companies, including their overseas subsidiaries, were the largest investors in Vietnam in 2005. As a tell-tale sign of Vietnam's economic coming of age, Intel announced in early 2006 its plans to invest over \$300 million in new microchip facilities in the Ho Chi Minh City area.

The economic and regulatory reforms that were launched under the BTA - greatly assisted by an ambitious and innovative U.S. trade capacity building program known as STAR (Support for Trade Acceleration) - have expanded significantly under the WTO accession process. Vietnam is amending its commercial legislation to comply with WTO rules and regulations, improving governance by increasing transparency in state decision-making, and curtailing the privileges of state-owned enterprises. As my colleagues from USTR have detailed, these are profound changes to the structure of the Vietnamese economy that portend enhanced opportunities for U.S. firms and investors for years to come.

#### Religious Freedoms and Human Rights

While there are indeed many positive things going on in Vietnam and in our burgeoning bilateral relationship - some of which I've touched upon - there are some remaining areas that are of concern to the Administration and, I know, to members of this Committee. These involve continuing deficiencies in Vietnam with respect to human rights and restrictions on the ability of Vietnamese to freely practice their religious beliefs.

Vietnam's record on religious freedoms up until only recently was abysmal. It's designation in 2004 as a "Country of Particular Concern" (CPC), was deserved. However, we have seen significant and sustained progress over the last 18 months and we expect progress to continue in the months ahead.

Shortly after being designated as a CPC, Vietnam revised its legal framework governing the practice of religion so that it now guarantees the right of freedom of belief and religion, grants churches protection from harassment by allowing them to register, and explicitly bans forced renunciations of faith.

Vietnam also proved receptive to U.S. overtures for a formal agreement on religious freedom, which specifies areas for improvement. On May 5, 2005 after extensive negotiations, we concluded an agreement through a formal exchange of letters. It was the first of its kind ever attempted, negotiated, or signed under the International Religious Freedom Act. It was a turning point in our efforts to promote freedom of religion in Vietnam and a guiding light for U.S. efforts in other countries.

Vietnamese religious leaders now tell us that they are allowed more freedom to conduct in religious activities, that there is greater acceptance of various types of religious activities, such as house churches, and that they experience fewer difficulties with Vietnamese authorities.

To be sure, reports of violations continue in Vietnam. In Vietnam's northern tier of provinces, there has been insufficient progress and religious organizations find it difficult to register under the framework on religion. This was underscored recently in Bac Giang province, where a few local officials have insisted that preaching Protestantism "disrupts the solidarity of the community and forces people to believe and to work against the government."

Overall, however, reports of violations have sharply declined in number while evidence of positive developments has multiplied.

In the sensitive Central Highlands region, for example, over 400 religious "meeting places" in Gia Lai province have been registered, and government pressure on house

churches has eased significantly. Many house churches have been allowed to operate in Gia Lai without registration. Incidentally, for the first time in 2006, with the direct support of Congress, we are providing Economic Support Funds to increase opportunities for ethnic minorities in the Central Highlands region.

There are other examples. Provincial officials in Dak Lak have helped 13 candidates to enter seminary to help serve the province's 160,000 Catholics. Officials there also allowed 191 unregistered house churches to hold Christmas services and have acknowledged the regions 100,000 strong Protestant community.

Catholic Church Seminary classes have doubled in size and 57 new priests were ordained in a public ceremony Hanoi in November 2005.

Unregistered Baptists held their first Easter public revival prayer meeting this year with government approval.

Seventh Day Adventist, Grace Baptists, and the largest of Vietnam's Mennonite groups have registered in Ho Chi Minh City and are now seeking national-level registration.

#### Human Rights

In the broader area of human rights, Vietnam continues to restrict fundamental freedoms and the Department of State's 2005 Human Rights Report categorizes the country's human rights record as "unsatisfactory."

On the other hand, there has been progress in some areas. In the last 18 months, 18 prisoners of concern to the United States have been released including the high-profile cases of religious dissident Father Nguyen Van Ly and pro-democracy activist Dr. Nguyen Dan Que. Both were the subject of recent Congressional resolutions. Four people remain on our list of prisoners of concern, including Dr. Pham Hong Son, whose case we have raised repeatedly with Vietnamese authorities.

There are another 20 individuals of concern to us who remain under travel or other restrictions. Among this number are the senior leadership of the Unified Buddhist Church of Vietnam (UBCV) the Venerable Thich Huyen Quang and Thich Quang Do, who are confined to their pagodas. The

GVN considers them to be political figures because of their fierce advocacy for multi-party democracy. They should be allowed to travel, to speak freely, and worship without government interference.

In February, we resumed the bilateral Human Rights Dialogue with Vietnam after a four-year suspension and raised some tough issues with the Vietnamese Government in key areas where its human rights record does not meet international standards. The GVN engaged us substantively and we made it known that concrete follow-up needs to take place.

The results of the Dialogue to date have been encouraging. A prisoner of concern was released shortly afterwards. Embassy officials were permitted to visit two prisons in Ho Chi Minh City. The prisons appeared to meet international standards for health and cleanliness and we have requested that international NGOs be allowed similar visits. I am impressed by the fact that Vietnam has about 10 million internet users who are thirsty for knowledge of the outside world. Unfortunately, they continue to be denied access to international human rights websites. We still need to see an end to Vietnam's current practice of administrative detention, which allows the government to hold individuals without due process.

We have seen progress in transparency and accountability. For the first time, the Party's "Political Report," which outlines government policy, was circulated for public comment ahead of Party Congress. In addition, senior Transportation Ministry officials were forced to resign over corruption. The print media has made progress as well. Widespread concern over corruption has expanded the boundaries of press freedom. The government has essentially acknowledged the value of press coverage of corrupt public sector officials. We have also seen the emergence of a nascent political opposition and web-based political broadsides organized by dissidents in Vietnam.

WTO membership will require Vietnam to continue to open its economy, embrace transparency in commercial dealings, and abide by the rule of law in the global trading system. It is no accident that these same characteristics are most likely to contribute to further openings in Vietnam's political outlook.

2006: Watershed Year

As I testified to Congress earlier this year, 2006 is a watershed year for US-Vietnam relations. Building on the visit to the U.S. last year by Vietnam's Prime Minister and culminating in the visit of our own President to Hanoi later this year, we are in the midst of a historic transformation of a relationship that up until only recently was characterized by enmity and mistrust. The new leadership team in Vietnam, in place since last month, seems well disposed to continue and build upon the reform policies of its predecessors - a positive sign.

Our policy priorities with Vietnam in the coming months and years will remain focused on pushing the boundaries of cooperation and engagement across broad areas such as health, science, educational exchanges, regional issues and even the military relationship, while also doing all we can to maintain and improve cooperation in accounting for our missing servicemen.

At the same time, we will continue to vigorously press for further tangible progress on human rights and religious freedoms - the only real impediment to the relationship reaching its full potential. But even in this area, the signs of progress, albeit slow, are encouraging.

A key element of our engagement Vietnam - and building on our recently concluded bilateral WTO agreement - is ensuring Vietnam's accession to the WTO, which will set the course for vigorous new economic ties between our two countries for decades to come and help keep Vietnam on a positive overall reform trajectory. A positive and early vote on PNTR, before the August recess if it can be scheduled, would be a major boost to the relationship and to reform in Vietnam, and would create early opportunities and benefits for both nations.

I would note that even the prominent dissident Dr. Nguyen Van Que has come out strongly in favor of PNTR status for Vietnam because it will bring employment opportunities, reduce poverty, and most importantly, extend the rule of law in Vietnam.

Let me conclude by reiterating one fundamental point: Vietnam, for its own internal reasons, is undertaking a significant transformation that has profound, positive effects inside the country and internationally. Although

we would like to see faster progress in some areas, overall this transformation has been - and almost certainly will continue to be - good for American interests and good for American values. WTO accession - and PNTR status - is the logical next step in Vietnam's transformation, and it is absolutely in our national interest to support it.

Thank you. I would be happy to answer any questions you may have.

**Responses to Questions for the Record From Eric G. John  
Hearing of July 12, 2006  
Vietnam Permanent Normal Trade Relations**

***Senator SMITH:***

What is the legal status of the Latter Day Saints and the Jehovah's Witnesses? When will they be given legal status and what does that mean? Can they build a church or do they just have to meet in a home?

***Mr. JOHN:***

There are small communities of both Latter Day Saints and Jehovah's Witnesses actively practicing their religion in Vietnam. They are not yet registered under the legal framework for religion in Vietnam, but they have been allowed to operate on an unregistered basis and to meet in "house churches."

The Church of Latter Day Saints is in the midst of deciding in which jurisdiction to make its formal application for registration. Vietnamese authorities have recently asked the Jehovah's Witnesses to submit documents as a part of an application for registration. We are aware of ten active but unregistered congregations of Jehovah's Witnesses in Vietnam.

Once these religious groups have been given recognition by Vietnamese authorities, they will be allowed to acquire property, build church facilities, and conduct religious services.

***Senator SMITH:***

Where are the Baptists and what is their legal status?

***Mr. JOHN:***

There are several congregations of Baptists throughout Vietnam, both in major cities and in rural areas. A few Baptist churches have already registered under the new legal framework. Most others operate freely in Vietnam and report marked improvements in religious freedom over the last two years.

The leadership of the Baptist World Alliance, an international umbrella group for 30 million Baptists, recently visited Vietnam, met with senior officials of the Government's Commission on Religious Affairs, and had a successful meeting with 500 Vietnamese Baptists, including many from unregistered churches.

**Senator SMITH:**

I would ask if you can give me the status of various faiths, including Christian minorities and Jews, if there are any. What does free exercise of religion mean? What does state recognition include?

**Mr. JOHN:**

Protestant churches in Vietnam estimate that they have 1,600,000 church members. Some of the fastest-growing Protestant communities are in Vietnam's Northern Highlands.

There are an estimated 6 to 8 million Catholics in Vietnam. Catholics live throughout the country but the largest concentrations are in the southern provinces around Ho Chi Minh City, in parts of the Central Highlands, and in the provinces southeast of Hanoi. Catholicism has revived in many areas with newly rebuilt or renovated churches in recent years and growing numbers of people who want to be religious workers. We are not aware of the presence of a Jewish religious community in Vietnam.

The scope of religious freedom has expanded significantly in Vietnam since the implementation of the new legal framework for religion, and millions of Vietnamese now practice their religion freely. However, the government continues to monitor all forms of public assembly, including assembly for religious activities, and does not permit proselytizing. For many activities, including travel for religious purposes, approval by government authorities is required.

State recognition legalizes the status of a religious organization, and with government approval, allows an organization to engage in a number of activities, including establishing religious training schools, building or renovating religious facilities, providing social services, and sending people abroad for religious purposes.



**“S. 3495—A bill to authorize the extension of nondiscriminatory treatment (normal trade relations treatment) to the products of Vietnam”  
July 12, 2006**

**Statement for the Record From Senator John F. Kerry**

Mr. Chairman:

Today the Finance Committee is considering legislation that marks a critical step forward in U.S. relations with Vietnam. S. 3495 authorizes a permanent non-discriminatory trade relationship with Vietnam and is an important prelude to its accession to the World Trade Organization (WTO). This bill is necessary to fully integrate Vietnam into the world trading system, and I hope my colleagues will fully support it.

I am proud to be an original co-sponsor of this bill, continuing my long involvement in the effort towards the normalization of our relationship with Vietnam. The 25 year trade embargo on Vietnam was lifted in 1994. We established diplomatic relations in 1995, exchanged Ambassadors in 1997 and President Clinton made an historic visit to Vietnam in December 2000—the first U.S. Presidential visit to an integrated Vietnam. In 2001 Congress approved a bilateral trade agreement which provided Vietnam with conditional normal trade relations. Granting permanent normal trade relations to Vietnam is the next logical step in this process and will enable the country to fully integrate into the global economic system.

Vietnam’s accession to the WTO and the granting of PNTR will lay the foundation for a comprehensive normal bilateral trade relationship between our two countries. It will provide for continued growth in U.S. exports to Vietnam, particularly in sectors like aircraft and machinery (which are already doing well in Vietnam) and insurance, banking, and telecommunications. WTO membership will further strengthen our bilateral economic relationship by creating new trade and investment opportunities for both Vietnamese and U.S. businesses.

These positive economic steps finalize the process of normalizing our relationship with Vietnam. As one who was deeply involved in that process, working closely with Senator McCain and our other colleagues who served in Vietnam, I am pleased that the United States and Vietnam have successfully negotiated a mutually beneficial WTO accession agreement. During my tenure in the Senate I have had the opportunity to go back to Vietnam many times. I am always astounded by the change that I see as well as the opportunities for further growth. Vietnam has made great strides, especially in the economic arena with growth rates of 7 percent per year.

The Government of Vietnam understands that we expect to see additional progress in the opening of its political system and respect for human rights. The expanded role of the National Assembly, ongoing efforts to work with the International Labor Organization to improve worker rights, the growing impact of union leaders on legislation affecting their constituencies, an increase in press reports critical of the government, and growing participation in religious activities, made possible by new, less restrictive laws, are indications that progress is being made. However, there is no question that challenges remain and more needs to be done.

I will continue to monitor Vietnam's progress and continue to raise the need to make additional improvements with Vietnamese officials at the highest levels. But we should not lose sight of the fact that Vietnam is a more open society and change is taking place as a result of Vietnam's growing interaction with the international community and its integration into the world economic system. As the State Department acknowledged in its 2005 Country Reports on Human Rights, economic reforms and the rising standard of living in Vietnam continue to improve the daily lives and freedoms of the people of Vietnam.

Engaging the young population of Vietnam on these issues, as well as growing our economic partnership, means that successive generations of Vietnamese will know a different relationship with the United States than their parents and grandparents. This agreement moves the United States and Vietnam into an era of collaboration and friendship for a new generation.

**Amnesty International Testimony  
Human Rights in Vietnam**

**“S.3495 – A Bill to authorize the extension of non-discriminatory treatment (normal trade relations treatment) to the products of Vietnam”**

**Before the  
Committee on Finance  
United States Senate**



**Presented by  
T. Kumar**

**Advocacy Director for Asia & the Pacific  
Amnesty International USA**

**July 12, 2006**

Thank you Mr. Chairman, and distinguished members of this committee. Amnesty International is pleased to testify at this important hearing.

The human rights situation in Vietnam has been of concern to Amnesty International for years. We have published reports, news releases, and urgent actions to highlight the situation in Vietnam.

Amnesty International is totally independent of any government, political ideology or religious creed. We work for the promotion and protection of human rights laid down in international covenants. We consider these rights to be universal, indivisible, and interdependent.

While we focus on human rights we do not take a position on a number of issues including linking economic sanctions to human rights. Therefore, we do not take a position on Permanent Normal Trade Relations to Vietnam.

2006 has been described as a critical year for Vietnam. The WTO negotiations, the trade relations status, the APEC Summit in Hanoi in November and President Bush's first ever visit to the country are some of the key features. Also manoeuvring the country through this pivotal period is a brand new government, nominated in late June following the 10<sup>th</sup> Party Congress.

## **Current Status of human rights**

### **Key concerns:**

- Restrictions on freedom of expression, assembly and association
- The use of national security legislation and the criminal code to suppress criticism of the government. Much of this vaguely worded 'catch-all' legislation contravenes international law and standards to which Viet Nam is a state party
- The continuing imprisonment of political prisoners.
- The use of severely repressive practices in some ethnic minority areas – notably the Central Highlands.
- Independence of judiciary
- Restrictions on religious freedoms – continued intolerance of non-state sanctioned religions and denominations
- The application of the death penalty

### **Deterioration in the following area:**

- The internet is an area which appears to be worsening with arrests and secretive procedures
- Amnesty International is concerned about how the new internet regulations will be used

### **Improvements in the following areas:**

- Political restrictions appear to have eased ahead of the upcoming APEC summit in November and the WTO negotiations
- The recent openness in the debate about corruption scandal involving the Ministry of Transport. This scandal led to the first ever appearances for questioning by ministers before the National Assembly, which has investigated the allegations
- For the first time, the assembly raised a more independent voice vis-à-vis the Communist Party. Parts of the hearings were broadcast on radio and television

## **Media**

Media are State controlled, censored, and chiefly used as propaganda tools. However, the above mentioned corruption scandal has resulted in an increase in investigative reporting; the media played a role in placing the scandal in the public domain.

### **Independence of Judiciary**

Politically related trials in past years have routinely concluded in a matter of hours, without due process and with heavy jail sentences handed down to those convicted. Accused are regularly held in incommunicado detention, and consequently family members are often refused access to prisoners. Vaguely worded "national security" and spying charges are often used for people who have never advocated use of violence, and thereby criminalize peaceful dissent.

The 2004 criminal procedure code introduced increased rights for defendants, and a new law on legal aid was adopted by the National Assembly last June. Despite this and the fact that legal aid is spreading through the National Legal Aid Agency, access to lawyers remains very limited, as does awareness about free of charge legal aid for poor and vulnerable. Access to lawyers is still distant.

### **Crackdown on Internet users**

On July 1, 2006 a new decree on sanctions for "administrative violations in the culture and information sector" entered into force. Instead of promoting the use of the Internet as a tool for development and exchange, the decree is one in a string of laws, decrees, and decisions that stifles access to and use of the Internet.

Some worrying elements of the decree:

- Introduces further control and prior permission of use of the Internet and circulation of e-mails by the State.
- Introduces fines for journalists for publishing articles with anonymous sources, or refusing interviewees to read prior to publishing.
- Enables authorities to punish offences that are not in the Criminal Code
- Imposes fines of up to 30 million dong (2,000 US dollars), for disseminating "harmful" information by media. Local authorities and police appear to have discretion to define "harmful information".
- Imposes fines for revealing "Party or State secrets" (up to 30 million dongs/2,000 dollars)

Following the 2002/2003 crackdown on the Internet, the following Prisoners of Conscience remain behind bars:

**Dr Pham Hong Son**, a 37-year-old businessman and qualified medical doctor, remains in detention since his arrest on March 27, 2002 after translating an article entitled "What is Democracy?" from the US embassy in Vietnam's website, sending it to friends and party officials. He also wrote articles and shared information from the Internet with friends and government officials, and

signed a petition to the authorities in August 2002 calling for peaceful political reform.

Following his arrest, Dr. Pham Hong Son was held in pre-trial detention in excess of the legally allowed six months before being brought to trial on June 18, 2003 on charges relating to espionage. He was sentenced to 13 years' imprisonment plus three years' house arrest on release at the end of the closed trial lasting only half a day. His sentence was reduced to five years' imprisonment on appeal in August 2003.

Dr Pham Hong Son's health has deteriorated during his imprisonment; he has been reported as suffering from an inguinal hernia and to be coughing blood, for which he has not received or been given access to appropriate medical care. In September 2004 he was moved from Ba Sao prison camp in Nam Ha province where other political prisoners were detained, to a remote prison camp of Yen Dinh, Thanh Hoa province, making family visits difficult. Dr Pham Hong Son is married with two children.

**Nguyen Vu Binh**, a 37-year-old journalist and writer, has been in detention since his arrest in September 2002. He worked as a journalist at the official Communist Party of Vietnam Journal and the Communist Review (*Tap Chi Cong San*) for almost ten years, before resigning to attempt to form an independent political party. His request for official permission received no response.

He was also one of several dissidents who attempted to form an Anti-Corruption Association in 2001. After submitting a written testimony on the human rights situation to the US Congress in July 2002 he was briefly detained.

A Directive issued by the Communist Party of Vietnam in early 2003<sup>1</sup> referred to Nguyen Vu Binh as having already been arrested and prosecuted for spying activities. However, at that time he had not been officially charged and continued to be detained until he was brought to trial on December 31, 2003, more than a year after his arrest. Nguyen Vu Binh was sentenced to seven years' imprisonment, plus three years' house arrest on release for "spying" under Article 80 of the Vietnam Criminal Code. Amongst the charges against him were that he "communicated via emails" with "reactionary" organizations overseas and disseminated information about human rights in Vietnam. The sentence was upheld on appeal on May 5, 2004.

Nguyen Vu Binh is held at Ba Sao prison camp in northern Nam Ha province. He is reported to be disciplined because he has refused to sign a "confession": He is held in isolation without being regularly allowed to leave his cell for a few hours each day, while other prisoners are permitted. He is married with one child.

#### **Recent Internet related arrests**

Three brothers - Truong Quoc Huy, Truong Quoc Tuan, and Truong Quoc Nghia and Pham Ngoc Anh Dao, also known as Lisa Pham were arrested

<sup>1</sup> *Socialist Republic of Viet Nam: Two official Directives relating to anti-government activities*, AI Index: ASA 41/018/2003, June 2003.

from a house in Ho Chi Minh City on October 19, 2005. They were arrested for taking part in an Internet chat room entitled "The voice of people in Viet Nam and Abroad", hosted by PalTalk website, in which opinions about democracy and issues about Vietnam are exchanged. Truong Quoc Nghia was subsequently released, while the others were reportedly charged with attempting to overthrow the government under Article 79 "*Carrying out activities aimed at overthrowing the people's administration*" of the Penal Code.

There has been no public information about where Truong Quoc Huy, Truong Quoc Tuan and Pham Ngoc Anh Dao may be detained, or whether they have been formally charged or tried. To the knowledge of Amnesty International there have been no court hearings of their case and the organization is concerned that they have been held in pre-trial detention for a period exceeding the legal maximum of six months.

Beside the arrests of these three, there have also been unconfirmed reports of an arrest on March 11, 2006 at an Internet café of another man who participated in a Paltalk discussion. The Vietnamese authorities have denied this arrest.

#### **Status of released political prisoners**

- Nguyen Khac Toan: A former soldier, math teacher and businessman, Nguyen Khac Toan was arrested in January 2002 for passing information by the Internet to overseas Vietnamese activist groups about farmers' protests in Ha Noi. He also reportedly helped farmers draft petitions voicing disapproval over official corruption and land confiscation. He was tried on December 20, 2002 and sentenced to 12 years' imprisonment, plus three years house arrest on release for spying under Article 80 of the Criminal Code.

After serving one third of his prison sentence, Nguyen Khac Toan was unexpectedly released under a prisoner amnesty to mark the Lunar New Year in January 2006. Despite being told not to give media interviews following his release, Nguyen Khac Toan told international media that he had been required to undertake not to carry out any anti-government activities, to meet with other dissidents or to give newspaper and radio interviews.

He remains under police surveillance. In late February 2006 he and another political dissident, Do Nam Hai, were arrested at an Internet cafe in Ha Noi and taken for interrogation to the municipal police station. Toan was allegedly charged with violating conditions of his house arrest (after his release from prison he was required to serve three years of house arrest). Do Nam Hai was reportedly charged with violating Decree 55, which prohibits people from accessing banned Internet websites. Amnesty International continues to consider Nguyen Khac Toan a prisoner of conscience and calls for all restrictions in place during his house arrest to be lifted immediately.

- Dr Nguyen Dan Que, 64, who has spent some 20 out of the last 28 years in prison for advocating for human rights and political reform, was last imprisoned in March 2003. He was released in February 2005 after having served 23 months in prison of a 30 month sentence. Since his release he has remained under surveillance and has occasionally been harassed,

most recently on June 8, when a group of public security agents and police reportedly entered and searched his home – without showing a warrant. Dr Que has not been allowed to have access to the Internet until only two months ago, in May 2006. His telephone line remains cut off.

#### **Statements by released political prisoners**

Since his release, **Nguyen Khac Toan** has briefly described the conditions of detention at Ba Sao prison camp, Nam Ha province, stating that 241 political prisoners were detained in just one Section of the Ba Sao Prison. Some 225 of these are reportedly ethnic Christian Montagnards arrested in connection with the 2001 and 2004 demonstrations. Others are political prisoners serving 20-30 year sentences.

Another list, compiled by UBCV monk **Thich Thien Minh**, who was released in February 2005 after 26 years in re-education camp, contains the names of 66 religious and political prisoners, many of them old and sick, in Z30A Camp in Xuan Loc, southern Dong Nai province. Several of these prisoners have been detained for decades and are obliged to perform hard labour despite their poor health.

#### **Montagnards**

The situation of Montagnards in the Central Highlands remains a cause for concern, illustrated for example by the continued trickle of asylum seekers making their way across the border into Cambodia.

Vietnamese officials reportedly continue to violate the right to religious freedom in parts of the Central Highlands, pressuring Christians who belong to independent house churches to renounce their religion or to pledge loyalty to the state sanctioned ECVN. The right to freedom of movement is restricted for those involved in religious activities that are not endorsed by the government.

Also, peaceful dissent, certain religious activity, and attempts to seek refuge in Cambodia continue to be deemed criminal, while the Vietnamese government accuses Montagnard activists to use the issue of religion as a cover for separatist political activities.

Over 250 highlanders have been imprisoned since 2001. At least eighty people were arrested in 2005 alone and around 140 people were sentenced to prison terms during the same year. They were charged in connection with the 2001 and April 2004 protests about land ownership, religious freedom, and for assisting people to leave for Cambodia.

#### **Status of returned Montagnard refugees**

The January 2005 MoU between Vietnam, Cambodia and UNHCR appears to have been violated by Vietnamese authorities, who have detained, questioned,



and in some instances severely mistreated people who sought sanctuary in Cambodian refugee camps but subsequently have returned to Vietnam.

Amnesty International has raised concerns about the MoU, which the organization believes contains gaps that diminish the protection of the asylum seekers' fundamental human rights, particularly those who are returned to Vietnam.

The Vietnamese authorities are obliged under the agreement not to punish returnees for illegally having left the country, but this does not preclude punishment for religious or political beliefs. It has been reported that police and other authority representatives have ill-treated – placing under surveillance or house arrest, detained, interrogated and possibly even tortured – some of those who returned.

UNHCR has undertaken several brief monitoring visits to returnees and returned with positive findings. However, Amnesty International remains concerned that such short and highly visible monitoring visits are carried out in coordination with the authorities that UNHCR is meant to monitor. In light of the fear on the part of returnees and people related to the hundreds of people detained or imprisoned, as well as credible reports about ill-treatment, Amnesty International repeats calls for the authorities to allow unrestricted access to assess the human rights situation in the Central Highlands for independent and international human rights monitors, such as the UN Special Rapporteurs on Torture, on Religious Intolerance, and the UN Working Group on Arbitrary Detention.

The lack of such access and the continued crackdown against particularly Christian Montagnards violate the basic human rights that Vietnam is obligated to uphold as a state party to the International Covenant on Civil and Political Rights.

### **Religious persecution**

Not only are Montagnard Christians repressed by the state; religious practice remains under the strict control of the authorities, despite the releases in 2005 of several religious dissidents and the issuing of instructions intended to facilitate official recognition of churches. Members of churches seen as opposing state policies keep being harassed, arrested, and imprisoned, while church property has been destroyed, most recently – to the knowledge of Amnesty International – a small Mennonite church in Ho Chi Minh City in May 2006.

Despite several welcome prison releases, especially in 2005, the senior leadership of the Unified Buddhist Church of Vietnam (UBCV) remain under house arrest, including 86-year-old Supreme Patriarch Thich Huyen Quang, and his deputy Thich Quang Do. In Opinion 18 the UN Working Group on Arbitrary Detention (WGAD) in October 2005 proclaimed their detention as arbitrary, in contravention of article 18 of the International Covenant on Civil and Political Rights. The WGAD called for the Vietnamese government to urgently remedy this ongoing breach of international law.

Of the religious dissidents and prisoners of conscience released in 2005, some individuals, such as UBCV Buddhist monk Thich Thien Mien and Catholic priest Father Thadeus Nguyen Van Ly, are facing varying levels of surveillance, restriction and intimidation, illustrating how Vietnamese believers appear to enjoy freedom of worship at the individual level, but not systematic freedom of religion.

### **Death penalty – A State Secret**

In February 2006 the Ministry of Public Security proposed a reduction in the number of offences punishable by the death penalty "in tune with the general tendency around the world, which Vietnam should follow". The proposal, submitted to the central judicial reform commission for consideration, recommended that economic crimes such as fraud and embezzlement, smuggling, counterfeiting and bribery no longer be capital offences. It is reported that other offences punishable by death are also under consideration, and that the number of capital offences may be reduced from 29 to 20.

This welcome step, should it take effect in law, adds urgency to Amnesty International's calls for an immediate moratorium on all executions, and outstanding cases where death sentences have been imposed for economic offences.

The last known execution for economic crimes took place on March 21, 2006, when Phung Long That, the former head of the anti-smuggling investigating division of the Ho Chi Minh City customs department, was shot by firing squad. He had been sentenced to death in April 1999 after being convicted of accepting bribes and smuggling goods worth 70 million USD.

Currently the death penalty in Vietnam is optional for economic crimes such as smuggling, counterfeiting, embezzlement, offering bribes when it involves property and money valued over specified amounts. Other offences for which the death penalty is applicable include murder, rape, drug trafficking and national security crimes.

The reporting on the death penalty in Vietnam is sketchy since regulations have classified dissemination of such statistics a state secret. According to official media sources, at least 21 people were executed and 65 people including six women were sentenced to death in 2005, but the true figures were believed to be much higher.

### **The 2006 Manifesto**

In April 2006 a public petition calling for "freedom and democracy" was launched on the Internet, with a total of 118 original signatories, including prominent dissidents and former political prisoners from Hanoi, Hue and Ho Chi Minh City. To date the so-called 2006 Manifesto on Freedom and Democracy for Vietnam has been signed by over 1,000 people, domestically

as well as by dissidents abroad. Despite this interest it has so far not been met with any concerted repressive measures.

Among the initiators of the April appeals are both Nguyen Khac Toan and Reverend Nguyen Van Ly mentioned earlier, plus at least three of those arrested in the 2002/2003 Internet crackdown who were subsequently released: Colonel Pham Que Duong, 74, a retired colonel in the Vietnamese Army, military historian and former Editor-in-Chief of the Journal of Military history, Professor Tran Khue, 70, a former professor of Vietnamese and Chinese literature and writer, and Tran Dung Tien, 77, a military veteran.

The ways in which this petition and its signatories will be tackled by the new government and leadership will be a clear indicator in the months ahead of how committed they are to their obligations under international and national law.

### **Recommendations:**

- Lift all the restrictions on using internet for peaceful purposes and to repeal restrictive laws.
- End the use of national security legislation to stifle freedom of expression and association.
- Immediately and unconditionally release all prisoners of conscience.
- Allow independent and impartial agencies, e.g. the UN Special Rapporteur on Torture, on religious intolerance, and the UN Working Group on Arbitrary Detention, unfettered access to the Central Highlands and to other areas to monitor and investigate allegations of human rights violations.
- Initiate full and independent investigations into allegations of human rights violations against the Montagnard minority, and to bring perpetrators to justice in accordance with international standards.
- Take steps to allow freedom of religious practice to members of all churches, regardless of whether they are state-sanctioned, without conditions.
- Take steps to reduce the number of capital offences and ensure that prisoners remaining on death row who have been convicted of non-violent economic crimes are not executed and that their sentences are commuted and move towards abolition of the death penalty.

Thank you.



**U.S. Senator Rick Santorum  
Statement for the Record  
Committee on Finance  
Hearing on the extension of normal trade relations treatment to the products of Vietnam  
July 12, 2006**

Mr. Chairman, thank you for convening this hearing on this important trade and foreign policy matter. You have assembled a broad group of witnesses for today's hearing. I am hopeful that the Committee will receive a wide variety of views on the topic of graduating Vietnam from the Jackson-Vanik provisions of the Trade Act of 1974.

Let me first note that the bilateral trade agreement the United States and Vietnam concluded in late May 2006 represents a significant advance over the status quo. Under the bilateral agreement negotiated by the parties, U.S. exporters and service providers stand to gain increased market access to Vietnam and improvements to their ability to operate in that country. I am aware that approximately 75% of American agricultural exports to Vietnam will face bound tariff rates of 15% or less. Additionally, over 94% of U.S. exports of manufactured goods will face duties of 15% or less upon implementation of Vietnam's accession commitments. I am aware of a broad coalition of companies that enthusiastically support graduating Vietnam from the Jackson-Vanik provisions of the Trade Act of 1974.

However, I am concerned with the recent designation of Vietnam as a "Country of Particular Concern" under the International Religious Freedom Act for particularly severe violations of religious freedom. I am aware that, as permitted by the law, the U.S. and Vietnam undertook negotiations to avoid the application of sanctions for these violations. The agreement reached in May 2005 sets forth a number of commitments to advance and protect religious liberties. As my colleagues know well, in the conduct of foreign affairs, I look closely at a country's record on religious liberty and freedom. In most cases, there is a direct correlation between the level of religious freedom and the stability/economic vitality of a country. I am optimistic that this May 2005 agreement will bring about the changes we are hoping to see made in Vietnam. On this point, I note Chris Seiple's support for establishing permanent normal trade relations with Vietnam and for lifting the country's Country of Particular Concern status. I look forward to hearing Mr. Seiple's testimony today.

Lastly, when I evaluate trade agreements and trade policy initiatives, I look at two key impacts: opportunities for Pennsylvania exports and consumers, and our national foreign policy goals. By all accounts, as I mentioned earlier, American exporters stand to achieve substantial improvements in market access to Vietnam's market under the bilateral trade agreement recently negotiated. For Pennsylvania, this increased market access offers the possibility of increased exports of machinery, electronics, forestry and logging products, chemicals and wood products. I also look at the foreign policy goals that are embodied in trade initiatives. I look forward to listening to the testimony of today's witnesses and hope that they will highlight the impact of granting permanent normal trade relations to Vietnam to the foreign policy goals of the United States.

Thank you Mr. Chairman.

**Testimony  
on S. 3495**

**by  
Christian Schlect  
President  
of  
Northwest Horticultural Council**

**before  
Committee on Finance  
United States Senate**

**at  
Washington, D.C.  
July 12, 2006**

The Northwest Horticultural Council supports S. 3495, authorizing the extension of Permanent Normal Trade Relations to Vietnam.

My name is Christian Schlect and I serve as president of the Northwest Horticultural Council. The Council, founded in 1947 and based in Yakima, Washington, represents growers and shippers of apples, pears, and cherries located in Idaho, Oregon, and Washington. We work on federal and international policy issues of interest to our members. Orchardists in the Pacific Northwest grow about 65% of the fresh market apples grown in the United States. They raise more pears and sweet cherries than any other region of the country. In terms of foreign trade, the Pacific Northwest exports about 30% of its annual fruit crop. Our industry's economic health is dependent on opening and maintaining overseas markets.

Vietnam, with its population of over 84 million, is an important future market for our fruit. With a tropical climate that does not allow for the production of such deciduous tree fruits as apples and pears, it will eventually join such strong existing Asian markets as Hong Kong, Taiwan and Singapore as an important destination for the fruit of our orchards. Even now, for the 2005 shipping season U.S. apple exports to Vietnam totaled 116,00 cartons. Upon accession to the WTO and PNTR, importers in Vietnam expect these shipments to jump by 40%.

When Vietnam does come within the ambit of the World Trade Organization, it will lower its import duties and be bound by a new set of international trade disciplines. In terms of the former, the current applied duties on U.S. apples (25%), pears (25%), and cherries (40%) will be each reduced to 10% over the course of five years. As for disciplines, the most important for our traders is the Sanitary and Phytosanitary Measures of the WTO. Vietnam has pledged to apply science-based S&P standards to all agricultural goods. And having a respected international forum--- within which to bring, and hopefully resolve, the all too common and vexing technical disputes involving agricultural trade--- is a valuable step forward.

Rejecting PNTR for Vietnam would be a critical commercial and foreign policy misstep by our country. Instead, PNTR's passage is a quiet opportunity for the United States to further open doors of understanding and trade to a country, once a bitter enemy, which is now actively seeking a more constructive and mature relationship.

When I first visited Washington, D.C. as the newly-appointed president of the Northwest Horticultural Council in 1980, one of the first individuals my predecessor, Mr. Falk, introduced me to was his friend going back to their law school days at the University of Washington, Senator Henry Jackson---or as Mr. Falk called him "Scoop." Together they worked for over thirty years in securing access to foreign markets for our growers' fruit.

I believe Senator Jackson, if he were alive today, would understand and have adapted to the changing circumstances of history. He would see that the valid political and moral impulses then behind his and Congressman Vanik's 1974 trade amendment---aimed

primarily at protecting the right of emigration for Soviet dissidents---no longer have reason to be applied by our country to today's Vietnam.

And, he would still be helping our fruit growers open new export markets.

#### **CONCLUSION**

The Northwest Horticultural Council urges the United States Senate to waive the Jackson-Vanik Amendment and allow the President to grant Permanent Normal Trade Relations status to Vietnam. We support passage of S.3495.

#### **MEMBERS OF THE NORTHWEST HORTICULTURAL COUNCIL**

*Fruit Growers League (Medford)*  
*Hood River Grower-Shipper Association*  
*Idaho Apple Commission*  
*Oregon Sweet Cherry Commission*  
*Pacific Northwest Canned Pear Service*  
*Washington Apple Commission*  
*Washington State Fruit Commission*  
*Washington Tree Fruit Research Commission*  
*Wenatchee Valley Traffic Association*  
*Yakima Valley Growers and Shippers Association*

#### **SUBMITTED BY:**

Christian Schlect  
President  
Northwest Horticultural Council

**VIETNAM, RELIGIOUS FREEDOM & PNTR**

**Chris Seiple**

**President, Institute for Global Engagement**

testimony before the  
United States Senate  
Committee on Finance

on

“S.3945—A bill to authorize the extension of nondiscriminatory treatment (normal trade relations treatment) to the products of Vietnam”

12 July 2006

Chairman Grassley, Senator Baucus, Members of the Committee,

Thank you for the privilege of speaking with you about Vietnam, religious freedom, and whether or not to establish permanent normal trade relations with Vietnam.

My family is familiar with this country, its blood literally a part of Vietnamese soil. Two of my uncles served as Marine infantry officers in Vietnam, earning three purple hearts among three tours. I was born in the great state of Iowa because my Hawkeye mother, Margaret Ann, went home to have me while my father, Bob, a Marine aviator, flew 300 combat missions out of Da Nang. As a result, our family has a clear-eyed instinct for engaging the world as it is; an instinct confirmed by my own nine years of experience as a Marine infantry officer.

Yet we are also a family of faith. We believe in things like forgiveness and reconciliation. My father, for example, has long worked to build bridges to Vietnam. In 1988, he brought World Vision, the world’s largest faith-based relief and development NGO, back to Vietnam in order to serve its people. Similarly, the Institute for Global Engagement—the organization he founded after serving as the first U.S. Ambassador-at-Large for International Religious Freedom—has worked to serve the Vietnamese people since 2001.

The Institute for Global Engagement (IGE) is a “think tank with legs” that promotes sustainable environments for religious freedom worldwide. We take a comprehensive approach that first seeks to understand the nexus of faith, culture, security, development and the rule of law within a given society. We then use relational diplomacy to simultaneously engage both the government (top-down) and the grassroots (bottom-up). The result, we pray, is respectful dialogue and practical agreements that help transition countries toward sustainable religious freedom.

As a faith-based organization, we are well-positioned to engage complex places where religion is a core issue. By way of brief example, two months ago, IGE took an American delegation of Muslims and Christians to Pakistan’s Northwest Frontier Province (NWFP) and Tribal Areas. Working in support of a Memorandum of Understanding that we signed last year with the NWFP government, we established a scholarship program for Muslim students and minorities from the Afghanistan-Pakistan border regions at the University of Science and Technology in Bannu. At



the program's core is education on religious freedom and respect—perhaps the best long-term tool we have for fighting terrorism.

Our work in Vietnam reflects the same principles. This September marks my fourth trip to Vietnam since the U.S. designated Vietnam a “country of particular concern” (CPC) in September 2004. Over the course of these visits, to include several meetings with Vietnamese officials visiting the U.S., I have had the opportunity to meet and observe many government and religious leaders in Hanoi, as well as at the provincial level (particularly in the Central and Northwest Highlands)

(I should note that the focus of our work is with the Christian ethnic minorities of the Central and Northwest Highlands because these faith-based groups are the largest and have suffered the most).

While there are many technical and tactical issues to debate regarding PNTR with Vietnam, religious freedom in Vietnam, and the relationship between the two, I believe that we can distill these discussions to two strategic questions:

- 1) Has Vietnam begun to move toward a rule-of-law system that will preserve, protect and promote religious freedom in Vietnam, as well as enhance the trade between our two countries?
- 2) And, if so, how should the United States practically encourage Vietnam to continue moving in the right direction?

Vietnam has made the strategic decision to seek a strong bilateral relationship with the United States, which requires the removal of religious freedom sanctions. One cabinet level official remarked to me last year: “Whether we like it or not, we recognize religious freedom as a permanent U.S. national interest.” As a result, I believe, the decision has been made at the highest levels—and confirmed at the 10<sup>th</sup> Party Congress this past April—to do whatever it takes to remove, and prevent further, U.S. sanctions.

In other words, in the last two years, a strategic shift has taken place in the Vietnamese mindset. This shift, irrespective of origin, has begun to provide for the religious freedom of all Vietnamese citizens. This change is confirmed in the conversations I've had with senior Vietnamese officials and demonstrated in the talking points advanced by provincial authorities at the beginning of each meeting.

Evidence of this shift began with the promulgation of nationwide ordinances (November 2004), instructions (February 2005), and guidelines (March 2005) on religious freedom. Although significant discrepancies among these documents must be clarified—for example, the registration process for faith-based groups is unclear when the three documents are laid side-by-side—the government has begun the unprecedented process of training officials at all levels about these decrees and how religious freedom should be addressed. This shift has also created the space in which religious freedom organizations like IGE can contribute to an opening civil society by providing third party accountability regarding religious freedom. Finally there is increasing awareness among government officials that faith-based groups contribute to social stability by: 1) providing for the poor and needy, 2) alleviating the financial responsibility of the state to provide

the same services; and 3) by serving as a moral bulwark against the increased corruption that inevitably accompanies an economy in transition.

This evolution of word and deed among government officials at the national and provincial level mark the beginning of a new pattern in the history of Vietnam's human rights.

To be sure, the implementation of these changes is uneven and there are too many examples of people of faith, to include Buddhists, being harassed because of their belief system (in some places much more than others). Yet these positive changes continue to take place, deepening and broadening the opportunity for a rule-of-law system to take root and permanently provide for religious freedom as well as normal trade relations.

In this overall context, America should do everything within its power to promote and sustain this change, to include the establishment of PNTR and the lifting of CPC status.

These two particular actions send the strong signal that we both *respect* the efforts made thus far by the Vietnamese government to establish the rule of law (especially the protection of religious freedom), and that we *expect* the government of Vietnam to continue creating the rule-of-law structure necessary to promote religious freedom and free trade in a sustainable manner. If such efforts do not continue at a reasonable pace, the U.S. should be ready to quickly reinstate sanctions.

Perhaps most importantly, establishing PNTR and removing CPC encourages the progressive elements among Vietnam's leadership. Vietnam possesses many true patriots amidst its government's bureaucracy. I have met many of these national servants who want what is truly best for their country and their citizens. If we do not tangibly support them, hardliners gain the advantage and impede the progress that we all seek.

To maintain the current momentum, both governments should agree to a rule-of-law roadmap that, in particular, ensures steady progress in religious freedom. A critical component of that roadmap, I believe, is the continuation of the practical, confidence-building steps that have been taken thus far by the Vietnamese through the partnership between IGE and the Vietnam-USA Society (VUS).

On 1 July 2005, IGE and VUS signed an agreement to take three tangible steps together to build religious freedom in Vietnam whereby: 1) IGE would host a Vietnamese delegation of government and religious officials in Washington, D.C. (February 2006); 2) IGE would take a delegation of scholars and pastors to Vietnam (June 2006); and 3) IGE would co-sponsor a conference on religion and rule of law in Hanoi (September 2006).

The first step called for a delegation of Vietnamese government and religious leaders to come to America (which took place this past February). For the first time in Vietnamese diplomatic history, the government did not choose its country's religious representatives for a delegation; instead, these authentic voices from the Christian community were selected by IGE. Importantly, during the course of our meetings with U.S. officials, these pastors were not afraid to sometimes disagree with the government officials—demonstrating an emerging public square for honest discussion of religious freedom issues among Vietnamese.

These discussions took more formal form on 28 February, when the delegation participated in an off-the-record conference of experts that IGE co-sponsored with Georgetown University and The George Washington University. This forum—the first of its kind—provided an opportunity for American and Vietnamese officials and practitioners to meet and discuss the many issues related to religious freedom, including the current U.S. sanctions.

The second step of our agreement called for IGE to bring a delegation of scholars and pastors to Vietnam to understand the progress and challenges of implementing religious freedom in the Central and Northwest Highlands (which we did last month). While our conversations in Hanoi with the Communist Party, Ministry of Foreign Affairs, the National Committee for Religious Affairs, and Buddhist and Christian leaders confirmed Vietnam’s strategic commitment to promoting religious freedom, our experiences at the provincial levels also confirmed the uneven progress made in implementing these religious freedom reforms.

In Vietnam’s Northwest, Protestant evangelicalism is growing rapidly with 1200 Hmong “house churches” seeking recognition and registration from the government under the auspices of the Evangelical Church of Vietnam (North). Although Hanoi has officially encouraged the recognition and registration of these churches, provincial authorities still practice bureaucratic discrimination against the Hmong Christians. Local authorities regularly tell Christians that they cannot state their religion on their identification cards while returning unopened church registration applications to the congregations. If someone is not officially Protestant, and if no church application has been received, then the government can maintain the appearance that there are no problems. This clumsy approach serves no one except those who prefer religious freedom sanctions to continue.

Still, unregistered house churches are increasingly allowed to meet. The first full-time Catholic priest since 1950 has been installed in the town of Sa Pa (Lao Cai). And our trip itself was an indication of continuing movement in the right direction. According to officials in Hanoi and the Northwest, IGE is the only international NGO to have been allowed into the Northwest. It is also important to note that we were not refused access to areas or people by local officials. Indeed, local officials and pastors spoke openly about how Christians and government officials have contributed to recent problems.

Meanwhile several complicating factors make it difficult to discern whether or not religious freedom violations have taken place. The Hmong tribes tend to practice a “slash and burn” form of agriculture as they migrate among provinces (and international borders). These habits create tension with local residents, as well as government officials who are trying to establish development programs for a region where roughly 50% of the people live on less than 50 cents/day. The extreme geography of the region only accentuates development efforts as many remote villages do not have access to the outside world during rainy season when landslides, impassable trails and roads, and swollen rivers prevent travel.

When Hmong convert to Christianity, there is often tension within the family as the non-Christian members of the family feel that the Christians have betrayed the family, its ancestors and the culture (a feel shared by neighbors and the local witchdoctor). There are often issues of land inheritance associated with the conversion, depending on the age of the convert, as younger members of the family feel left out.

Making the situation more complex is the Hmong word “Vang Chu.” In a spiritual context, it can be translated as “God” or “Christian.” In a political context, however, “Vang Chu” can mean “king” or “lord,” reminding local officials of Hmong separatism as well as Hmong support for the U.S. during the Vietnam War.

The final complicating factor is the Christians themselves. First, the Evangelical Church of Vietnam (North)—which must recognize and take responsibility for the 1200 Hmong churches before the government will register them—does not have a presence in any of the Northwest provinces. Each of the 1200 Hmong churches must go to the Hanoi headquarters of the Evangelical Church of Vietnam (North) to coordinate its actions with the provincial government where the church wants to register.

Second, a seminary does not exist to serve the Northwest’s 120,000 Christians (some estimate as many as 250,000). Without certified pastors, the government will not recognize these 1200 churches. Untrained pastors also limit the spiritual maturity of these believers. Third, for example, an unregistered and aggressive house church from the south—Lien Huu Co Doc (roughly, “Christian Alliance Church”)—is growing quickly in the Northwest. Unfortunately, most reports suggest that this church is buying converts, even churches, in order to demonstrate its “success” worldwide. Without a proper understanding of Christianity, and extremely poor to begin with, Hmong Christians are susceptible to these financial advances.

On the other hand, we also visited the Central Highlands provinces of Dak Lak and Gia Lai during this second step of our religious freedom agreement with the Vietnam-USA Society. Previously known for the severe persecution of Christians, these provinces are now moving forward to provide for the spiritual needs of its 200,000 Christians. In Dak Lak, the province has made land, and building permits, available to the nine officially registered churches (which now only lack money to build). Churches with thousands of members are now worshipping freely.

The future is even brighter in Gia Lai. Twenty-nine churches have been registered in the last two years and 235 designated places of worship are being organized into churches. Plagued with a shortage of certified pastors (there are only nine), the local Evangelical Church of Vietnam (South) council has worked directly with the provincial authorities to establish three different seminary tracks.

The difference between the Central and Northwest Highlands is threefold. First, the local government leadership is making a comprehensive effort to implement Hanoi’s decrees, and educate its officials. Second, the Evangelical Church of Vietnam (South) is organized at the provincial level, working directly with the People’s Provincial Committees. Third, the government and the church recognize that more seminary graduates serves both of them.

More pastors equates to better churches which live out the faith by taking care of the poor (while also alleviating some of the state’s financial burden to otherwise provide these services). More pastors also means more Christians who better understand the tenets of their faith and are thus less susceptible to personality cults or separatist movements.

The third component of IGE’s religious freedom agreement with the Vietnam-USA Society is to co-convene Southeast Asia’s first-ever conference on religion and rule of law in Hanoi this

September. Working with the Vietnamese Academy of Social Sciences' Institute for Religious Studies, Brigham Young University Law's International Center for Law and Religion Studies, and Emory University Law's Center for the Study of Law and Religion, this conference will give regional policymakers, scholars, and government officials an opportunity to learn from their comparative countries' examples.

Together, these three steps are tangible indicators of where and how Vietnam is moving toward a more transparent, rule of law system that will one day protect and promote the religious freedom of its citizens. Progress is uneven to be sure, especially in the Northwest. But it is also quite clear that national and provincial authorities are headed in the right direction.

In summary, as one observer put it, "Vietnam wants to change, it's just not sure how to." So how should we continue to work with Vietnam?

First, we need to establish a rule-of-law roadmap for moving ahead on religious freedom. The immediate step is to end the bureaucratic discrimination taking place in Vietnam's Northwest by eliminating all issues related to identification cards and by registering at least half of the 1200 Hmong churches in that region.

Second, Vietnam must clarify the discrepancies among the ordinances, instructions and guidelines on religious freedom if government officials are to be comprehensively educated and trained about them. That said, joint classes at the district and commune levels—where government and religious officials are taught together—would help immensely. As information is distributed and people are taught how to observe the rule of law, stereotypes between potential antagonists are reduced by sharing a common classroom.

Third, we need to send a strong and unambiguous message to Vietnam's leaders that we are willing to work with them. Establishing PNTR and lifting CPC sends that signal. And we should communicate that if Vietnam falters or backslides, we will not hesitate to re-impose sanctions.

Fourth, we need to encourage a more clearly defined structural process through which the Evangelical Church of Vietnam—North and South—coordinates with provincial authorities and provides seminary training to more pastors.

Fifth, and finally, we need to broaden and deepen the kind of people-to-people diplomacy that has been taking place between IGE and the Vietnam-USA Society. For example, at the end of our September 2006 conference on religion and rule of law in Southeast Asia, IGE will renew our commitment to the Vietnam-USA Society by signing a Memorandum of Understanding (MOU). The MOU will institutionalize this historic regional dialogue, establishing an annual conference series on religion and rule of law.

The MOU will also deepen mutual understanding and foster new initiatives through ongoing reciprocal visits of U.S. and Vietnam faith, business, academia, and government leaders. New initiatives achieved through the MOU might include local economic development projects; business investment; training for local government officials and religious leaders; seminary scholarships for pastors; and establishing a mechanism for regular contact between religious leaders and government officials.

This kind of progress does not come easy. In fact, it is the direct result of the difficult and long-term work of building relationships of trust and respect. Through relational diplomacy, however, it is indeed possible to understand one another and, as a result, develop solutions that are sustainable, if only because we have developed them together.

Thank you again, Mr. Chairman, for inviting me to participate in this vital discussion.

About Chris Seiple:

Chris Seiple is the President of the Institute for Global Engagement ([www.globalengage.org](http://www.globalengage.org)). Next month he defends his Ph.D. dissertation on “U.S.-Uzbekistan Relations, 1991-2005” at the Fletcher School of Law & Diplomacy at Tufts University. He also holds an M.A. in National Security Affairs (Special Operations/Low Intensity Conflict) from the Naval Postgraduate School in Monterey, California, and a B.A. in International Relations (East European/Soviet Studies) from Stanford University. He is a Senior Fellow at the Foreign Policy Research Institute and a member of the International Institute for Strategic Studies and the Council on Foreign Relations. He is the founder of the Council on Faith & International Affairs.

About the Institute for Global Engagement:

The Institute for Global Engagement (IGE) promotes sustainable environments for religious freedom worldwide. As a faith-based organization, IGE believes firmly in universal human dignity and is committed to the protection of all faiths through the rule of law. IGE encourages governments to respect their citizens' right to religious freedom and educates people of faith to exercise that right responsibly. Operating at the nexus of faith, culture, security, development, and the rule of law, IGE's relational diplomacy—currently focused on East and Central Asia—enables respectful dialogue and practical agreements that help transition countries toward sustainable religious freedom.

**Statement of Jeffrey R. Shafer  
Vice Chairman, Global Banking  
Citigroup Global Markets  
Before the Committee on Finance  
United States Senate**

**July 12, 2006**

Mr. Chairman, Members of the Committee on Finance, my name is Jeffrey Shafer, and I am Vice Chairman, Global Banking at Citigroup. I have previously appeared before this distinguished Committee in my current capacity and when I served as Assistant Secretary, then Under Secretary, of the Treasury for International Affairs.

The issue before the Committee today, whether to grant Vietnam Permanent Normal Trade Relations and thus pave the way for its accession to the WTO, is of immense personal as well as professional interest to me. I served with the US Army First Infantry Division in Vietnam and have returned in recent years to advise government officials and offer Citigroup's support of their efforts to develop a market economy, to fully engage in the global economy and thereby to offer a better future to their people. The transition from conflict to cooperation between the United States and Vietnam is one of the great achievements by any two countries in my lifetime.

Many in this room and across America have supported the arduous process of reconciliation between our two proud peoples, and normalization of relations between our two great nations. This mutual understanding has served both our interests, and today the United States enjoys strong and mutually beneficial ties with one of Asia's fastest growing economies. Vietnam's GDP has increased nearly 50 percent since 2001. The country is a growing market for US exports, which have increased over 150 percent since 2001. During the past year alone, we saw an increase of 24 percent to \$1.2 billion.

As you know, President Bush will visit Vietnam in November to attend the annual APEC Leaders meeting. This is an unprecedented opportunity to highlight the progress being made in Vietnam, and Vietnam's emergence as a responsible partner with which we can engage on a complex international economic, diplomatic, and security agenda.

Building on successful implementation of the 2001 Bilateral Trade Agreement with Vietnam, we now turn our attention to the important goal of Vietnam's accession to the World Trade Organization (WTO).

We congratulate US and Vietnamese negotiators for achieving a comprehensive WTO accession agreement that will provide broad market access across a range of US goods and services. Citigroup's principal objective in supporting these negotiations has been to achieve commercially significant liberalization for trade in financial and payment services. We believe that the agreement is a good one in this respect, that it will be an

important step in securing broader US national interests and that it will contribute to economic modernization and growth in emerging markets such as Vietnam.

#### ***Support for Reform and Reformers***

Vietnam is home to eighty-five million people, more than half of whom are under the age of twenty-five. The country faces a host of human and infrastructure development challenges. Vietnam merits our attention, as well as our strong support, for the reform process underway there. WTO accession for Vietnam will reinforce this reform process by requiring enhanced transparency in the formulation of regulations, notification, and providing for public comment. Accession has required Vietnam to enact more than 80 laws covering all aspects of trade. These will reduce administrative discretion and will provide for a predictable commercial and investment environment. Finally, accession will provide a framework for enforcement and accountability through WTO Dispute Settlement, Trade Policy Review and other enforcement mechanisms.

Vietnam offers tremendous potential as a market for US products and services. Its integration into the rules-based global trading system will accelerate the positive economic activity in Vietnam, and contribute to an open, market-oriented economy with significant benefits for the people of Vietnam, as well as for US companies, workers, and consumers.

#### ***Significant New Commitments Financial Services***

The financial and capital markets in Vietnam are seriously underdeveloped and inefficient. Although the markets are improving, they cannot yet provide the financial products and services needed to sustain economic growth to the next level – indeed they are a drag on economic and social development. Poor performance and past failures caused the public to lose confidence in the financial sector in general, and commercial banks in particular. Liberalization through WTO accession and PNTR will promote development of the financial sector in several ways. I want to give a broad picture of what is being offered, going beyond the activities of direct interest to Citigroup.

Vietnam currently limits foreign banks to a minority shareholder position of 49 percent, but allows branches. Vietnam also currently allows foreign securities firms to operate representative offices.

- As of April 2007, however, US and other foreign firms will be able to establish 100 percent foreign-invested subsidiaries. These legal entities will receive national treatment upon accession. US banks will be in a position to take unlimited local currency deposits from legal entities, and to issue credit cards.
- Upon accession, foreign securities firms will be able to open joint ventures with up to 40 percent foreign ownership. After five years, foreigners will be able to own 100 percent of securities firms and will be able to branch into Vietnam for



some securities activities (asset management, advisory, and settlement and clearing services).

- Cross-border market access commitments will be comparable, or superior, to those of OECD countries.

Foreign insurance firms currently are permitted to operate in Vietnam through joint ventures with a Vietnamese partner and are subject to a number of limitations on their scope of business. Upon accession, Vietnam will permit foreign insurance companies to operate:

- Through 100 percent foreign owned subsidiaries. Vietnam will also allow insurance companies to open direct branches offering non-life insurance after five years from the date of accession;
- With minimal limitations on their scope of business, and Vietnam will provide foreign insurance forms full national treatment; and
- Vietnam will implement its commitment for branching in the non-life insurance sector in a manner consistent with internationally recognized industry standards.

#### ***Citigroup in Vietnam***

Citigroup has been well placed to observe the developing business and policy climate in Vietnam, which have laid the basis for WTO membership. Citigroup's largest subsidiary, Citibank, has been operating in Vietnam since 1993, when President George H.W. Bush eased trade restrictions and allowed US companies to establish representative offices. Shortly after President Clinton lifted the trade embargo, Citibank applied for a branch license in Hanoi and opened for business in January 1995.

Since that time, and despite having operated in a restrictive environment, we have been able to establish substantial market share in targeted areas. These include multinational subsidiaries, financial institutions, and selected public enterprises. Citigroup has also established a leadership position in global transaction services and treasury product offerings. We are also recognized as a leader in reforming market practices to help meet international standards. Citigroup has also worked closely with US multinationals operating in Vietnam to provide them a competitive advantage in their fields of business through provision of infrastructure for efficient financial, liquidity, and risk management services.

The size and growth potential of Vietnam 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 yet significant in size. WTO accession will increase access to foreign financial institutions and will level the playing field, which will certainly help Citigroup to achieve its business objectives.

In less than thirteen years, Citibank has become the largest foreign bank in the country, and-- we believe -- the fifth largest bank in Vietnam. We have also played a leading role in the American business community and have fully encouraged normalized relations between our two countries. We have invested heavily in the important process of building relationships with key Vietnamese government officials, entrepreneurs and members of civil society. Citigroup has helped provide critical technical assistance to Vietnam at an important stage of the country's transition to a market economy. We believe that we have been a model corporate citizen, and support a host of philanthropic and public service activities in Vietnam.

We are hopeful that Congress will approve PNTR for Vietnam at the earliest possible opportunity, to ensure that Americans can benefit from the range of Vietnamese commitments made in the WTO accession negotiations. Despite many fits and starts, we have made significant progress in our bilateral relationship during the past decade. And we have done so with the bipartisan support of the United States Congress. The Vietnamese have worked diligently to address the many concerns that have been raised over the years, and we must do everything possible now to encourage the efforts of Vietnamese reformers who are advocating for more openness, more engagement with the international community, and more liberalization in economic affairs.

By reducing barriers to trade, ensuring the protection of legal rights, WTO accession and PNTR for Vietnam will be by far the most important event that has taken place since the resumption of bilateral relations. It will provide US companies with the certainty and protections they need to invest for the long-term in Vietnam. This will greatly benefit US companies doing business in Vietnam, but it is much more important than this.

Mr. Chairman and Members of the Committee, the decision that Congress makes on this issue will have significant and lasting impact on our bilateral ties with Vietnam. Failure to maintain the forward momentum in this relationship would undermine US interests in a large, strategically located emerging market. The granting of PNTR represents an opportunity to complete the final chapter of our re-engagement with Vietnam and the Vietnamese people and ensure that cooperation continues to be the basis of our relationship. It is a forward-looking initiative. On behalf of Citigroup, and as one ex-soldier, I urge you to move forward on approval of PNTR for Vietnam in as expeditious a manner as possible this summer. Thank you.

**STATEMENT OF SENATOR GORDON SMITH**  
**VIETNAM PERMANENT NORMALIZED TRADE RELATIONS**  
**July 12, 2006**

Mr. Chairman, I want to thank you for holding this hearing. I also want to thank our witnesses for being here today.

I especially appreciate Chris Schlect from the Northwest Horticultural Council for testifying about the importance of trade with Vietnam to tree fruit growers in Oregon, Washington, and Idaho.

Last December, I was privileged to lead a Senate delegation to Vietnam. I was struck by the appetite of the Vietnamese people for American products and especially the close ties between that country and Oregon.

During our visit, we had several meetings with Vietnamese officials, including President Lwong, about the importance of getting a good market access agreement between the United States and Vietnam.

I want to congratulate Ambassador Bhatia and the USTR team for their work on the bilateral agreement which helps to pave the way for Vietnam's accession to the World Trade Organization. This is a great achievement and an important step toward fully normalizing relations between our countries and healing the wounds of our shared history.

Over the last decade, our relationship with Vietnam has been characterized by increased cooperation and engagement. The bill that Senator Baucus and I introduced will help to enhance those ties and create new opportunities for U.S. businesses.

Vietnam is the fastest-growing economy in Southeast Asia and a growing market for U.S. exporters. Since 2001, when the Bilateral Trade Agreement between the United States and Vietnam entered into force, U.S. exports to Vietnam have increased 150%. Last year alone, U.S. exports to Vietnam rose by 24%.

The recently negotiated market access agreement builds upon that success by further lowering trade barriers to a wide range of U.S. industrial and agricultural products and services. Upon Vietnam's accession to the WTO, U.S. businesses will enjoy greater access to a market of more than 83 million people.

Oregon agriculture producers and cattlemen will benefit from immediate tariff reductions on exports of apples, pears, boneless beef and frozen French fries, as well as new commitments by Vietnam to improve implementation of sanitary and phytosanitary measures.

Oregon's wheat growers are watching my legislation very closely. For the past couple of years, wheat purchases from Vietnam have predominantly been Soft White Wheat from the Pacific Northwest. Vietnam's accession to the WTO promises to create even more market opportunities for wheat producers in my state.

Our manufacturers and services providers will benefit from increased market access and greater regulatory transparency. Oregon companies such as Nike and Columbia Sportswear have long sourced footwear and apparel products from Vietnam. Recently, the Intel Corporation, which is the largest employer in the State of Oregon, announced plans to build a new semiconductor assembly and test facility in Ho Chi Minh City, Vietnam.

For companies like Intel, Nike, and Columbia Sportswear, Vietnam's accession to the WTO will mean greater certainty about their current and future business in Vietnam. Having Vietnam within the rules-based global trading system will be good for Oregon businesses and agriculture, which ultimately translates into more jobs for Oregonians.

My home state of Oregon and Vietnam share a number of economic ties. I look forward to seeing those ties grow. The passage of my legislation will mark the final step toward normalizing our relationship with Vietnam. I believe that that is good for Oregon and good for the United States as whole.

While this is primarily a trade issue, there are serious foreign policy implications. Approving the legislation that Senator Baucus and I introduced will send an important message to countries in Southeast Asia that the United States is committed to helping build a growing and thriving regional economy.

I am especially pleased with the strong bipartisan support that we have received for this bill and am hopeful that we will be able to pass it before Congress leaves for the August recess.

# A M T A C

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**Testimony of Auggie Tantillo  
Executive Director, American Manufacturing Trade Action Coalition (AMTAC)**

**U.S. Senate Committee on Finance Hearing on S. 3495 - Normal Trade Relations for Vietnam  
July 12, 2006**

Mr. Chairman and Members of the Senate Finance Committee:

Thank you for the opportunity to testify at this important hearing. My name is Auggie Tantillo, and I am the Executive Director of the American Manufacturing Trade Action Coalition (AMTAC). AMTAC is a trade association founded by domestic manufacturers who are committed to manufacturing here in the United States. Our objective is to seek the establishment of trade policy and other measures designed to stabilize the U.S. industrial base and thus preserve and create American manufacturing jobs. AMTAC represents a wide range of industrial sectors including, tool and die, chemical, furniture, mold makers, metal products, packaging products, corrugated containers, lumber and luggage producers. Additionally, a significant component of AMTAC's membership consists of producers from the textile and apparel sectors.

**Granting Vietnam PNTR Is a Continuation of Flawed U.S. Trade Policy**

AMTAC strongly opposes granting Vietnam permanent normal trade relations (PNTR). Our opposition is based on the view that granting Vietnam PNTR replicates the flawed trade policy model of allowing China to join the WTO before that country made sufficient progress transitioning from a non-market, state-run economy to a non-subsidized, free-market economy. As applied to Vietnam, this model grants unlimited access to the U.S. market to producers in Vietnam who use massive subsidies, intellectual property theft, pennies-an-hour wages, low or nonexistent labor standards, and less than minimal environmental standards to undercut U.S. domestic manufacturers. In return, U.S. domestic manufacturers gain less than full access to a market that is only a fraction of the value of the U.S. market. Vietnam's consumers, for example, represent less than 2 percent of the U.S. economy and have virtually no ability to purchase finished goods made in countries that pay reasonable wages and have strong environmental, labor, safety, and health standards.

The results of this failed model clearly are predictable. One need only study the impact of China to determine the outcome. From the time the United States normalized diplomatic relations with China in 1979 until China entered the WTO in late 2001, the U.S. trade deficit with China jumped from a negligible figure to \$83 billion. Since China joined the WTO, however, the U.S. trade deficit with China has more than doubled, jumping from the aforementioned \$83 billion to a staggering \$202 billion in 2005. Meanwhile, China still doles out billions in subsidies and non-performing loans, manipulates its currency, fails to protect intellectual property rights, and has lax labor and environmental standards.

**U.S. Trade Balance with China**  
numbers are in millions (\$ USD)<sup>1</sup>

| <u>Products</u>                 | <u>2001</u> | <u>2005</u> | <u>Change</u> | <u>Percent Change</u> |
|---------------------------------|-------------|-------------|---------------|-----------------------|
| All Merchandise                 | -83,046     | -201,626    | -118,580      | -143%                 |
| All Manufactured Goods          | -83,275     | -205,112    | -121,837      | -146%                 |
| <i>Key Sectors</i>              |             |             |               |                       |
| Textiles & Apparel              | -10,671     | -25,680     | -15,009       | -141%                 |
| Footwear                        | -9,630      | -12,533     | -2,903        | -30%                  |
| Furniture                       | -4,919      | -12,512     | -7,593        | -154%                 |
| Motor Vehicle Parts             | -722        | -2,674      | -1,952        | -270%                 |
| Computers & Electronic Products | -19,049     | -70,852     | -51,803       | -272%                 |

By allowing China to join to the WTO, the United States lost its leverage to require that China fully address critical issues such as IPR violations and the need for a free-floating currency. The result has been an unmitigated disaster for U.S. manufacturers attempting to compete with the Chinese industrial juggernaut. We should take this painful lesson to heart and require that Vietnam become a much more transparent and market-driven economy before we grant it the full benefits and privileges of WTO membership. Failure to do this will pit U.S. workers and companies against imports from suppliers in Vietnam who will continue to enjoy enormous state-sponsored advantages.

**Trade Deficit with Vietnam Explodes Since 2001**

Since granting Vietnam normal trade relations status, the U.S. trade deficit with Vietnam has jumped from \$592 million in 2001 to \$5.4 billion in 2005, an increase of 819 percent. The trade deficit in manufactured goods has grown significantly too, with large deficits in textiles and apparel, footwear, and furniture driving the red ink.

**U.S. Trade Balance with Vietnam**  
numbers are in millions (\$ USD)<sup>2</sup>

| <u>Products</u>              | <u>2001</u> | <u>2005</u> | <u>Change</u> | <u>Percent Change</u> |
|------------------------------|-------------|-------------|---------------|-----------------------|
| All Merchandise              | -592        | -5,438      | -4,846        | -819%                 |
| All Manufactured Goods       | 142         | -3,996      | -4,138        | -2,814%               |
| <i>Key Sectors</i>           |             |             |               |                       |
| Textiles & Apparel           | -39         | -2,780      | -2,741        | -7,028%               |
| Footwear                     | -132        | -721        | -589          | -446%                 |
| Furniture                    | -13         | -683        | -670          | -5,154%               |
| All Non-Manufactured Goods   | -734        | -1,442      | -708          | -96%                  |
| Fish & Other Marine Products | -462        | -553        | -91           | -20%                  |
| Agricultural Products        | -84         | -238        | -154          | -183%                 |

Furthermore, it is unreasonable to think that Vietnam will be satisfied to continue assembling mostly home textiles, apparel, footwear, and furniture. We expect Vietnam to begin diversifying its manufacturing assembly operations and attempting to become a larger producer of components, thus creating a more vertically integrated industrial sector. The more Vietnam boosts its manufacturing

<sup>1</sup> Data from U.S. Department of Commerce, International Trade Administration

<sup>2</sup> Data from U.S. Department of Commerce, International Trade Administration

capacity, the more it is able to export to the United States. Granting Vietnam PNTR will exacerbate the already astronomical \$717 billion U.S. trade deficit.

If the U.S. trade deficit with Vietnam follows the same pattern as our deficit with China since it joined the WTO, the U.S. trade deficit with Vietnam could jump into the neighborhood of \$15 billion annually by 2010, with most of the growth coming in manufactured goods.

#### **U.S. Manufacturing Workers Bear Brunt of Flawed Trade Policy**

U.S. manufacturing workers have borne the brunt of a flawed U.S. trade policy that favors unfairly subsidized imports, like those from China and Vietnam, over domestically produced goods. In recent years, the U.S. trade deficit has skyrocketed.

**U.S. Trade Balance with the World**  
numbers are in millions (\$ USD)<sup>2</sup>

| <u>Products</u>            | <u>2001</u> | <u>2005</u> | <u>Change</u> | <u>Percent Change</u> |
|----------------------------|-------------|-------------|---------------|-----------------------|
| All Goods and Services     | -362,795    | -716,729    | -353,934      | -98 %                 |
| All Services <sup>4</sup>  | +64,393     | +66,011     | +1,618        | + 3 %                 |
| All Goods                  | -427,188    | -782,740    | -355,552      | -83 %                 |
| All Manufactured Goods     | -308,796    | -505,998    | -197,202      | -64 %                 |
| All Non-Manufactured Goods | -118,392    | -276,742    | -158,350      | -134 %                |

**U.S. Trade Balance with the World in Key Sectors**  
numbers are in millions (\$ USD)<sup>5</sup>

| <u>Product</u>                 | <u>2001</u> | <u>2005</u> | <u>Change</u> | <u>Percent Change</u> |
|--------------------------------|-------------|-------------|---------------|-----------------------|
| Footwear                       | -14,347     | -17,088     | -2,741        | -19 %                 |
| Furniture                      | -12,687     | -21,954     | -9,267        | -73 %                 |
| Motor Vehicles                 | -100,060    | -101,422    | -1,362        | -1 %                  |
| Motor Vehicle Parts            | -6,828      | -27,580     | -20,752       | -304 %                |
| Computer & Electronic Products | -40,151     | -100,847    | -60,696       | -151 %                |
| Oil & Gas                      | -93,385     | -214,791    | -121,406      | -130 %                |

The soaring trade deficit in manufactured goods has contributed greatly to corresponding substantial job losses in the U.S. manufacturing sector. Moreover, the loss of nearly three million jobs in the U.S. manufacturing sector unquestionably has hampered overall employment growth in the private sector. Since January 2001, the U.S. economy has created an average of only 24,652 jobs per month, well below the 125,000 new jobs needed per month just to keep up with new entrants into the work force. Although unemployment rates have remained relatively low, this likely is due to discouraged job seekers dropping out of the workforce. Granting Vietnam PNTR will add more U.S. manufacturing workers to the list of the unemployed or of those who have been forced to exit the workforce.

<sup>2</sup> Data from U.S. Census Bureau and MBG Information Services

<sup>4</sup> In 1997, the U.S. trade surplus in services stood at \$90.155 billion. The surplus fell on an annual basis from 1997 to 2003 and has grown slightly since. Nevertheless, the total U.S. surplus in services has fallen 27 percent since 1997.

<sup>5</sup> Data from U.S. Department of Commerce, International Trade Administration

**U.S. Manufacturing Employment**  
numbers are in thousands<sup>6</sup>

| Sectors                            | Jan. 2001 | Jun. 2006 | Change | Percent Change |
|------------------------------------|-----------|-----------|--------|----------------|
| All U.S. Private Sector Employment | 111,636   | 113,263   | 1,627  | 1.5 %          |
| All Manufacturing                  | 17,105    | 14,251    | -2,854 | -16.7 %        |
| <i>Key Sectors</i>                 |           |           |        |                |
| Textiles & Apparel                 | 1,047     | 616       | -431   | -41.2 %        |
| Footwear <sup>7</sup>              | 28        | 17        | -11    | -39.3 %        |
| Furniture                          | 674       | 556       | -118   | -17.5 %        |
| Motor Vehicles                     | 276       | 253       | -23    | -8.3 %         |
| Motor Vehicle Parts                | 802       | 660       | -142   | -17.7 %        |
| Computer & Electronic Products     | 1,872     | 1,332     | -540   | -28.8 %        |

**Textile and Apparel Overview**

In the sensitive textile and apparel sector, U.S. imports of these products accounted for 53 percent of the \$5.4 billion U.S. trade deficit with Vietnam in 2005. Textile and apparel quotas are currently in place with Vietnam on 36 categories, but will disappear once Vietnam joins the WTO. The U.S. textile industry asked the U.S. government to either extend those quotas or include a safeguard mechanism as part of Vietnam's WTO terms of accession. Although Vietnam, like China, is a non-market economy that heavily subsidizes its manufacturing base, the U.S. government rejected the proposal to extend quotas and failed to include an adequate safeguard in the accession agreement.

**Recent Textile and Apparel Trade Statistics<sup>8</sup>**

Vietnam possesses the proven capability to severely damage the U.S. textile industry if its subsidized exports are given unlimited access to the U.S. market. Vietnam was granted "normal trade relations" access to the U.S. textile and apparel market on December 10, 2001. Since 2001, its exports to the U.S. have increased by 6,181 percent and now total nearly \$3.1 billion while U.S. textile and apparel exports to Vietnam grew by a paltry \$3.6 million to \$13.7 million. Meanwhile, China's textile, apparel, and staple fiber exports to Vietnam exploded from \$109 million in 2001 to \$864 million in 2005, an increase of 693 percent.<sup>9</sup> Clearly, China too has benefited from Vietnam's growth by supplying an increasing amount of component parts to Vietnam. Furthermore, Vietnam's growth would have been even higher had quotas not been negotiated and imposed on numerous categories in May 2003. See charts below for additional data on U.S. imports from Vietnam in key apparel categories (MMF = man-made fiber):

**U.S. Textile and Apparel Imports from Vietnam**

| Category                                | 2001         | YE April 2006   | +/- Change      | % Change |
|---|--------------|-----------------|-----------------|----------|
| 0 - All Textiles and Apparel            | \$49,335,193 | \$3,098,950,369 | \$3,049,615,176 | 6,181 %  |
| All Categories Under Quota for Vietnam  | \$39,442,577 | \$1,953,313,969 | \$1,913,871,392 | 4,852 %  |
| All Unrestrained Categories for Vietnam | \$9,892,616  | \$1,145,636,400 | \$1,135,743,784 | 11,481 % |

<sup>6</sup> Data from U.S. Bureau of Labor Statistics

<sup>7</sup> One indicator of why U.S. manufacturing employment in footwear is so low is that import penetration in the U.S. market is 98.5 percent according to the American Apparel and Footwear Association report titled *Trends: An Annual Compilation of Statistical Information of the U.S. Apparel and Footwear Industries - Annual 2005 Edition* that was published in June 2006.

<sup>8</sup> Unless otherwise noted, all data in this section of testimony comes from the U.S. Office of Textiles and Apparel (OTEXA) in the U.S. Department of Commerce

<sup>9</sup> World Trade Atlas data sourced from Chinese Customs



**U.S. Imports from Vietnam of Selected Categories Under Quota**  
(Quotas went into effect 5/03)

| Category                               | 2001         | YE April 2006 | +/- Change    | % Change |
|--|--------------|---------------|---------------|----------|
| 334/335 – Cotton Coats                 | \$170,076    | \$76,497,289  | \$76,327,213  | 44,878 % |
| 338/339 – Cotton Knit Shirts & Blouses | \$18,064,995 | \$672,074,415 | \$654,009,420 | 3,620 %  |
| 340/640 – Cotton & MMF Woven Shirts    | \$11,050,344 | \$142,298,219 | \$131,247,875 | 1,188 %  |
| 341/641 – Cotton & MMF Woven Blouses   | \$1,967,384  | \$54,273,967  | \$52,306,583  | 2,657 %  |
| 342/642 – Cotton & MMF Skirts          | \$290,125    | \$37,981,177  | \$37,691,052  | 12,991 % |
| 347/348 – Cotton Trousers              | \$2,278,630  | \$542,990,181 | \$540,711,551 | 23,730 % |
| 351/651 – Cotton & MMF Nightwear       | \$73,614     | \$25,859,089  | \$25,785,475  | 35,028 % |
| 352/652 – Cotton & MMF Underwear       | \$137,965    | \$26,340,715  | \$26,202,750  | 18,992 % |
| 638/639 – MMF Knit Shirts & Blouses    | \$572,566    | \$100,188,617 | \$99,616,051  | 17,398 % |
| 647/648 – MMF Trousers                 | \$4,661,873  | \$205,673,716 | \$201,011,843 | 4,312 %  |

**U.S. Imports from Vietnam in Selected Unrestrained Categories**

| Category                            | 2001      | YE April 2006 | +/- Change    | % Change  |
|-------------------------------------|-----------|---------------|---------------|-----------|
| 349/649 – Cotton & MMF Brassieres   | \$1,424   | \$3,636,169   | \$3,634,745   | 255,249 % |
| 350/650 – Cotton & MMF Robes        | \$13,079  | \$37,985,281  | \$37,972,202  | 290,330 % |
| 433 – Wool Men's & Boys' Suit Coats | \$1,115   | \$10,878,644  | \$10,877,529  | 975,563 % |
| 443 – Wool Men's & Boys' Suits      | \$0       | \$32,303,600  | \$32,303,600  | --        |
| 631 – MMF Gloves                    | \$1,200   | \$10,969,107  | \$10,967,907  | 913,992 % |
| 634/635 – MMF Coats                 | \$793,457 | \$495,258,305 | \$494,464,848 | 62,318 %  |
| 644 – Women's & Girls Suits         | \$65,420  | \$57,334,715  | \$57,269,295  | 87,541 %  |

U.S. imports of textiles and apparel from all sources have increased by \$19 billion since 2001, growing from \$70 billion to \$89 billion for the year-ending April 2006.<sup>10</sup> With imports from China up by \$16 billion and Vietnam by \$3 billion over the same period, these two non-market economy countries accounted for 99.8 percent of the increase in imports. Meanwhile, U.S. textile and apparel exports to the world decreased from \$16.8 billion in 2001 to \$16.6 billion in 2005.<sup>11</sup> Since June 2001, U.S. textile output has fallen nearly 14 percent while apparel output has plunged almost 37 percent.<sup>12</sup>

The growth of imports from Vietnam and China has come at the expense of numerous other producers including those in the United States as well as our free trade partners. For example, textile and apparel imports from Mexico and the CAFTA countries fell more than \$2.3 billion dollars, or 13 percent, between 2001 and the 12 months ending April 2006. The chart below illustrates the decline in U.S. apparel imports from CAFTA and Mexico in many of the same categories where Vietnam enjoyed such fantastic growth. Furthermore, these losses in turn injure U.S. textile producers who supply fabric to apparel manufacturers in Mexico and Central America.

**Combined U.S. Textile and Apparel Imports from Mexico & the DR-CAFTA Countries**

| Category                                  | 2001             | YE Apr. 2006     | +/- Change       | % Change |
|---|------------------|------------------|------------------|----------|
| All Textile and Apparel Categories        | \$17,954,255,825 | \$15,617,456,005 | -\$2,336,799,820 | -13 %    |
| All Categories Where Vietnam Under Quota  | \$14,487,540,337 | \$13,001,056,918 | -\$1,486,483,419 | -10 %    |
| All Categories Where Vietnam Unrestrained | \$3,466,715,488  | \$2,616,399,087  | -\$850,316,401   | -25 %    |

<sup>10</sup> U.S. Office of Textiles and Apparel (OTEXA)

<sup>11</sup> U.S. Office of Textiles and Apparel (OTEXA)

<sup>12</sup> U.S. Federal Reserve and MBG Information Services

**Selected Categories Where Vietnam Is Under Quota  
for Combined U.S. Apparel Imports from Mexico & the DR-CAFTA Countries**

| Category                               | 2001            | YE Apr. 2006    | +/- Change      | % Change |
|--|-----------------|-----------------|-----------------|----------|
| 334/335 – Cotton Coats                 | \$87,700,030    | \$140,642,469   | + \$52,942,439  | + 60 %   |
| 338/339 – Cotton Knit Shirts & Blouses | \$3,634,992,718 | \$3,831,448,611 | + \$196,455,893 | + 5 %    |
| 340/640 – Cotton & MMF Woven Shirts    | \$486,911,406   | \$386,973,885   | -\$99,937,521   | -21 %    |
| 341/641 – Cotton & MMF Woven Blouses   | \$235,138,330   | \$129,935,430   | -\$105,202,900  | -45 %    |
| 342/642 – Cotton & MMF Skirts          | \$179,980,566   | \$117,765,639   | -\$62,214,927   | -35 %    |
| 347/348 – Cotton Trousers              | \$4,653,012,431 | \$3,741,418,241 | -\$911,594,190  | -20 %    |
| 351/651 – Cotton & MMF Nightwear       | \$290,085,959   | \$100,014,989   | -\$190,709,970  | -66 %    |
| 352/652 – Cotton & MMF Underwear       | \$1,502,329,244 | \$1,453,535,620 | -\$48,793,624   | -3 %     |
| 638/639 – MMF Knit Shirts & Blouses    | \$1,076,946,191 | \$1,054,721,179 | -\$22,225,012   | -2 %     |
| 647/648 – MMF Trousers                 | \$1,267,951,158 | \$987,759,254   | -\$280,191,904  | -22 %    |

**Selected Categories Where Vietnam Is Unrestrained  
for Combined U.S. Apparel Imports from Mexico & the DR-CAFTA Countries**

| Category                            | 2001          | YE April 2006 | +/- Change     | % Change |
|-------------------------------------|---------------|---------------|----------------|----------|
| 349/649 – Cotton & MMF Brassieres   | \$666,277,391 | \$553,560,856 | -\$112,716,535 | -17 %    |
| 350/650 – Cotton & MMF Robes        | \$73,384,868  | \$24,296,783  | -\$49,088,085  | -67 %    |
| 433 – Wool Men's & Boys' Suit Coats | \$106,034,939 | \$80,332,819  | -\$25,702,120  | -24 %    |
| 443 – Wool Men's & Boys' Suits      | \$91,606,191  | \$94,231,266  | + \$2,625,075  | + 3 %    |
| 631 – MMF Gloves                    | \$14,909,786  | \$31,240,811  | + \$16,331,025 | + 110 %  |
| 634/635 – MMF Coats                 | \$287,699,749 | \$185,338,708 | -\$102,361,041 | -36 %    |
| 644 – Women's & Girls Suits         | \$8,718,815   | \$388,678     | -\$8,330,137   | -96 %    |

**Undervalued Currency**

In many cases, Vietnam's prices are as much as 40 percent below the prices for U.S., CAFTA and NAFTA apparel made from U.S. yarns and fabrics. For example, in Category 443, men's and boys' wool suits, the average price of U.S. imports CBI/Mexico is \$64.85/suit while the price from Vietnam is \$38.19/suit, 41 percent less.<sup>13</sup> The chart below compares Vietnam's prices to prices for imports from the rest of the world in Vietnam's largest apparel categories not currently under quota.<sup>14</sup>

| Unit Price Comparison: Vietnam's Top Non-Quota Apparel Export Categories |                           |  |                                   |
|--|---------------------------|--|-----------------------------------|
| Category   | U.S. Imports from Vietnam | U.S. Imports from Rest of World (exc. Vietnam/China) | Price Difference: Vietnam Vs. ROW |
| 336 – Cotton dresses   | \$42.32                   | \$65.46  | -35%                              |
| 350 – Cotton dressing gowns, robes, etc.                                 | \$48.03                   | \$55.08  | -13%                              |
| 443 – Wool men's and boys' suits   | \$38.19                   | \$94.42  | -60%                              |
| 634 – Other men's and boys' mmf coats                                    | \$123.24                  | \$104.15   | +18%                              |
| 635 – Women's and girls' mmf coats                                       | \$106.13                  | \$110.47   | -4%                               |
| 636 – MMF dresses  | \$67.54                   | \$96.24  | -30%                              |
| 644 – Women's and girls' mmf suits                                       | \$13.04                   | \$15.76  | -17%                              |

*Source: Dept of Commerce; for YE April 2006; price per doz or per unit.*

The price advantage is facilitated largely through government subsidies, but also because Vietnam, like China, artificially depresses its currency and ties it to the U.S. dollar. China's intransigence on floating their currency has prompted other countries in Asia, including Vietnam, to emulate China and reap the benefits as well.

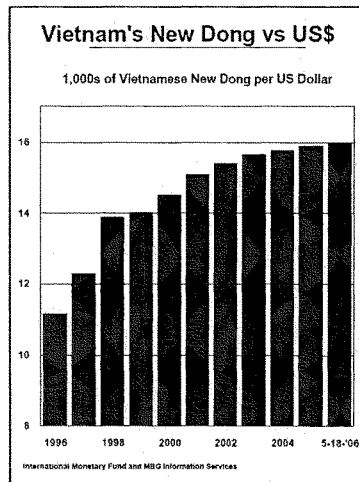
<sup>13</sup> U.S. Office of Textiles and Apparel (OTEXA) in the U.S. Department of Commerce

<sup>14</sup> Non-quota categories are used because categories under quota include quota costs, throwing off the comparison of actual prices. For example, China's export costs for trousers under quota are at or above many other countries; yet, when the quota went off in 2005, they were significantly lower.

According to USTR's 2006 National Trade Estimate Report on Foreign Trade Barriers,

*Vietnam has adopted a crawling peg with the U.S. dollar for its exchange rate. The State Bank of Vietnam (SBV) sets the official exchange rate daily, and commercial banks set their dealing rate within a trading band of plus or minus 0.25 percent. **The SBV tends to keep the Dong depreciated against the U.S. dollar by keeping the exchange rate on an upward trend.** [emphasis added]*

As shown in the chart below, Vietnam has been depreciating its currency over the last several years compared to the dollar, making Vietnam's exports to the U.S. lower priced. Their pegging of the dong to the U.S. dollar helped Vietnam to build a surplus of \$5.4 billion in goods and \$3.9 in manufacturing products with the United States in 2005.<sup>15</sup> It is unlikely that this trend will change, especially as long as China is allowed to maintain its undervalued currency and high level of government subsidization to the detriment of U.S. manufacturers.



#### Vietnam's State-Owned and Subsidized Textile and Apparel Sector

The major reason Vietnam can generate this type of impact is because they heavily subsidize their industry. Aside from China, Vietnam is the only other country with a large non-market, state-owned textile and apparel sector. Vinatex, fully owned by the Vietnamese government, is the self-proclaimed **10<sup>th</sup> largest textile and garment company in the world.**<sup>16</sup> The textile and apparel sector is Vietnam's largest foreign exchange earner and employs over 1.1 million people.<sup>17</sup>

According to information revealed during its WTO negotiations, Vietnam is currently subsidizing its textile and apparel sector through preferential interest rates, wage controls, rent holidays, export

<sup>15</sup> U.S. Census Bureau

<sup>16</sup> <http://www.vinatex.com/newsdetail.asp?id=948>

<sup>17</sup> [http://siteresources.worldbank.org/INTRANETTRADE/Resources/WBI-Training/viet-tariffreduc\\_thinh.pdf](http://siteresources.worldbank.org/INTRANETTRADE/Resources/WBI-Training/viet-tariffreduc_thinh.pdf)

subsidies, preferential tax rates and direct investment from the Vietnamese government. Investment in Vinatex alone totaled more than \$891 million<sup>18</sup> in the last five years with another \$1 billion in subsidies planned for 2006-2010.<sup>19</sup>

#### **Inadequate Safeguard Mechanism**

Although Vietnam has promised to end “prohibited”<sup>20</sup> subsidies in its textile and apparel industry upon joining the WTO per the bilateral agreement with the United States, there is little that the U.S. textile industry can do if these promises are not kept. In essence, Vietnam has pledged to eliminate only certain export subsidies and suspend an investment program that is in the 6<sup>th</sup> year of a 10-year plan. Under this program, the Vietnamese government has already invested hundreds of million of dollars into its state-owned textile and apparel sector. Furthermore, government subsidies that are not tied to export performance or the use of domestic over imported goods are completely WTO-legal and thus beyond reach. Vinatex, as a state-run company, will still be able to operate at a financial loss – a luxury not afforded U.S. competitors who must face the full brunt of market forces. In addition, de-facto subsidies such as an undervalued currency, VAT export rebates, and minimal labor and environmental laws also go unchecked. In fact, WTO rules are so loose that members have frequently been able to repackage prohibited investment schemes in such a manner that makes them immune from WTO remedies. Overall, it is simply inconceivable that Vietnam will transition from the current highly subsidized environment to a hands-off approach in less than one year.

Noting the above, the one-year safeguard included in the bilateral to “enforce” these commitments is woefully inadequate. To trigger the safeguard, the United States government must ask a WTO arbitrator (approved by both parties) to decide whether or not the United States may reinstate quotas. Even if the arbitrator agrees, the United States must remove the quotas after 12 months, and quotas cannot be reinstated regardless of whether or not Vietnam stops illegally subsidizing its industry.

This faux Vietnam safeguard differs greatly from the China safeguard-type mechanism requested by the industry. While the textile-specific safeguard negotiated as part of China’s accession to the WTO cannot be used on an annual basis in perpetuity, the U.S. textile industry and the U.S. government could use it on an annual basis from the point China joined the WTO in late 2001 to the end of 2008. The Vietnam mechanism, on the other hand, is just a one-use-only option for a maximum of 12 months.

Moreover, either the U.S. textile industry or the U.S. government could initiate safeguard cases against China. Under Vietnam’s accession, only the U.S. government can initiate cases, depriving the U.S. textile industry of significant leverage.

Also, the decision to implement safeguards on textile and apparel imports from China is one made by the U.S. government after a four-month decision making process. In contrast, the decision to implement safeguards on Vietnam is a six-month process decided by a WTO arbiter in Switzerland unaccountable to either the U.S. government or Congress.

The Vietnam textile safeguard is a “safeguard” in name only, offering U.S. producers no practical recourse against the unfair trade practices they will almost certainly encounter. A meaningful safeguard

<sup>18</sup> <http://www.vfabric.com/textile/vinatexp.pdf>

<sup>19</sup> [http://www.fibre2fashion.com/news/textile-news/newsdetails.aspx?News\\_id=16700](http://www.fibre2fashion.com/news/textile-news/newsdetails.aspx?News_id=16700)

<sup>20</sup> WTO definition of prohibited subsidies:

(a) subsidies contingent, in law or in fact, whether solely or as one of several other conditions, upon export performance, including those illustrated in Annex I;

(b) subsidies contingent, whether solely or as one of several other conditions, upon the use of domestic over imported goods

would extend as long as Vietnam illegally subsidizes its industry and would be achievable through unilateral action on the part of the U.S. government in a timely fashion.

**U.S. Industry Left Powerless**

Finally, without an effective safeguard, there are, in practice, no other trade remedies available to the U.S. textile industry should subsidized imports from Vietnam continue to unfairly displace U.S. production. Presently, the U.S. government refuses to apply countervailing duty law to non-market economies, and the U.S. textile industry lacks the “standing” necessary to file anti-dumping cases against apparel imports because of the indirect nature of the damage suffered. Vietnam’s accession to the WTO without adequate safeguards leaves the U.S. industry in an extremely vulnerable position and will certainly result in further U.S. job losses and factory closings.

**Conclusion**

In conclusion, granting Vietnam PNTR without first ensuring that the country has implemented reforms is a surefire recipe for spiraling trade deficits and the loss of tens of thousands of U.S. manufacturing jobs. As such, AMTAC urges this committee and the full Senate to reject PNTR for Vietnam.



## COMMUNICATIONS

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**Testimony Before the Senate Finance Committee on  
S.3495—A Bill To Authorize the Extension of Nondiscriminatory  
Treatment (Normal Trade Relations Treatment) to the Products of Vietnam**  
By Kevin M. Burke  
President & Chief Executive Officer, American Apparel & Footwear Association (AAFA)  
July 12, 2006

I wish to express my appreciation to the committee for allowing me to submit written testimony on this important piece of legislation. AAFA, the national association of the apparel and footwear industries, strongly supports immediate approval and enactment of S. 3495, which would establish permanent normal trade relations (PNTR) between the United States and Vietnam.

Enactment of this legislation is important for the United States to avail itself of the full benefit of Vietnam's eventual entry into the World Trade Organization (WTO), an event that is expected to occur later this year. When that happens, the other 148 nations of the world will be able to trade with Vietnam under the rules of international commerce and will be able to gain substantially better access to the Vietnamese market. The United States can take advantage of those enhanced trade terms as well - but only if we have first enacted the PNTR legislation.

In our industry, there is particular importance for completing this process expeditiously. Vietnam is one of the few countries that face U.S. textile and apparel quotas. Once Vietnam joins the WTO, those quotas will be removed, which will provide U.S. consumers wider opportunities to buy more affordable clothing. Moreover, as Vietnam is able to grow its relatively small apparel industry - in 2005 it was the 6th largest source of apparel for the U.S. accounting for only about 4 percent of total imports - it will create new opportunities for the export of U.S. fabrics and cotton. Vietnam is 13th largest market for U.S. cotton, importing almost \$50 million worth of U.S. cotton in 2005. Over 80 percent of the cotton used in Vietnam comes from the United States. In addition, exports of U.S. fabric to Vietnam have more than doubled since 2003.

Further, by the end of this year, Vietnam will become the second largest supplier of footwear to U.S. market (after China), a market where well-over 98 percent of the footwear sold is imported. Integrating Vietnam into the international rules based trading system will offer U.S. footwear firms a stable and viable alternative to China for the footwear U.S. consumers demand at prices U.S. consumers can afford.

WTO accession will ensure that Vietnam plays by the rules in the future. Vietnam has made important commitments to provide U.S. firms better Intellectual Property Rights (IPR) protections as well as full distribution and market access rights in the 83 million person strong Vietnamese market, the fastest growing economy in Southeast Asia. Moreover, Vietnam has already begun to eliminate a trade distorting export subsidy program as part of its agreement to join the WTO.

To sum up, Vietnam accession to the WTO is a good thing that will greatly benefit our industry as well as the entire U.S. economy. We urge you to support the immediate approval and enactment of PNTR legislation so we can take full advantage of this benefit.



**U.S. Senate  
Finance Committee**

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

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

**Testimony for the record by the**

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



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

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

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

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

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

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

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

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

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

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

Our AmCham members will benefit from the following Vietnamese commitments:

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

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

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

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

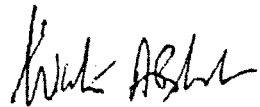
It is important to recognize that the Bilateral Market Access Agreement, WTO Accession, and approval of PNTR will strengthen U.S. relations with a strategically and economically important region. The region represented by the Association of Southeast Asian Nations (ASEAN) – with a population of 570 million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

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

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

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

Thank you.



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



PERMANENT NORMAL TRADE RELATIONS FOR VIETNAM  
HEARING BEFORE THE U.S. SENATE COMMITTEE ON FINANCE  
WEDNESDAY, JULY 12, 2006

STATEMENT FOR THE RECORD

Submitted by  
Governor Frank A. Keating  
President and CEO  
American Council of Life Insurers  
101 Constitution Avenue, N.W. – Suite 700  
Washington, DC 20001-2133

Mr. Chairman, Mr. Ranking Member and distinguished members of the Senate Finance Subcommittee on International Trade: Thank you for the opportunity to submit a statement on behalf of the American Council of Life Insurers in support of the proposed granting of Permanent Normal Trade Relations for Vietnam. Our industry looks forward to swift and successful passage of the aforementioned legislation.

The American Council of Life Insurers (“ACLI”) represents three hundred seventy-seven (377) member companies operating in the United States that account for 91 percent of total assets, 90 percent of the life insurance premiums, and 95 percent of annuity considerations in the United States. Internationally, ACLI members account for over 99 percent of life insurance premiums generated in overseas markets by U.S. based life insurance and retirement security companies.

ACLI applauds the achievement of U.S. trade negotiators in concluding the bilateral accession package for Vietnam to join the World Trade Organization, because we believe it continues the high standard of commercially meaningful agreements which supports our bilateral objectives in Vietnam as well as our multilateral objectives in the WTO.

We fully support the ongoing U.S. strategy of maintaining high standards for WTO accession while aggressively negotiating bilateral and regional FTAs as a mechanism for expanding market opportunities for U.S. insurance and retirement security exporters.

ACLI’s members are proud of the positive contribution we make to the U.S. financial services export surplus and are committed to further expanding our global market presence through trade negotiation and facilitation to continue creating wealth and jobs at

home in towns across America. We are also proud that our industry's products help build individual and national economic stability in markets where they are freely available, and that in turn supports strong and growing global economies throughout the world.

With an ambitious program of economic reform underway, Vietnam is the fastest growing major economy in Southeast Asia, with a GDP that has increased almost 50 percent since 2001. Vietnam's growth makes it an attractive and important market for the U.S. insurance industry.

Vietnam has a growing insurance sector since partially opening up the market six years ago, per the US-Vietnam Bilateral Trade Agreement concluded in July of 2000. The country has gone from having only one state-owned, monopolistic, non-life insurer a decade ago to having a more competitive life and non-life insurance environment with a dozen actively expanding insurance companies.

Of course, market barriers still exist in Vietnam. The U.S.-Vietnam WTO accession agreement will further lower barriers that inhibit U.S. life insurers, reinsurers and retirement security providers from entering and/or participating on a fully competitive basis in the fast growing Vietnamese financial market.

The current WTO accession agreement between the United States and Vietnam includes key provisions for the U.S. insurance industry that include: Full grandfathering and acquired rights protections; elimination of foreign ownership restrictions on subsidiaries, so that foreign investors may own 100 percent of an insurance company that they establish in Vietnam; the allowance of non-life insurance companies establishing as branches 5 years after Vietnam accedes to the WTO; and elimination of current limitations on the sale of mandatory insurance.

In conclusion, in order for the United States to recognize the benefits of the WTO accession agreement with Vietnam, the U.S. Congress must first grant Vietnam PNTR status, which ACLI urges the U.S. Congress to support. ACLI supports continued fair trade, trade liberalization and the multilateral framework by which important international trading rules have been established. To that end, Vietnam's inclusion in the WTO is a very important step forward and offers a great opportunity for our industry. We look forward to expeditious passage of PNTR for Vietnam.

ACLI would be pleased to provide any further information that the committee may request. Thank you.

## AMERICAN POTATO TRADE ALLIANCE

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C/O BRYANT CHRISTIE INC.  
1425 Fourth Avenue, Suite 808, Seattle, WA 98101  
Phone: 206 292 6340 ~Fax: 206 292 6341 ~E-Mail: bci@bryantchristie.com

July 10, 2006

The Honorable Chuck Grassley  
Chairman, Senate Finance Committee  
United States Senate  
Washington, DC 20510

Dear Senator Grassley:

On behalf of the American Potato Trade Alliance (APTA), a group of potato growers, processors, and quick service restaurants dedicated to eliminating trade barriers for US processed potato exports, I am writing in support of Permanent Normal Trade Relations (PNTR) for Vietnam.

APTA has worked for the past three years to secure significant tariff reductions for processed potato exports to Vietnam. Through the diligent work of the US negotiators, Vietnam agreed in their World Trade Organization accession package with the US to reduce their 50% frozen fry tariff (HS 2004.1) to 13% over six years. Likewise, Vietnam committed to reducing its potato chip tariff (HS 2005.2) from 50% to 18% over five years. These reductions will allow the US to export additional quantities of U.S. processed potato products to Vietnam in the years ahead.

With a population of 84 million, many of whom are young and increasingly affluent, the prospects for increased US potato exports to Vietnam are good. Currently, the US exports \$189,000 of frozen fries (60% of the market) and \$585,000 of potato chips to Vietnam (most of the market). Once the tariff reductions are fully in place, the U.S. potato industry expects exports of up to \$10 million within five years.

Competition between the US, EU, Canada, and New Zealand for new Asian processed potato markets is fierce. To date, the US potato exports have dominated the market, but in recent years, largely due to free trade agreements, Canada and New Zealand have taken market share. In order for the US to maintain a predominate position in Vietnam, US potato exporters must be able to sell at the lowest price possible. Therefore, we must be able to ship under the WTO tariff rates to which Vietnam has agreed. Inability to ship under these rates will cede the market to our competitors. Therefore, APTA supports PNTR for Vietnam.

Thank you for your consideration of this request.  
Best regards,

Mark Dunn  
APTA Chairman

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YUM! BRANDS INC. (A&W, KFC, LONG JOHN SILVERS, PIZZA HUT, TACO BELL) \* WENDY'S INTERNATIONAL, INC.  
J.R. SIMPLOT CO. \* CONAGRA FOODS/LAMB-WESTON INC. \* MCCAIN FOODS INC. \* BASIC AMERICAN FOODS INC.  
PROCTER & GAMBLE \* RDO FOODS \* TEXAS A&M \* NATIONAL POTATO COUNCIL \* IDAHO POTATO COMMISSION \*  
MAINE POTATO BOARD \* OREGON POTATO COMMISSION \* WASHINGTON STATE POTATO COMMISSION  
WISCONSIN POTATO & VEGETABLE GROWERS ASSOC. \* PORT OF PORTLAND \* PACIFIC VALLEY FOODS

**WRITTEN TESTIMONY  
OF  
MR. NGUYEN NGOC BICH,  
EAST COAST U.S.A. VIETNAMESE PUBLISHERS CONSORTIUM,  
SUBMITTED TO  
THE U.S. SENATE COMMITTEE ON FINANCE  
July 12, 2006**

Senator Chuck Grassley  
Chairman, U.S. Senate Committee on Finance  
219 Dirksen Senate Office Bldg  
Washington, DC 20510-6200

The following is being submitted to you as Chairman of the U.S. Senate Committee on Finance in view of the fact that we have requested the right to appear in front of the July 12, 2006, hearing on PNTR status for the Socialist Republic of Vietnam but were told that because of time limitations we could not be accommodated. We were told instead to submit a written testimony which this is and which, we hope, could still go into the Congressional Record as reflecting a significant body of thinking prevalent in the Vietnamese American community across the United States.

Honorable Mr. Chairman,

Before going into the details of my testimony, may I introduce myself. I am what you would call an intellectual worker. I write books and help publish since 1985, through the East Coast U.S.A. Vietnamese Publishers Consortium, many books by Vietnamese writers, both in English and in Vietnamese, to satisfy a small but avid readership concerned with things Vietnamese. The Consortium tries and has succeeded in creating a niche in the publishing world to keep Vietnamese culture and literature alive outside of Vietnam where at the present time much of that culture and literature is being destroyed, slandered or distorted to fit a Marxist interpretation of Vietnamese culture and history. It is for that reason that our books are much in demand, not only in the Vietnamese Diaspora, but also inside Vietnam.

How do we know this?

We know because it has happened that a number of our book titles have been smuggled into Vietnam and reproduced by photocopy and passed from hand to hand. To give you an idea, let me take the case of the writer Phuong Nam Do Nam Hai (of Ho Chi Minh City) who has one book published by us last year, *Hay Trung Cau Dan Y* ("Let's Have a Referendum"). Not only is the work not allowed into Vietnam, his employer was pressured to fire him, and when Do Nam Hai tried to make a few Xerox copies of the author's own which we sent to him, he was arrested by the police and fined 20 million dong (worth U.S.\$1,300) for allegedly trying to disseminate an illegal work. When he refused to pay this unjustified fine, he was repeatedly threatened with all kinds of

administrative sanctions, such as the further imposition of more fines (for instance, as recently as on July 10, 2006, he was given another fine of 15 million dong for using the Internet to let the outside world know of the harassments that he has been subjected to).

Or take the case of another author published by the Consortium, *Rong va Ran* (“Dragon and Snake”) by Nguyen Vien. After being refused publication by all the publishers in Vietnam that he went to, possibly because of his avant-garde style of writing, he sent the manuscript to us, which we published in 2002. As the book became a *cause célèbre*, the Public Security Ministry Publishing House rushed out a quick-and-dirty edition to try to cash in on its success. Little did they know that a higher yet authority soon ordered the whole edition to be recalled, impounded and destroyed.

These two cases, taken at random, should suffice to prove that following the signing of the U.S.-Vietnam Bilateral Trade Agreement (BTA) in December 2001, there has not truly existed a real and equitable, two-way street in the trade affecting books and cassettes, DVDs, videotapes, movies and films etc. This is made possible by a waiver granted to Vietnam until 2011 (Appendix 1.3) that, in effect, allows it to impose an absolute ban on these imports into Vietnam while monopolizing the unimpeded export of such commodities to the U.S.

#### **Deleterious effects**

Not only is the above simply terrible business, it is also deliberate stab in the back of most of us, American citizens all, who are engaged in such trade. In a hearing recently held on July 7 in Orange County, CA, by Congresswoman Lynn Daucher and California Delegate Van Thai Tran, it was learned that Hanoi has been able to export to the U.S. some US\$4 million worth of their very poor quality music and entertainment products whereas similar products, produced expertly in the U.S. by Thuy Nga Paris By Night, Asia Entertainment and Van Son, etc., are constantly pirated in Vietnam, sometimes overnight, costing these establishments an estimated US\$7 million dollars annually. Why? This is because a DVD/videotape production by Thuy Nga Paris By Night can cost up to a million or more to produce and while they sell at US\$25 per single unit in the U.S., the pirated version is sold in Vietnam for about US\$1 each and many are bought by tourists who take them back to the U.S. and thus no longer have the need to get an original copy.

In a meeting with Congressman Frank Wolf (R-VA) last June 28, Congresswoman Loretta Sanchez (D-CA) revealed that “90 percent of all software used in Vietnam in 2005 are copies,” in other words pirated versions, “which is even higher than the proportion of pirated software used in China, which stands at 86 percent.” This, according to her, amounts to a loss of US\$45 million/year.

In this connection, I think it would be appropriate to mention an argument which has been advanced to the effect that the U.S. negotiators are only interested in the large picture and not the details, meaning that they are concerned more with the Boeings and Intels and Microsofts of this world and that they are less (or not even) concerned with the small, puny aspects of the U.S.-Vietnam trade, such as the book trade or handicrafts, etc. I hope that this is a misconception because, as the question of software is concerned, the piracy that is going on in Vietnam affects not only such software companies like VNI but also the much larger businesses like Microsoft. In other words, we are in this together and it behooves one to remind that it is the small and medium-size businesses that make up the vitality of a two-way trade.



The same goes for movie films and media products such as television shows, radio broadcasts and printed news. At the present, the largest Vietnamese-language newspaper in the U.S., *Nguoi Viet* of California, sees its news taken down liberally, every day by all sorts of media in Vietnam without a single cent in remuneration. And the worst part about it is that these products can be edited and twisted at will and there is no remedy or recourse as things stand right now. Because intellectual rights as a whole are not very advanced in Vietnam and whatever is in the books is not yet implemented. So again, a copyright infringement in the U.S. can be brought to court and prosecuted but the same is not true in Vietnam.

Worst of all, since 2001, many library systems in the U.S. buy books from Vietnam—because they are quite cheap and affordable. A recent study made by the Vietnamese American Heritage Foundation in the Houston, TX, library system found that many, if not the majority, of these books are replete with anti-American messages, sometimes carried to ridiculous extremes. For instance, one book, out of ignorance, describes American G.I.s in Vietnam as dog-eaters. Another had Americans taking orphans out of Vietnam in the last days before the fall of South Vietnam because these orphans could fetch \$10 per head when they got to the U.S. Dictionaries are the worst perpetrators of this kind of fraud: English-Vietnamese and Vietnamese-English dictionaries carry many examples of such bias, describing the U.S. as imperialist, as the policeman of the world and as the head honcho among the capitalist nations, etc. A very well known dictionary by Prof. Nguyen Lan, in particular, is practically a book of quotations from Marx, Engels, Lenin, Ho Chi Minh and other luminaries of the Communist world.

Is this the kind of material we wish to put into the hands of our children in school? Yet the problem is almost universal, that is there is almost no library system in the U.S. now not buying books from Vietnam. Is this, then, the kind of reconciliation we wish to foster through the one-way book trade allowed by the BTA and now perpetuated through WTO arrangements with Vietnam?

### **Inequities**

Inequities abound in the trade situation between the U.S. and Vietnam when it comes to Vietnamese American interests. For instance, in the exchange of entertainers between our two countries, those coming from Vietnam are entirely free to sing or perform any song or dance they like or requested by the audience. The same does not apply to entertainers coming from the U.S. to perform in Vietnam. Before each engagement, they have to submit several days ahead of time the list of songs or dances that they are going to perform. And the censors have the right to cut out this or that number even if that happens to be the number for which you are best known. And after each performance, if you are asked to sing some favorite song that is not in the pre-approved program, you just have to ignore the request or say: “Sorry, we do not have the permission to sing that.”

This affects not just us, Vietnamese Americans only. It can affect even a mainstream American artist, nay even an art professor like David Thomas of Boston. A man with many connections in Vietnam, he organized several years back a rather controversial exhibit in Oakland, CA, of nothing but some 43 portraits of Ho Chi Minh. Having proven his credentials to the Vietnamese government, he asked for permission to exhibit these portraits in Hanoi, which apparently were no problem since the portraits are

supposed to show the so-called “Washington of Vietnam” in his various guise—as revolutionary, as thinker, as lover of children, etc. So David Thomas sent out invitations way ahead of time. Little did he realize that only a week or so before the public show, the censors came and eliminated four fifths of the paintings because they are thought to be disrespectful of the “great man.” In the end, against his will, David Thomas had to call off the show altogether because had he gone on, the public would have nothing but white walls to see in most of the exhibit space.

A famous Vietnamese composer, Pham Duy, who has been variously compared to Beethoven, Bob Dylan, Schubert, and Irving Berlin among others because in a long and active life he has contributed innumerable songs to the modern repertoire of Vietnam, two years ago decided to go back and finish his days in the old country. After long negotiations, the authorities finally agreed to allow 18 of his more than 1000 songs to be presented in public. Despite this almost rancorous ruling, evenings of Pham Duy songs became smash hits throughout the land. Even after the authorities yielded further and allowed 21 more of his songs to be sung in public, the poor man who is nearing 90 was allowed only grudgingly to have some 1/25 of his production to be heard in his very homeland.

### **Conclusion**

Such is the reality of Vietnam today. Such is also the experience of U.S.-Vietnam trade as found by many in the Vietnamese American community who are bold enough to engage in trade with the land of our birth. It is painful experiences like that which explain why, even though the Diaspora sends home three to four billion dollars a year to our loved ones, investments from Vietnamese abroad are not exactly flourishing in Vietnam. In almost twenty years since Vietnam had a Foreign Investment Law, the overseas Vietnamese only invest less than two billion dollars in the country, i.e. less than half of the money we send home annually. There must be a reason for this.

In the matter of religious literature, for instance, the Communist government of Vietnam not only severely restricts the import of western religious materials, they also falsify established Vietnamese religious texts. In the case of the pronouncements of Mr. Huynh Phu So, the founder of the Hoa Hao Buddhist Sect (in 1939), the version allowed by the government covers only 60 percent of his teachings. As for western materials, they relax on the import of Bibles and journals written in foreign languages (but how many Vietnamese read in these languages?) but are extremely strict when it comes to easy-to-understand Vietnamese-language materials such as pamphlets, comics, manga, etc. So while there is no independent Catholic, Buddhist, or Evangelical journal or newsletter written by religious writers in the country, they do not allow for the import of hundreds of such magazines and journals that flourish abroad.

That is why we say like President Reagan when he was dealing with the Soviet Union, “Engagement, yes! But verify!” Make sure that trade means fair trade, and not just a one-way street.

July 12, 2006 Hearing on PNTR

**Suggested questions for USTR Officials:**

1. Vietnam is free to export printed matters, audio-video and cultural products to the U.S. but similar products, especially those produced by Vietnamese Americans are effectively banned in Vietnam. How would you correct this unfair practice and gain equal access to the Vietnamese market for American products?
2. Vietnamese Americans have raised the issue of unfair trade in printed matters, audio-video and cultural products in 2004 through some members of Congress. What are the results?
3. Violation of intellectual property rights is widespread in Vietnam. How would WTO membership help Vietnam curtail this problem?
4. Vietnamese workers have no rights to form their own labor union. Strikes are illegal in Vietnam. Government permission is required for any activities, which gather more than 5 people. People are not free to change their residence, moving from place to place, due to household registration requirement. Would you consider these practices as government interferences in labor market?
5. The US-VN WTO Agreement was officially signed on May 31, 2006, why is it not made available to the public, especially to those who want to study it?
6. Vietnam is expected to reduce the role of state-owned enterprises (SOEs). What will SOEs give up after Vietnam becomes a WTO member? What are the products, which must continue to be imported through SOEs? Are printed matters included?
7. What were not completed during bilateral negotiations ? what will be included in multilateral negotiations?
8. What is Vietnam required to do regarding legal reform, transparency, and censorship in order to accommodate WTO regulations?
9. Should the U.S. create a safeguard mechanism (similar to the one included in the US-China WTO agreement) to protect the U.S. textile and apparel industry in cases where a surge in Vietnamese exports threatens to cause market disruption to American manufacturers ?

**Suggested questions for American companies:**

1. Corruption is pervasive in Vietnam. Lack of transparency and red tape are serious problems. How do these social and cultural evils affect your investment decision and Vietnam's ability to implement its WTO commitments?
2. Vietnam maintains severe restrictions on the flow of information via the Internet, radio, TV, newspapers, etc. This policy hinders business operations. Will WTO membership change this situation?
3. What can American companies do to protect Vietnamese workers' rights? Can American companies allow some form of independent labor unions within companies? What is AFL-CIO's position on this matter?

**Suggested questions for experts:**

1. Is it possible that Vietnam can transform itself from a "mostly unfree" market to a market economy in 12 years given the fact that the Communist Party of Vietnam maintains that it continues to pursue a market economy with a socialist orientation, which heavily depends on state-owned enterprises and government control?
2. How WTO members reclassify Vietnam from a non-market economy (NME) to a market economy? After Vietnam becomes a WTO member for 12 years, will Vietnam be treated automatically as a market economy by all WTO members? When is NME methodology no longer applicable in antidumping cases?
3. It is often argued that Vietnam's accession to the WTO will yield other important non-economic benefits such as promotion of pluralism, accountability, political reform and improvement on human rights. Based on experiences on China, what can we say about the case of Vietnam? Will we lose an important leverage by granting Vietnam an unconditional PNTR while the U.S. often says that we support global democratic movement?
4. Does the U.S. have inconsistent policies toward different countries such as Myanmar, Cuba, Moldova, Vietnam, etc.?

**Open Letter on Vietnam  
from Human Rights and Fair Trade Advocates  
to  
The President of the United States and Members of Congress**

June 15, 2006

The U.S. Congress is about to consider granting Vietnam Permanent Normal Trade Relations (PNTR) status which will pave the way for Vietnam's entry into the World Trade Organization (WTO). We urge you to demand that in order for Vietnam to gain PNTR, the Vietnamese government must release all religious and political prisoners, end house-arrest practice against them, allow and recognize independent churches and labor unions, and truly practice free trade by allowing the importation of American media (print and audio-video) products.

As you may already know, the human rights situation in Vietnam has not improved in recent years. Consequently, the U.S. Department of State has retained Vietnam on its annual list of countries of particular concern (CPC). Further, on January 25, 2006, the Parliamentary Assembly of the Council of Europe (PACE) adopted resolution 1481 (2006) which strongly "condemned the massive human rights violations committed by totalitarian communist regimes and expressed sympathy, understanding and recognition for the victims of these crimes." On April 6, 2006, the House of Representatives passed Resolution 320, calling on Vietnam to immediately and unconditionally release all prisoners of conscience, and comply with the terms of the European Parliament resolution. Not surprisingly, Vietnam's communist leaders have rejected our appeals.

Further, recent widespread labor unrest in Vietnam reflects the reality that labor rights in Vietnam are not protected. The average salary of Vietnamese workers is less than \$1/day and working conditions are extremely poor. This state of affairs is due to the fact that workers in Vietnam have been denied the right to form independent labor unions to protect basic worker rights.

In the meantime, Vietnam enjoys the privilege of freely exporting to the U.S. all forms of print and audio-video products including cultural products, books, newspapers, and other audio / DVD releases, many of which explicitly promote communism and government policies. Yet, none of our media / music products including those produced by Americans of Vietnamese origin are allowed to be imported into Vietnam. The Vietnamese government, through its state-owned enterprises, maintains a monopoly and, in effect, an absolute ban on these imports into Vietnam. Vietnamese American artists are routinely harassed and required to obtain government permits before they could perform in Vietnam. This 'free trade' concept is neither fair nor free – both core principles of our WTO agreement with Vietnam recently signed.

In your second inaugural address, you stated definitively that "it is the policy of the United States to seek and support the growth of democratic movements and institutions in every nation and culture, with the ultimate goal of ending tyranny in our world". We hope that you will personally see to it that America will live up to its promise regarding Vietnam and its conduct.

We hereby call upon you to deny the communist dictatorial regime in Vietnam the free PNTR status until the aforementioned conditions are met.

Thank you for your leadership and continued support for universal human rights. May God bless you and America.

Respectfully,

#### **Democracy advocates in Vietnam**

Tran Kim Anh, Pham Que Duong, Father Nguyen Huu Giai, Dr. Nguyen Thanh Giang, Do Nam Hai (pen name: Phuong Nam), Nguyen Chinh Ket, Father Phan Van Loi, Father Nguyen Van Ly, Father Chan Tin, Nguyen Khac Toan.

#### **Organizations in the United States**

**Alliance for Democracy in Vietnam, Asia Entertainment Inc., Asian Pacific American Cultural Arts Foundation, Assembly of Vietnamese Veterans, Assembly of Vietnam Veterans - Youth Affairs, Association of Vietnamese Cultures - California, ATC Consulting Group, Bolsa Radio, Committee for Religious Freedom in Vietnam (CRFV), Council for Human Rights in Vietnam - New York, Council on Democracy and Human Rights for Vietnam - California, Dan Chim Viet, Inc., East Coast U.S.A. Vietnamese Publishers Consortium, Florida Viet Bao Newspaper, Freedom & Democracy Voice for Vietnam, Jubilee Campaign USA, Institute on Religion and Public Policy, Institute on Religion & Democracy, Legal Assistance for Vietnamese Asylum Seekers, Montagnard Foundation, National Vietnam & Gulf War Veterans Coalition, Ngay Nay Media, Inc., Nguoi Viet Daily News, North Carolina Vietnam Veterans, Inc., National Hoa Hao Buddhist Church, USA, Overseas Hoa Hao Buddhist Congregational Church, USA, Quarterly Human Rights / Droits de l'Homme Magazine, Rallying for Democracy in Vietnam, Republic of Vietnam Navy & Marine Association, USA, Rolling Thunder, Inc., Rural Reconstruction Cadre Association of California, Saigon Broadcasting Television Network (SBTN), The China Support Network, The Movement of the Vietnamese Laity in Diaspora, The Movement of Writers and Performing Artists to Restore Vietnam, The South Florida Buddhist Association, The United Buddhist Church of Vietnam in the USA, The United Methodist Church - San Diego - California, The Vietnam Helsinki Human Rights Committee, The Vietnamese American Community of South Florida, The Vietnamese American Voters' League of Pennsylvania, The Vietnamese Buddhist Youth Congregation of California, The Vietnamese Community in Arizona, The Vietnamese Community of Central of Florida, The Vietnamese Community of Colorado, The Vietnamese Community of New York, The Vietnamese Community of Southern California, The Vietnamese Community of St Cloud - Minnesota, The Vietnamese Community of Tacoma - Washington, The Vietnamese Community of Thurston County - Washington, The Vietnamese Community of Washington State, The Vietnamese Community of Wichita and Vicinity - Kansas, The Vietnamese Federation of San Diego - California, The Vietnamese Veterans Association of South Florida, Thuy Nga Productions, U.S. - Vietnam Fair Trade Committee, Victims of Communism Memorial Foundation, Viet Bao Daily News, Viet Minnesota Radio, Vietnam Democracy Forum - Washington DC, Vietnam Human Rights Network - USA,**

**Vietnam Reform Party, Vietnam Restoration Party, Vietnam Review, Inc., Vietnamese American Council of Voters - California, Vietnamese American Medical Research Foundation, Vietnamese-American Public Affairs Committee (VPAC), Vietnamese American Science & Technology Society (VASTS), Vietnamese American Television (VATV), Vietnamese American Veterans Association Coalition of the Washington - D.C. Metropolitan Area, Vietnamese American Voters Association, Vietnamese Culture and Science Association – Washington DC, Vietnamese Lawyers Association, Vietnamese National Military Academy Alumni Association, Vietnamese Overseas Initiative for Conscience Empowerment (VOICE), Vietnamese Youth Club for Human Rights - Sacramento - California, Visual Artists Guild, VNQDD - Overseas Coordinating Council.**

**Individuals: Tran Dung Minh Dan, Phan Tan Hai, Trang Khanh, Pham Lam, Francis Pham, Scott Pham, Nguyen Ngoc Quynh, Ho Van Sinh, Phong Thu, Do Thi Thuan, Chu Xuan Vien, Ma Xai.**

### **Organizations in Other Countries**

Association for Democracy and Development of Vietnam, Association of Vietnamese Physicians in Canada, Committee to Rethink Vietnam - Paris, France, Forum Asia Democracy & Que Me: Action for Democracy in Vietnam – Paris - France, Friends of Vietnam - Finland, General Association of Vietnamese Students in France, International Committee Tran Van Ba - Paris - France, International Foundation for the Development of Vietnam - The Netherlands, Movement of Democracy for China, The Canadian Vietnamese Society for Vietnam Political and Social Studies, The Buddhist Association of "Grass Hut" - Moscow - Russia, Vietnam Center – Hanover - Germany, Vietnam Center for Human Rights - Paris - France, Vietnamese Canadian Federation - Canada, Vietnamese Community in Australia, Vietnamese Community in Montreal - Canada, Vietnamese League for Human Rights - Switzerland, Vietnamese Physicians of the Free World, Vietnamese Writers in Exile Centre - Switzerland.

Note: Financial contributors are in bold type  
Lists updated on July 11, 2006

**Statement for the Record**

**Submitted by  
The Boeing Company  
1200 Wilson Boulevard  
Arlington, VA 22209**

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

**July 12, 2006**

The Boeing Company welcomes the opportunity to submit a statement for the record in conjunction with the Senate Finance Committee hearing on S. 3495, a bill granting permanent normal trade relations (PNTR) status to Vietnam. Boeing fully endorses Senate passage of S. 3495 and it is our hope that this legislation and its House companion will be considered before the Congress recesses in August.

Extension of PNTR to Vietnam is the final element in the U.S.-Vietnam normalization process and a critical step if the U.S. is to benefit from Vietnam's imminent accession to the World Trade Organization which is scheduled to occur this fall.

Vietnam is an important export market for The Boeing Company. Boeing established its presence in Vietnam upon the re-establishment of diplomatic relations between the U.S. and Vietnam when Vietnam Airlines leased 3 Boeing 767 airplanes in 1995. In December 2001, Vietnam Airlines signed the first-ever purchase of Boeing airplanes – 4 777 jetliners. This purchase was the first business transaction to be finalized between companies in Vietnam and the United States under the historic Bilateral Trade Agreement and was the first time that the Export-Import Bank was used by Vietnam. By the end of 2005, the Vietnam Airlines' 777 fleet grew to 10 airplanes, and it became a launch customer for Boeing's newest plane, the 787 Dreamliner.

Boeing continues to forecast significant market opportunities for our commercial aircraft, including the new 787 Dreamliner, and firmly believes that Vietnam's entry into the WTO will increase trade and investment opportunities between our two countries.

We look forward to working closely with the Senate Finance Committee on expeditious consideration of S. 3495, which will pave the way for a successful APEC meeting in Hanoi this November.



STATEMENT OF  
BUSINESS ROUNDTABLE  
BEFORE THE  
SENATE FINANCE COMMITTEE  
JUNE 12, 2006

Mr. Chairman and Members of the Committee, thank you for the opportunity to offer this statement by the Business Roundtable in support of Permanent Normal Trading Relations for Vietnam.

The Business Roundtable's members, which include leading U.S. corporations with a combined workforce of more than 10 million employees in the United States, have been long-time supporters of U.S. efforts to reduce barriers to trade around the world. We have appeared before this Committee in support of NAFTA, CAFTA, and FTAs with Australia, Chile, Singapore, Jordan, Bahrain and Morocco. We have supported expansion of the multilateral trading system and in appeared in support of the normalized trade relations with China that facilitated its entry into the WTO. We support trade liberalization because we know first hand how important liberalized trade is to U.S. global competitiveness and economic growth and how important it is to the success of our companies and their workers.

Approval of Permanent Normal Trade Relations (PNTR) for Vietnam is one of the critical trade policy decisions before Congress this year. Vietnam PNTR will pave the way for Vietnam's membership in the World Trade Organization and will bring significant opening of Vietnam's growing market to U.S. exports. Integration of Vietnam into the WTO is important for American businesses, workers and farmers. It is the fastest growing economy in Asia. Its 80 million people are quickly climbing out of poverty and becoming an important market for U.S. goods and services. Indeed, as the attached economic paper describes, total U.S. exports to Vietnam have grown by nearly 250 percent in the last five years. Agricultural exports have grown by nearly 200 percent.

The United States Trade Representative recently concluded the U.S.-Vietnam Bilateral World Trade Organization Accession Agreement. That agreement provides significant market access that American business needs to remain competitive. Under the agreement, 94 percent of U.S. exports to Vietnam of manufactured goods will have their duties reduced to 15 percent or less when Vietnam accedes to the WTO. Approximately 75 percent of agriculture goods will have similar tariff reductions. The bilateral agreement also commits Vietnam to joining the WTO International Technology Agreement, which will immediately eliminate all duties on all information technology products, an important American export. American service providers will also see significant liberalization in Vietnam -- including opening in the telecommunications, financial services and energy sectors -- sectors in which American companies are among the most competitive in the world.

Bringing Vietnam into the WTO is an important strategic step for U.S. trade policy. Vietnam has become an increasingly important player in the rapidly expanding and integrating

Asian economy. PNTR and WTO accession will help U.S. companies export to, and do business in, Vietnam by locking in the significant liberalization that has already occurred in Vietnam's economy and expanding that liberalization for critical sectors of the U.S. economy. Access to the fast growing Vietnamese market helps provide U.S. companies with another gateway to the dynamic Asian market.

WTO membership will ensure that Vietnam continues to open its economy and enact policies that are consistent with global trade rules, giving U.S. companies a more level playing field. Indeed, the process of negotiating its WTO accession has already prompted Vietnam to enact more than 80 new laws covering all aspects of trade and commerce, which will help it to create a predictable commercial environment for U.S. exports and investment -- a critical component of American global competitive success. Of particular importance, will be reforms to Vietnam's protections for intellectual property rights. To meet its WTO accession commitments Vietnam will completely overhaul its intellectual property scheme. In addition, Vietnam will implement the Agreement on Trade Related Aspects of Intellectual Property ("TRIPS"), providing American inventors, artists, authors and companies with better protections and enforcement options.

WTO membership and the attendant market access are not only important to for increasing markets for U.S. exports; bringing Vietnam into full membership in the family of trading nations will strengthen America's strategic relationship with Vietnam and help Vietnam to liberalize and grow its own economy to improve the lives of its people.

As the CEOs of leading American companies, we know the importance of establishing stronger trade ties and bringing Vietnam into full participation in the global trading system. The competitiveness of America's business, farmers, and workers, both at home and abroad, is strengthened by removing barriers and increasing U.S. access to international markets. To bring Vietnam into the WTO and reap the benefits of the market opening agreement negotiated by USTR Congress must grant Permanent Normal Trade Relations to Vietnam. We urge the Committee to quickly approve S. 3495 so that the Senate can vote to approve PNTR without delay.

The Business Roundtable appreciates this opportunity to express its views about the importance of PNTR for Vietnam. Attached to this statement is a economic paper that provides additional information.

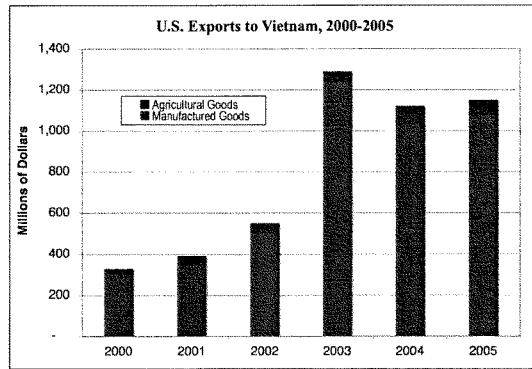


Business Roundtable

## Permanent Normal Trade Relations with Vietnam: Promoting American Competitiveness

### The Facts:

Permanent normal trade relations (PNTR) to Vietnam will give American businesses the tools they need to compete successfully in the growing Vietnamese market.



Vietnam is already a fast-growing export market for U.S. manufacturers. Since 2000, total U.S. exports to Vietnam have increased by nearly 250 percent. Vietnam is also a growing market for U.S. agricultural products, with exports increasing nearly 200 percent since 2000. Overall top exports to Vietnam include passenger aircraft, cotton, polymers and chemicals, and dairy products. PNTR for Vietnam, which accompanies Vietnam's accession to the WTO, will not only enable this trade to expand further but will provide U.S. companies with the assurances they need that the trade will take place according to strong international rules and disciplines.

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## Business Roundtable

### **To Compete and Grow, American Manufacturers Need Tariff-Free Access to Foreign Markets**

Immediately upon accession to the WTO, Vietnam will reduce tariffs affecting 94 percent of U.S. exports to a rate of 15 percent or less. Vietnam will immediately eliminate tariffs applied to information technology products, such as computers and telecommunications equipment. Vietnam has committed to reducing tariff to harmonize tariff rates applied to the vast majority of U.S. chemical exports. As a WTO Member, Vietnam will participate in future multilateral efforts to its lower duties even further.

### **To Compete and Grow, U.S. Services Providers Need Access to Foreign Markets that Have Fair and Transparent Investment and Regulatory Environments**

Vietnam will allow U.S. banks and insurance providers to operate through 100 percent U.S.-owned subsidiaries. U.S. firms will be allowed to operate in several key areas of Vietnam's telecommunications infrastructure. Upon accession to the WTO, Vietnam will allow U.S. express delivery companies to operate as majority shareholders in joint ventures with Vietnamese partners and as 100 percent U.S.-owned ventures within five years. Furthermore, Vietnam has agreed to liberalize its wholesale and retail sectors, allowing 100 percent U.S.-owned enterprises by 2009.

### **To Compete and Grow, American Manufacturers Need Trading and Investment Rules that Are Transparent and Enforceable**

Vietnam's accession to the WTO will bind Vietnam to the rule of law. The United States will be able to hold Vietnam accountable to its commitments through various WTO mechanisms, including the Dispute Settlement Body. Already, WTO accession has prompted Vietnam to enact over 80 new laws covering all aspects of trade and commerce supporting a predictable commercial environment.

### **To Compete and Grow, American Companies Need Strong Intellectual Property Protection**

Vietnam's intellectual property rights provisions, now inconsistent and scattered across approximately 40 laws, decrees, and regulations, will be completely overhauled to meet its accession commitments. Combined with Vietnam's implementation of the Agreement on Trade-Related Aspects of Intellectual Property, U.S. companies will have better intellectual property protections and enforcement options.



## Business Roundtable

### **PNTR Will Promote Economic Freedom and Strengthen the U.S.-Vietnam Relationship**

Granting PNTR to Vietnam will legitimize the extensive legal and economic changes Vietnam has undergone already in preparation for WTO accession. Entrance into a rules-based world trading system will further promote economic freedom and strengthen civil society in Vietnam. Closer engagement with Vietnam continues the maturation of U.S.-Vietnam relations and enhances U.S. messages to Vietnam regarding human rights, religious freedom, and POW/MIA operations.

#### **Sources**

- *U.S. Department of Commerce*
- *Bureau of the Census*
- *Office of the U.S. Trade Representative*

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**Submitted testimony of Cargill, Incorporated to the U.S. Senate Committee on Finance  
“S. 3495-A bill to authorize the extension of nondiscriminatory treatment (normal  
trade relations treatment) to the products of Vietnam”  
Wednesday, July 12, 2006**

Cargill, Incorporated, extends its thanks to the leadership of the U.S. Senate Committee on Finance and to all the members of the Committee for holding this important and historic hearing on the matter of granting Permanent Normal Trade Relations (PNTR) status to Vietnam.

Cargill applauds the sponsors of the pending PNTR legislation for their leadership. We lend our support to the legislation, and we encourage all members of Congress to work for swift passage of the bill.

Ambassador Susan Schwab and her team at the Office of the U.S. Trade Representative (USTR) negotiated a strong bilateral agreement that will further open the food system in Vietnam.

Cargill is an international provider of food, agricultural and risk management products and services. Cargill employs approximately 57,000 employees in the United States and a total of 142,000 employees worldwide, in 61 countries, including Vietnam.

Cargill has had a positive experience in Vietnam since 1995 when relations between the two countries were normalized. This agreement demonstrates Vietnam's willingness to continue down the path of economic liberalization, opening its market to competition for the betterment of its society and its citizens.

Cargill's history is founded on a deep seeded philosophy of free trade and open markets. As a leading member of the agri-food sector, we believe that trade policies should not hinder an individual's ability to gain access to safe and affordable food.

Open markets and free trade are engines for economic growth, and economic opportunity is what leads people out of poverty. Vietnam's entry into the World Trade Organization (WTO) will provide that opportunity for growth. The facts surrounding Vietnam's growth since relations were normalized in 1995 are undeniable. Between 1995 and 2005, Vietnam's GDP grew from \$16.3 billion to \$45.2 billion, and during that time of income growth, U.S. agricultural exports to Vietnam increased 619%, from \$26 million to \$192 million.

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With the further opening of its markets through Vietnam's entry into the WTO, the potential for U.S. agricultural export growth to the country's 85 million consumers is great. The passage of PNTR for Vietnam is necessary to capture that potential and to continue that cycle of growth.

The bilateral agreement that USTR negotiated with Vietnam creates new market access opportunities for U.S. agricultural exports for commodities such as:

- *soybeans* where tariffs will fall from 15% to 5% over three years;
- *soybean oil* where tariffs will drop from 50% to 30% upon accession, to 20% over five years;
- *corn* and *wheat* where tariffs will be bound at 5%; and
- *beef* where Vietnam has agreed to resume imports of U.S. beef and cut tariffs almost in half from existing levels.

In addition to the tariff-liberalizing component of the agreement, and above and beyond what has been achieved upfront in other WTO accession negotiations, Vietnam has agreed to eliminate a significant non-tariff barrier to trade through opening its trading and distribution system for agricultural products to U.S.-owned and other foreign-owned companies upon accession.

Gaining access to the trading and distribution system in Vietnam is important for U.S. agriculture and will create a stronger demand-pull for U.S. agricultural products. When restrictions on trading and distribution are eliminated, trade is more easily facilitated between the supplier and the customer. No longer will U.S. exporters be required to line up numerous Vietnamese-owned companies that are licensed importers and distributors to conduct trade. Instead, U.S. exporters will have the option to conduct business with the most competitive importer and distributor, creating increased competition for business.

While it is expected that Vietnam will become a member of the WTO in just a few short months (October 2006), none of the aforementioned benefits will begin accruing for U.S. interests until Congress passes PNTR for Vietnam. Under WTO rules, however, the other WTO-member nations will immediately benefit from Vietnam's entry. Thus, timely passage of Vietnam PNTR legislation is critical so that U.S. farm and commercial interests will not be disadvantaged in the increasingly important Vietnamese market vis-à-vis our global competitors.

We look forward to Congress' passage of PNTR and to Vietnam's entry into the rules-based trading system of the WTO.

Thank you for the opportunity to register our support, and Cargill looks forward to the moment when the United States and Vietnam's economic relations are further enhanced and solidified through the granting of PNTR to Vietnam.

**STATEMENT SUBMITTED FOR THE RECORD TO THE  
SENATE FINANCE COMMITTEE HEARING ON**

**S.3495 — A bill to Authorize the Extension of  
Nondiscriminatory Treatment (normal trade relations  
treatment) to the Products of Vietnam**

**July 12, 2006**

By

Jeff McCord  
P.O. Box 236,  
Orlean, Virginia 20128  
Tel: 540-364-4769  
E-M: [jmccord@crosslink.net](mailto:jmccord@crosslink.net)

On Behalf of:

**THE CATFISH INSTITUTE**

5420 I 55 North  
Jackson, MS 39190  
Mail: PO Box 1669,  
Madison, MS 39130  
Tel: 601-977-9559



I am Jeff McCord, spokesman for, and an advisor, to The Catfish Institute. I offer this testimony today on behalf of The Catfish Institute, a nonprofit group based in Jackson, Mississippi promoting U.S. farm raised catfish. Catfish farming is our nation's largest aquaculture industry and catfish is the fourth most popular seafood in the United States.

The catfish industry supports establishing permanent normal trade relations (PNTR) with Vietnam, as proposed in S.3495. By granting PNTR, the United States will pave the way for Vietnam to become a member of the World Trade Organization (WTO) and subject to the same rules and principles that govern trade among all nations.

U.S. catfish farmers and processors believe it is important and positive for Vietnam to fully participate in international markets and our community of nations. We are pleased that Vietnam has agreed in bilateral negotiations with the United States that it will continue to be treated as a non-market economy for the purposes of U.S. trade law. This is appropriate and important given the continuing non-market orientation of the Vietnamese economy. Existing antidumping duties covering unfairly traded imports from Vietnam of certain species of fish fillets competing with U.S. farm raised catfish will not be affected by granting PNTR.

Providing PNTR for Vietnam is appropriate. There remain, however, very serious issues the United States must address with Vietnam both bilaterally and through the WTO processes once Vietnam is a member of that organization. In particular, Vietnam's continuing use in its farm-raised basa and tra and other exported seafood of antibiotics and other additives banned for human consumption in the United States must be addressed.

Among the banned substances found are flouroquinolones, a family of strong antibiotics that include Cipro used to treat anthrax. Unnecessary ingestion of these drugs will cause consumers to build-up a resistance to these critical pharmaceuticals. Also found in basa and tra is malachite green, a strong industrial dye and known carcinogen used in Asia as a fish egg fungicide.

Tests of basa and tra imported into the US, Canada, Europe and Australia routinely find these banned and dangerous substances.

In addition, Vietnamese exporters continue to mislabel basa and tra, using species names such as grouper, sole and pike, in order to evade antidumping duties and mislead buyers about the identity of the fish. The mislabeling is rampant: millions of pounds of basa and tra fillets are being shipped to the United States improperly labeled. Although some federal criminal indictments have been brought, the practice continues to be a serious problem. Details concerning these matters are attached.

The U.S. farm raised catfish industry believes Vietnam's accession to the WTO will provide a new, productive framework for the U. S. to approach the Vietnamese

Government on these difficult issues. Enforcement of WTO rules and stringent testing by the federal government of imported seafood from Vietnam will help protect American consumers and provide a more level playing field for domestic fish producers.

I appreciate this opportunity to submit these views to the Senate Finance Committee on this important matter.

**EXCERPTS FROM STUDIES AND PERIODICALS REPORTING  
FINDINGS OF BANNED SUBSTANCES IN, AND MISLABELING OF,  
VIETNAMESE FISH IMPORTED INTO NORTH AMERICA**

**From: Consumers' Association Calls on Federal Government To Stop The  
Importation of Cancer Causing Fish Products From China and Vietnam**

News Release

376 words

25 November 2005

"The Consumers' Association of Canada today called on the Canadian Government to immediately ban the further importation of certain fish products from China and Vietnam. "A cancer causing banned fungicide, Malachite Green, is being used by fish farmers in some Asian countries, particularly Vietnam and China", said Mr. Bruce Cran, President of the Association. 'Independent labs tests of these fish purchased at Canadian supermarkets have shown that consumers are being sold these contaminated fish.' . . . In tests done this year by the CFIA of farmed fish from Vietnam 43% of fish tested were contaminated with the cancer-causing agent. 'This is a stunning number,' said Mr. Cran."

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**From: FOOD CHEMICAL NEWS, October 17, 2005: Alabama Ag chief extends**

**Vietnamese fish ban**

by Richardson, Zachary

763 words

"Alabama has extended its ban on the catfish-like Vietnamese basa, citing consumer safety concerns over the presence of a banned antibiotic in fish samples. On Oct. 4, Alabama agriculture commissioner Ron Sparks announced an indefinite continuation of the state's ban on sales of the fish. The original ban was issued following the release of an FDA advisory detailing the discovery of the antibiotics chloramphenicol, enrofloxacin (Baytril) and its human equivalent ciprofloxacin in several samples of Vietnamese seafood, including basa (see FCN, Aug. 29, page 1).

The earlier FDA release also triggered prohibitions on basa sales in Alabama, Mississippi and Louisiana, and a letter to FDA from Congressman Mike Ross (D-Ark.) proposing a nationwide ban on the fish.

- more -

(FOOD CHEMICAL NEWS article, cont.)

According to [Alabama Commissioner] Sparks, the extension of the ban is a direct result of a stepped-up testing program instituted by the state.

‘What we've got is over 200,000 lbs. of fish that is contaminated with fluoroquinolones. We've tested 21 samples, and 19 tested positive for banned antibiotics. Not only that, but three of them tested positive for [the carcinogen] malachite green,’ Sparks explained to Food Chemical News.”

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From **Food and Drug Administration Website**

File dated 4-12-2006, A-38

Rapid Determination and Confirmation of Four Fluoroquinolone Residues in Fish Tissue

S. E. McMullen, V. A. Vega, F. J. Schenck, SRL, Atlanta, GA

“Aquaculture is rapidly becoming a prominent source of seafood especially for finfish such as salmon, catfish, basa, and tilapia. Currently, there are only 5 veterinary drugs approved in the USA for use in aquaculture. Unfortunately, these drugs do not address all the pests/diseases encountered in aquaculture. Unapproved drug use is widespread especially in third world countries where misinformation on US tolerances is common. Recently, many import fish samples were found to have residues of unapproved fluoroquinolones, specifically enrofloxacin and ciprofloxacin.”

---

From **THE CATFISH JOURNAL, September 2005**

**State Officials Move to Ban Vietnamese Basa**

“Agriculture Commissioners in three Southern states announced steps to protect consumers from contaminated Vietnamese basa, as a U.S. Congressman asked the Food and Drug Administration to ban the imported fish outright . . . Meanwhile, European food safety officials reported several cases where basa has been seized because samples detected unapproved chemicals including malachite green . . . Mississippi Agriculture Commissioner Dr. Lester Spell said six of eight samples taken from in-state stores confirmed the presence of prohibited antibiotics. . . . U.S. Representative Mike Ross of Arkansas wrote to FDA Commissioner Lester Crawford: “In the interests of public health safety, I’m writing to request . . . [the] halt of all sales of Vietnamese basa fish across the country until the proper testing has taken place.”

- more -

From **THE POST AND COURIER of Charleston, SC, May 11, 2006: "Indictment charges fish from Vietnam mislabeled."**

"One million pounds of frozen, farm-raised Vietnamese 'catfish' were brought into the United States over three years and sold to the seafood industry as wild-caught grouper or bass, fisheries officers say. A federal grand jury this week indicted two Florida companies and an official of both, as well as Vietnamese fish suppliers and a sales representative, charging them with deliberately mislabeling the fish. A 'Lowcountry' fish farmer called the indictments 'a big deal, a really big deal' for an industry being gutted by cheaper imports unfairly flooding the market.

The fish, known as 'basa' and 'swai,' are similar to, but inferior to American catfish. Catfish doesn't have the gamey taste of grouper or bass. . .

Panhandle Trading Inc. and Panhandle Seafood Inc., of Panama City Fla., and Danny D. Nguyen were charged in the 42-count indictment, according to the papers and a U.S. Justice department news release. Nguyen was listed as vice president of both companies, which are listed at the same address. Also charged were five Vietnamese companies and a sales representative . . .

The investigation stemmed from American catfish farmer complaints about importers 'dumping,' or selling the cheaper Vietnamese fish as catfish.

The complaints led to a 2003 anti-dumping law prohibiting that.

'Because it was so cheap, it took a major portion of the market share away from American farmers,' [U.S. fish farmer Rick] Eager said. 'There's so little physical inspection of imports. Inspectors look at the manifests. We need to guard our food supply better; it's really a national security problem.'

In the Southeast, there are only two national fisheries investigators. Customs and other federal agencies also play roles. Patrols are left to the Coast Guard and state wildlife agencies, although both have other duties and have been strained by demands from homeland security to budget cuts . . ."

**CDM** International Inc.  
A Subsidiary of Camp Dresser & McKee Inc.

environmental  
services

Saigon Trade Center, 20th Floor, Room 2010  
37 Ton Duc Thang Street, District 1, Ho Chi Minh City, Vietnam

Trung Tâm Thương Mại Sài Gòn, Lầu 20, Phòng 2010  
37 Tôn Đức Thắng, Quận 1, TP. Hồ Chí Minh, Việt Nam

Tel: (84-8) 910 0709 Fax: (84-8) 910 0710  
E-mail: cdmvn@hcm.vnn.vn

11 July 2006

**U.S. Senate  
Finance Committee**

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

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

Testimony for the record by:

CDM International Inc.  
Saigon Trade Center, 2<sup>nd</sup> Floor, Room 226  
37 Ton Duc Thang St., District 1  
Ho Chi Minh City, Vietnam

On behalf of CDM International Inc., we are pleased to present the Senate Finance Committee with testimony supporting Permanent Normal Trade Relations (PNTR) for Vietnam.

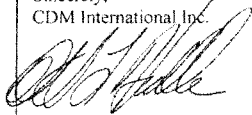
CDM is a Cambridge, Massachusetts headquartered US consulting engineering company that provides environmental engineering services to US and foreign clients with 3600 professional personnel through 90 offices worldwide. We provide professional engineering services to most of the countries in Asia and currently have an office in Ho Chi Minh City that serves our clients in Vietnam. Our business in Vietnam is growing and we currently have almost US\$400 million worth of environmental projects underway that will improve the quality of life for millions of individuals.

We are very supportive of granting PNTR for Vietnam.

In the very competitive consulting field we compete head-to-head mostly against British, German and other European firms and, without the ability to operate under the PNTR, we will be at a significant disadvantage.

CDM International Inc. urges Congress to pass the "bill to authorize the extension of nondiscriminatory treatment (normal trade relations treatment) to the products of Vietnam" before the August recess, without any amendments, in time for President Bush's trip to Vietnam in November for the Asia Pacific Economic Cooperation summit.

Sincerely,  
CDM International Inc.



Robert L. Hurdle, P.E., BCEE  
Vice President  
Regional Manager -- Southeast Asia



**Lisa B. Barry**  
 Vice President and  
 General Manager,  
 Government Affairs

**Policy, Government and  
 Public Affairs**  
 Chevron Government Affairs  
 1401 Eye Street, NW  
 Suite 1200  
 Washington, DC 20005  
 Tel 202-408-5865  
 Fax 202-408-5845  
 lbbarry@chevron.com

June 15, 2006

The Honorable Charles E. Grassley, Jr.  
 Chairman  
 Senate Committee on Finance  
 United States Senate  
 Washington, DC 20510-1501

Dear Chairman Grassley:

Chevron is a long term investor in Vietnam. We re-entered the Vietnamese market as soon as it was legally permissible following the end of the U.S. trade embargo in 1994 and have increased our presence since then as opportunities have been available. We are pleased to support and urge favorable consideration of the last step in the trade normalization process: extending Permanent Normal Trade Relations (PNTR) to Vietnam as authorized by S. 3495.

With steady and consistent growth at 7 percent annually and with a population of more than 80 million people, Vietnam is an attractive market for downstream as well as upstream operations. Since 1994, Chevron has established two small facilities in Vietnam, one manufacturing lubricants and one importing and distributing bitumen for asphalt. We currently employ over 130 people at these facilities. We hope to increase our activities in the future as demand grows to include the importation and distribution of refined petroleum products.

Chevron also has significant upstream assets in three Production Sharing Contracts (signed in 1996, 1999 and 2006). Over the past decade, we have spent over \$174 million exploring for oil and gas offshore. We made a commercial gas discovery (certified in 2002) offshore southwest Vietnam that we believe offers us and our suppliers and contractors significant business opportunities. We estimate that the total project cost from production to power generation will require an investment of around \$3.5 billion, a major portion of which will come from the US.

As an example, I am pleased to note that Fluor Transworld Services Inc., a subsidiary of the Fluor Corporation based in Irving, Texas, was awarded a contract supported by USTDA and Chevron in 2005 to undertake a \$700,000 feasibility study of the pipeline that will be needed to bring gas from the areas we have been exploring ashore. This project will have capital requirements of \$600 to \$800 million depending on the landfall option selected. There is export potential for US firms of \$145 million directly related to the pipeline project including engineering design and services, financial and lending services, process and mechanical equipment (line pipes, gas metering system, condensate handling system, pumps, control system, cathodic protection system, corrosion prevention chemicals, etc.) and offshore and

The Honorable Charles E. Grassley, Jr.  
Senate Committee on Finance  
June 15, 2006  
Page 2

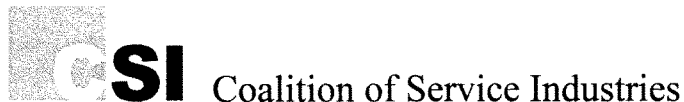
onshore construction services. In addition there are other indirectly related opportunities for US companies from upstream gas field development in the areas of drilling equipment and services, well production equipment and services, gas handling equipment and services, software services and the like (estimated at \$500 million in front-end capital and an additional \$1 billion over the life of the project) as well as \$1.5 billion in power plant development. Altogether the estimated US export potential is \$750 million initially and up to \$2.3 billion over the integrated project's duration.

Extending PNTR to Vietnam will solidify the bilateral relationship between the US and Vietnam, will facilitate the provision of goods and services for Chevron's natural gas and other infrastructure projects, and will provide benefits for US companies and workers. Therefore, we urge you to support the final step in the trade normalization process as proposed in S. 3495.

Sincerely yours,

A handwritten signature in black ink, appearing to read 'Lisa B. Barry', written in a cursive style.

Lisa B. Barry



July 12, 2006

**Statement by the  
Coalition of Service Industries on the  
Extension of Permanent Normal Trade  
Relations Treatment to Vietnam  
Senate Finance Committee Hearing**

Dear Mr. Chairman and Members of the Committee,

Members of the Coalition of Service Industries greatly appreciate the opportunity to express our support for the extension of permanent normal trade relations (PNTR) treatment to Vietnam as part of its WTO accession. The Coalition of Service Industries (CSI) represents the interests of US corporations in key services sectors, such as financial, express delivery, audiovisual, professional, business, transportation and telecommunications services. CSI members account for almost \$1 billion in revenues and 2.3 million jobs worldwide.

The US is strongly competitive in services, with a cross-border trade surplus of \$66 billion last year. US services sales through affiliates abroad reached \$477 billion in 2003, resulting in a \$96 billion surplus. The share of services in the US economy has been increasing steadily and now accounts for almost 78% of private sector GDP. Service companies are also responsible for 90 million jobs, a substantial portion of which are linked to the expanding US trade.

CSI members strongly urge the Committee to support PNTR status for Vietnam. Vietnam's high-quality, commercially meaningful WTO accession agreement will benefit the US economy and will provide new market opportunities for US service companies.

We fully support Vietnam's accession commitment to improve its intellectual property laws and bring them into compliance with the Trade-Related Intellectual Property Rights (TRIPS) agreement. In fact, Vietnam has already passed a new IP law to meet some of its obligations, and is working on the implementing regulations to ensure TRIPS-compatible protection. Vietnam is willing to make further IP enforcement efforts to combat piracy of motion picture and entertainment products, pay television signals, software, and other audiovisual and digital products.

CSI members commend USTR negotiators for securing Vietnam's valuable services commitments, which build upon the US-Vietnam bilateral trade agreement of 2001. Under the WTO accession agreement, US companies will enjoy national treatment, and be able to establish and operate in the most suitable corporate form. US companies will benefit from Vietnam's services trade liberalization in the following sectors:



- **Banking.** Vietnam's commitments cover foreign bank branches, and as of April 1, 2007, US banks will also be able to establish wholly US-owned subsidiaries. The agreement will permit service through ATMs.
- **Insurance.** US insurers will be able to establish 100% US-owned subsidiaries upon accession, and open direct branches in non-life after 5 years. Certain lines of statutory insurance will be open to foreigners one year after accession.
- **Securities.** In 5 years after Vietnam's accession, foreign securities firms will be able to operate as wholly foreign-owned enterprises or branches in key sub-sectors, such as asset management, advisory, and settlement and clearing services.
- **Energy.** Vietnam will phase out barriers to foreign participation after 3 to 5 years depending on the sector. Contractual suppliers will not be required to establish commercial presence. US energy services firms will be able to compete for energy projects in exploration, development, and other energy services on a national treatment basis.
- **Express Delivery.** The agreement creates a level playing field with the local postal monopoly. Vietnam will allow joint ventures with foreign majority ownership upon accession, and wholly foreign-owned enterprises will be allowed after 5 years.
- **Telecommunications.** Vietnam joined the Basic Telecom Reference Paper, which provides for a level playing field with local telecom monopolies, and ensures independent regulation and transparency. US companies will be able to have majority ownership in key telecom sectors.
- **Business Services.** Vietnam's commitments cover legal, accounting, architectural, engineering, consulting, computer and related services, and others. US service providers will be allowed to operate as 100% US-owned enterprises in professional and business services, either upon accession or after a short phase-in period.
- **Distribution.** The agreement provides for opening of wholesale, retail, direct sale, and franchising services. US distributors will be allowed to distribute imported and domestically produced goods. Wholly foreign-owned subsidiaries will be allowed in 2009.
- **Transportation.** US companies will be able to provide aircraft maintenance and repair services through joint ventures upon accession or as wholly US-owned companies after 5 years.
- **Environmental Services.** Vietnam will allow US providers through joint ventures upon accession, or as 100% US-owned enterprises after 5 years.
- **Hotels and Restaurants.** The agreement provides market access to US lodging and hotel management companies.

We would also like to highlight that under the US-Vietnam agreement US enterprises that are already operating in Vietnam will be able to continue to operate after accession under the conditions stipulated in their licenses. This acquired rights provision is an important concession, which our industry seeks from all aspiring WTO members.

It is also important to stress that Vietnam has made valuable accession commitments that will strengthen the rule of law, encourage economic decision-making based on market principles, and usher in greater transparency. For example, Vietnam has made

commitments that enhance its regulatory transparency and provide for prior public notice and comment.

We would also like to stress the importance of high-quality WTO accession agreements, similar to Vietnam's, in leveraging meaningful outcomes of WTO negotiations. As you know, the Doha Round is currently going through a difficult phase, and US efforts to obtain improved services offers from key developing countries face severe resistance. Commercially ambitious agreements, like Vietnam's, will help build up the critical mass of WTO members with strong commitments, who are interested in similarly strong concessions from other countries.

Granting PNTR to Vietnam is an important opportunity to improve our bilateral relations in general. The Vietnamese leadership is very eager to strengthen its good relations with the US and continue its comprehensive sectoral reforms. Securing Vietnam's PNTR will reinforce these processes. Therefore, we strongly urge the Congress to approve Vietnam's PNTR as soon as possible, and allow US companies to reap the many benefits of Vietnam's WTO membership.



**COLGATE-PALMOLIVE (VIET NAM) LTD.**

Unit 1308-12, 13<sup>th</sup> Floor, Saigon Trade Center, 37 Ton Duc Thang St., Dist. 1, HCM City, Viet Nam  
Tel : (84-8) 8272 088  
Fax : (84-8) 8272 066

U.S. Senate  
Finance Committee

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

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

Testimony for the record by the

Company Name : Colgate Palmolive (Vietnam) Ltd.  
Company Address: 13<sup>th</sup> floor, Saigon Trade Centre, 37 Ton Duc Thang St.  
District 1

Ho Chi Minh City, Vietnam



**COLGATE-PALMOLIVE (VIET NAM) LTD.**

Unit 1308-12, 13<sup>th</sup> Floor, Saigon Trade Center, 37 Ton Duc Thang St., Dist. 1, HCM City, Viet Nam

Tel : (84-8) 8272 088

Fax : (84-8) 8272 066

On behalf of Colgate Palmolive (Vietnam) Ltd. we are pleased to present the Senate Finance Committee with testimony supporting Permanent Normal Trade Relations (PNTR) for Vietnam.

We are very supportive of granting PNTR for Vietnam.

This vote is distinct from a vote on a reciprocal free trade agreement. Vietnam is planning to join the World Trade Organization this year and the question before Congress is whether American firms and farmers will benefit from Vietnam becoming a WTO member.

US negotiators negotiated a great package of commitments from Vietnam as part of the process of joining the WTO.

My company will benefit in the form of lower duties which will provide us opportunities to import proprietary products directly from the U.S.

If PNTR is not granted, we will be disadvantaged in the Vietnamese market.

In addition to the economic benefits, we believe that PNTR represents the final chapter in the normalization of relations between our two countries, which has enjoyed broad bipartisan support at every step.

This bill enjoys similar support as demonstrated by the bill's original cosponsors, Senators: Baucus, McCain, Gordon Smith, Kerry, Carper, Baucus, Hagel, Lugar, and Murkowski.

We hope that you and other members of Congress will approve PNTR in the "bill to authorize the extension of nondiscriminatory treatment (normal trade relations treatment) to the products of Vietnam."

Sincerely,

A handwritten signature in black ink, appearing to read 'Marco Poggi'.

Marco Poggi  
General Director

## COMTEXTILE (H.K) LTD., Vietnam

HUD Building, 4/F, 159 Dien Bien Phu Street, Ward 15,  
Binh Thanh District, HCM City, Vietnam  
Tel: ++84 8 518 0211/12/13  
Fax: ++84 8 518 0214  
E-mail: main@comtextile.com.vn

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Date :- July, 11, 2006

U.S. Senate  
Finance Committee

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

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

Testimony for the record by the

Comtextile (hk) Ltd,  
4/F HUD Building, 159 Dien Bien Phu St.  
Ward 15 Binh Thanh Dist.  
HCM City, Vietnam

On behalf of Comtextile (hk) Ltd, we are pleased to present the Senate Finance Committee with testimony supporting Permanent Normal Trade Relations (PNTR) for Vietnam.

We are very supportive of granting PNTR for Vietnam.

This vote is distinct from a vote on a reciprocal free trade agreement. Vietnam is planning to join the World Trade Organization this year and the question before Congress is whether American firms and farmers will benefit from Vietnam becoming a WTO member.

US negotiators negotiated a great package of commitments from Vietnam as part of the process of joining the WTO.

My company will benefit in sourcing readymade apparels from Vietnam market at competitive price.

If PNTR is not granted, we will be disadvantaged in the Vietnamese market.

In addition to the economic benefits, we believe that PNTR represents the final chapter in the normalization of relations between our two countries, which has enjoyed broad bipartisan support at every step.

This bill enjoys similar support as demonstrated by the bill's original cosponsors, Senators: Baucus, McCain, Gordon Smith, Kerry, Carper, Baucus, Hagel, Lugar, and Murkowski.

We hope that you and other members of Congress will approve PNTR in the "bill to authorize the extension of nondiscriminatory treatment (normal trade relations treatment) to the products of Vietnam."

Sincerely,

Thanking you.

-----  
Shahid Sarwar  
Chief Representative,



Donald R. Duncan  
Vice President, Federal & International Affairs  
202-833-0900

July 10, 2006

The Honorable Charles E. Grassley  
Chairman  
Senate Finance Committee  
135 Hart Senate Office Building  
Washington, D.C. 20510

Dear Chairman Grassley:

ConocoPhillips is the largest foreign investor in Vietnam. ConocoPhillips and Vietnam have benefited from a decade-long history of cooperation and partnership in the development of the petroleum industry in Vietnam. To date the Company has invested over US\$1 Billion in Vietnam and is very pleased with the results that have been achieved.

ConocoPhillips upstream assets in Vietnam include significant production in the Rang Dong Field in Block 15-2 and Su Tu Den (Black Lion) Field in Block 15-1. We are currently developing the Su Tu Vang (Golden Lion) Field which will begin production in 2008. With the discovery of the Su Tu Trang (White Lion) gas discovery in Block 15-1 in 2003, we are especially excited about the potential to rapidly advance development of this important resource. Our vision is a new gas processing-power project to be developed using ConocoPhillips' gas-power value chain expertise. The development of such projects will potentially provide export opportunities for US firms relating to engineering design and services as well as petroleum equipment export opportunities.

ConocoPhillips strongly supports the final step in the trade normalization process between the U.S. and Vietnam. With a steady and consistent growth of 7 percent annually and a population of more than 80 million, Vietnam is an attractive market for US companies. Extending Permanent Normal Trade Relations (PNTR) to Vietnam will further strengthen and solidify the excellent bilateral relationship between the U.S. and Vietnam and will provide benefits for US companies and workers. Therefore, we urge you to support the trade normalization process as proposed in S. 3495.

Sincerely yours,

A handwritten signature in black ink, appearing to read "Don Duncan".

Donald R. Duncan

GEORGETOWN UNIVERSITY

July 7, 2006



The Honorable Charles Grassley  
Chairman  
Committee on Finance  
United States Senate  
Washington, D.C. 20510

The Honorable Max Baucus  
Ranking Member  
Committee on Finance  
United States Senate  
Washington, D.C. 20510

Dear Chairman Grassley and Senator Baucus,

I am writing in response to your call for public comment on S.3495, to extend nondiscriminatory treatment to products of Vietnam and so extend Permanent Normal Trade Relations to that country. My perspective on this issue is informed by my research on Vietnam and my participation in several "track two" U.S.-Vietnam dialogues over the past several years, as well as my experience as a Deputy Assistant Secretary of State for Democracy, Human Rights and Labor (1993-97). In addition, as co-editor of the *Georgetown Southeast Asia Survey*, an annual review of developments in Southeast Asia and their impact on the United States, I have published in-depth analysis of Vietnam for the past five years. My comments here reflect my individual views and are not necessarily those of the School of Foreign Service of Georgetown University.

I believe it is in U.S. interests to grant PNTR to Vietnam expeditiously, before the end of July if at all possible. Doing so would help to strengthen the U.S.-Vietnam relationship in several important ways:

1. Granting PNTR will reinforce Vietnamese trends toward greater openness and accountability.

All political systems – including our own – are in flux, moving either toward or away from greater pluralism and transparency. In my evaluation, Vietnamese trends in this regard are moving in a positive direction. In its 2005 assessment of Vietnam, Freedom House raised the country's scores for civil liberties, making specific reference to religious freedom. There is also noticeable positive momentum in the governance sector, as the National Assembly strengthens its role and public debate on a spectrum of issues becomes more assertive. Legal and administrative reforms point to a greater adherence to the rule of law, which is the essential scaffolding for the protection of human rights. As in every country, Vietnam's political path is of its own choice and making. (It is important to note, for example, that Vietnam embarked upon its renovation policy, or *doi moi*, of its own accord in 1986. This gives the current trends in economic and administrative reform a crucial indigenous

foundation.) However, the international community can reinforce positive developments with instruments such as PNTR.

2. PNTR will increase contact between the United States and Vietnam and help resolve outstanding bilateral issues.

Relations between Vietnam and the United States have expanded dramatically and exponentially since normalization in 1995. Granting PNTR will help to complete the normalization process. However, although bilateral relations are nearly "normal," they are and will continue to be special for many years to come, requiring a concerted effort on both sides to understand and communicate with the other. For the past three decades POW-MIA issues have remained high on the list of U.S. policy priorities, and a significant amount of progress has been made in this area. Vietnam too has issues of profound concern, including the continuing impact of Agent Orange on human health and the environment. The more contact between the two countries, at both governmental and societal levels, the more likely it is that we will be able to find agreeable resolutions to outstanding problems.

3. At the same time, PNTR is a forward-looking instrument, and will act as a building block for relations with Vietnam's new generations.

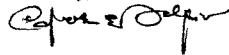
Over half of the population of Vietnam was born after 1975. The new generation entering the workforce has come of age in the era of reform, and has high expectations for economic development. Vietnam has done an impressive job of reducing poverty levels in the past twenty years, but the government will be under continual pressure to meet the growing public demands for prosperity. The younger generation will judge the United States to some degree by whether we are seen as aiding that development process or impeding it, whether we are helping Vietnam's integration into the international economy or hindering it. Clearly, PNTR is a major marker on that scale.

4. Vietnam has the potential to play an prominent role in regional relations and will be an important partner in multilateral initiatives in Southeast Asia and the broader Asia-Pacific region.

At present, Vietnam is Southeast Asia's fastest-growing economy, and it is overtaking some of the older market economies in the region. With the second-largest population and one of the highest literacy rates in Southeast Asia, Vietnam is positioned to play a leading role in the Association of Southeast Asian Nations (ASEAN) and other regional institutions. Given its geostrategic position and its expansion of diplomatic relations with the major powers, Vietnam also has the potential to play a balancing role in the changing power dynamics of the Asia-Pacific region.

Thank you for your consideration of these comments. I would be pleased to provide additional information or answer any queries you might have.

Sincerely,



Catharin E. Dalpino  
Visiting Associate Professor



Senate Committee on Finance  
Attn. Editorial and Document Section  
Rm. SD-203  
Dirksen Senate Office Bldg.  
Washington, DC 20510-6200

Dear Senate Finance Committee,

I write to you not as an economist, not as a politician and not as a strategic specialist. I write to you as a young woman who was born as the Vietnam War came to a close, and who, as a teenager, nineteen years later, found herself on the forefront of re-opening US-Vietnam relations in Hanoi, Vietnam.

I want to tell you this because you need to hear what Vietnam means to someone born after the war ended, and from someone who came of age in a world that nobody quite expected-- a world where a young American woman and a member of the Central Committee of the Communist Party of Vietnam would one day play on the same basketball team at the YMCA National Capital on 17th and Rhode Island in Washington, DC.

But let me start at the beginning. Twenty-five years ago. I was five years old. And I had an older brother named Chris. Chris used to tell me that in Communist countries children had to ask permission to use the bathroom, to speak, to eat dinner and to walk around the house. This is the image of Vietnam that I had as a young child. That image developed over the years. It was influenced by war movies, the homeless angry veterans on the street corners, and by my parents telling me not to talk about the war to other children, because their father's may have fought in it and it might bring up bad memories for them. Most importantly however, it was influenced by my junior high school history teacher who skipped over the Vietnam War in our history books. When I asked Mr. Kniffen why we did not study it, he responded, "Because I was there, and I don't want to talk about it."

Naturally, when I grew up and went to college at Stanford University, and a small NGO there called Volunteers in Asia offered students the chance to volunteer in Hanoi for a summer teaching English, I leaped at the opportunity to explore this mysterious country. It was 1996, after the US and Vietnam had just established diplomatic relations. I was still a teenager.

In Vietnam, age is very important. It is one of the first things people ask you when they meet you so that they know how to address you. I was often called younger sister or even child when spoken to. In those days, there were a handful of NGOs there, a few US government officials and a few brave business folks, who perhaps anticipated the hearing you are contemplating today. Most of us who were actually out on the street however, interacting with the average Vietnamese citizen, were quite young. We were college students and backpackers. We were the ones who ventured into stranger's houses for a

cup of tea or who sat with the street vendors sipping 7UP, or who played with the children selling postcards. We were the ones who chatted with the tour guides, who then later became government officials because of their grasp of the English language. Perhaps it was good that it was young people out there in the beginning, because for those of us born after the war, we really had no concept of what had happened. And we could not be blamed. When older Vietnamese men would tell me about how their brother's were killed during the war, they never blamed me. They asked if my father fought, but they never blamed me. My role instead was to listen-- to hear the stories and things that could not be said thirty years ago.

In this sense, Vietnam and the Vietnamese welcomed me. I returned there again in 1999, that time bringing a group of American teenagers there for a study-tour. Following that, I went on to pursue a graduate degree in Southeast Asia studies at Johns Hopkins University. It was there that I began intensively studying Vietnamese, and later returned to Vietnam in 2003 to practice the language.

In 2003, Vietnam had changed. Things just weren't as straightforward as they once were, and they no longer felt foreign. Gone was the life of bicycles, drab communist clothing, simple meals and predictability. Hanoi was all color and change. Parents were pushing their babies in strollers, teenagers were preparing for driver's license exams and tennis lessons and ballroom dance lessons. There were air-conditioned supermarkets and expensive restaurants. But most importantly, there were people with whom I could be friends. Real friends. Interacting with the Vietnamese no longer felt stiff and formal. I no longer felt like an outsider.

But had the Vietnam changed, or had I? And directly related to that question and relevant to this hearing is not only how has Vietnam changed in recent years, but how has the US changed? Because both of us have, and it has implications for our relationship.

For myself, what allowed me to relate to the Vietnamese people at a much deeper level was that I realized that although we had tremendously different pasts, we had common futures. After I returned to the US in 2003, I met Quang. Quang was studying at Johns Hopkins for a year and was from the Central Committee of the Communist Party of Vietnam. When Quang was little, he grew up on an army bases as his parents worked for the military. He once told me the story of how his front teeth were straightened by a man with a wrench, as there were no dentists around. I couldn't help but think of my own childhood full of teenagers with braces and retainers and expensive fillings. Our childhood's had been so different. But somehow, our adult lives were the same. Quang and I now had the same teachers, read the same books, and had the same exams. We took a class together on non-profit management and we completed a project together on social venture funding. We started playing basketball at the local YMCA and it was Quang who first showed me how to use a memory stick in my computer.

I tell you these details to illustrate one point. Sophistication. It was Quang who was teaching me. We had become equals. And not only did we have individual skills to teach each other, but we realized that our futures would be impacted by the same issues—

rising oil prices, environmental issues, terrorism, the cost of our educations, taking care of our parents as the aged, etc. I see Quang now as my colleague in finding solutions for these issues—both at a personal, national and international level.

I am sure that you will have many people sharing their opinions with you about the economic benefits or losses that may result from this bill. Or how this bill may affect the human right's situation or the spread of democracy in Vietnam. You will have many people discuss how this bill may help or hinder the many facets of American foreign policy. You will have comments about the capacity of the Vietnamese government to implement new trade laws. Some people benefit from your decision, and others will not. While one way to approach your decision is to weigh the costs and benefits such changed will bring to different groups of people, I hope that you will also take into account that the US and Vietnam should have permanent normal trade relations, simply because our relations with Vietnam are now normal. I believe that if you normalize relations, you will have sent a message to both the Vietnamese and to American people that we are now equals. To acknowledge that is to form a basis from which both countries can now cooperate and together find solutions to our individual and shared problems. Such a relationship is priceless in our modern world of interconnectedness.

Thank you,

A handwritten signature in black ink, appearing to read "Darlene Damm", with a long, sweeping flourish extending to the right.

Darlene Damm



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EMERGENCY COMMITTEE FOR AMERICAN TRADE

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**COMMENTS OF THE**

**EMERGENCY COMMITTEE FOR AMERICAN TRADE**

**BEFORE**

**COMMITTEE ON FINANCE**

**OF THE**

**U.S. SENATE**

**ON**

**S. 3495—A BILL TO AUTHORIZE THE EXTENSION OF**

**NONDISCRIMINATORY TREATMENT (NORMAL TRADE RELATIONS**

**TREATMENT) TO THE PRODUCTS OF VIETNAM**

**July 12, 2006**

**COMMENTS OF THE  
EMERGENCY COMMITTEE FOR AMERICAN TRADE  
ON S. 3495—A BILL TO AUTHORIZE THE EXTENSION OF  
NONDISCRIMINATORY TREATMENT (NORMAL TRADE RELATIONS  
TREATMENT) TO THE PRODUCTS OF VIETNAM**

July 12, 2006

These comments are submitted on behalf of the Emergency Committee for American Trade – ECAT – an association of the chief executives of leading U.S. business enterprises with global operations. ECAT was founded more than three decades ago to promote economic growth through expansionary trade and investment policies. Today, ECAT’s members represent all the principal sectors of the U.S. economy – agriculture, financial, high technology, manufacturing, merchandising, processing, publishing and services. The combined exports of ECAT companies run into the tens of billions of dollars. The jobs they provide for American men and women – including the jobs accounted for by suppliers, dealers, and subcontractors – are located in every state and cover skills of all levels. Their collective annual worldwide sales total nearly \$2.4 trillion, and they employ more than five and one-half million persons. ECAT companies are strong supporters of negotiations to eliminate tariffs, remove non-tariff barriers and promote trade liberalization and investment worldwide.

ECAT is submitting these comments to express its strong support for S. 3495 (and its House companion bill, H.R. 5602) which authorizes the President to extend permanent normal trade relations (PNTR) with Vietnam by graduating Vietnam from the Jackson-Vanik provisions of the Trade Act of 1974.

**U.S.-Vietnam Trade and Investment**

U.S. trade and investment with Vietnam have grown substantially since the resumption of economic relations between the two countries. U.S.-Vietnamese goods trade has increased from \$223.3 million in 1994 to \$7.8 billion in 2005. Major U.S. exports to Vietnam include industrial machinery, plastics, fertilizers, and semiconductors. Major U.S. imports include apparel and footwear, crude oil, shrimp, and coffee.

U.S. trade relations with Vietnam are still governed by the Jackson-Vanik provisions. Vietnam currently receives normal trade relations (NTR) treatment on an annual basis from the United States, pursuant to the Jackson-Vanik provisions of Title IV of the Trade Act of 1974, which governs the extension of NTR treatment to non-market economy countries. The Jackson-Vanik provisions condition the extension of NTR treatment to compliance with freedom of emigration criteria and require that NTR be renewed annually. The President has extended normal trading status to Vietnam since 2001, following Congressional approval of the U.S.-Vietnam Bilateral Commercial Agreement. (This action removed Vietnam from the column 2 schedule – enacted as part of the Smoot-Hawley Tariff Act of 1930 – with tariffs averaging 40 percent, more than 10 times

the applied tariffs for countries with an NTR relationship to the United States). Vietnam has also been eligible, since the first Jackson-Vanik waiver in 1998, for Overseas Private Investment Corporation (OPIC) and Export-Import Bank programs. Approval of the Bilateral Commercial Agreement and the extension of normal trade relations represented a major step in the normalization of U.S. trade relations with Vietnam, building on prior decisions to open some travel to Vietnam in 1991 and 1992, resume international lending and U.S. involvement in development projects in 1993, lift the economic embargo in 1994, and open normal diplomatic relations in 1995.

#### **Vietnam's Accession to the World Trade Organization**

Vietnam first began the process to join the World Trade Organization (WTO) on January 31, 1995, when the Working Group on Vietnam's accession was established.

Vietnam is now nearing closure on its negotiations to join the WTO and become a fully integrated member of the world trading community. As explained below, the bilateral accession package that the United States concluded with Vietnam in May 2006 ensures that Vietnam will enter the WTO on strong, commercially viable terms that will eliminate key barriers and open markets for U.S. farmers, manufacturers and service providers.

#### **Key Provisions in U.S.-Vietnam Bilateral Accession Package**

- Market Access for Consumer and Industrial Goods. Vietnam has agreed to substantially reduce tariffs on consumer and industrial goods, such that the majority of U.S. goods exports will face tariffs of 15 percent or less upon full implementation of Vietnam's commitments. Key areas of interest for the United States include Vietnam's commitment to:
  - Join the Information Technology Agreement immediately upon accession, eliminating tariffs on most information technology goods.
  - Reduce tariffs on 80 percent of chemical products covered by the Chemical Harmonization Agreement, covering most U.S. chemicals exported to Vietnam.
  - Eliminate tariffs on civil aircraft upon accession and reduce tariffs on aircraft parts to less than 9 percent after full implementation.
  - Reduce by 50 percent tariffs on key U.S. exports of motor vehicles, including SUVs, and reduce by 19 percent tariffs on auto parts.
  - Bind tariffs at 5 or less percent for agricultural and construction equipment.
  - Reduce and bind tariffs on the vast majority of medical and scientific equipment to less than one percent within three years of accession.
  - Eliminate upon accession export subsidies in the textile and apparel sector.
  - Address key non-tariff barriers, including barriers to automobiles, products with encryption technology, and state-owned enterprises.
  
- Market Access for Agricultural Products. Vietnam has agreed to substantial tariff reductions on a number of agricultural products and to address other key issues. Key areas of interest for the United States include Vietnam's commitment to:
  - Cut to 15 percent its bound tariffs on more than three-quarters of U.S. agricultural exports, including cotton, beef and pork offals, boneless beef, whey, almonds, grapes, pears, raisins, cherries, and frozen fries. This represents a substantial cut from the current average applied-tariff rate of 27 percent.

- Implement the WTO Agreement on Sanitary and Phytosanitary Measures upon accession, guaranteeing the use of scientific-based standards.
  - Recognize U.S. food safety systems for beef, pork and poultry as equivalent to Vietnam's system.
  - Implement shelf-life regulations in a non-trade disruptive manner and consult with the United States on those regulations.
  - Agree to resume trade in bone-in beef and beef offal.
- Market Access for Services. Vietnam made substantial commitments to open up its services market in key areas. Areas of importance for the United States include Vietnam's commitment to:
- Allow U.S. and other foreign banks to establish 100-percent foreign-invested subsidiaries as of April 1, 2007. These banks will be able to take unlimited foreign currency deposits from legal entities and issue credit cards.
  - Allow U.S. and other foreign securities firms to create joint ventures with 49-percent equity as of accession. After five years, U.S. and foreign securities firms will have the ability to have 100-percent equity ownership and branch for some activities, including asset management, advisory, settlement and clearing services.
  - Provide national treatment in all other financial services sub-sectors for U.S. and other foreign-owned firms.
  - Allow U.S. and other foreign insurance firms to operate through 100-percent-owned foreign subsidiaries and reduce restrictions on the operations of foreign firms.
  - Allow U.S. and other foreign insurance firms to branch for non-life insurance five years after accession.
  - Allow U.S. and other foreign majority-owned participation in four key telecommunications areas: basic telecommunications offered on a non-facilities basis, private data networks, satellite services and submarine cable services.
  - Adopt the pro-competitive telecommunications reference paper, which requires establishment of an independent regulator and other pro-competitive actions.
  - Open its energy sector on a phased basis and allow U.S. companies to compete for exploration, development, management consulting, technical testing and other key energy services.
  - Allow U.S. and foreign energy companies to operate in 50-percent joint ventures for three-to-five years and thereafter as 100-percent-foreign-owned entities.
  - Liberalize wholesale, retail and franchise sectors. Foreign entities will be allowed to distribute imported and domestic goods. U.S. and other foreign service providers will be allowed to establish joint ventures with Vietnamese entities and, in 2009, operate as 100-percent-foreign-owned entities.
  - Liberalize other key service sectors, including express delivery, professional and business services, transportation and environmental services.

**Other Key Benefits of WTO Membership.**

In acceding to the WTO, Vietnam will also have to agree to rigorous rules protecting intellectual property, eliminate prohibited subsidies, adhere to disciplines on state-owned enterprises, and be subject to binding dispute settlement.

Vietnam's accession will also have broader benefits in promoting continued economic reform and the rule of law in Vietnam. In turn, these reforms and the economic opportunities created by WTO accession will help promote much-needed economic development and the reduction of poverty. While Vietnam's economic growth rates have been promising, poverty remains widespread and per capita GDP remains quite low, at approximately \$540. Vietnam's full integration into the world economy is critical to promote needed economic growth that will help reduce poverty throughout the country.

**PNTR Will Ensure the United States Reaps the Benefits of Vietnam's WTO Accession**

Vietnam is expected to join the WTO as early as the fall of 2006. Upon entry, Vietnam will implement its commitments as detailed above. Given that Article I of the GATT/WTO agreement requires that each WTO member accord each other member normal trade relations status, the United States should provide PNTR with Vietnam, as it does to all WTO member countries, by the time of Vietnam's accession. This is particularly important to ensure that the United States will be able to enjoy the benefits of Vietnam's market-opening commitments.

Failure to approve S. 3495, on the other hand, would represent a great disadvantage to the United States and U.S. companies. If PNTR is not extended with Vietnam, the United States would not have any WTO rights with respect to Vietnam and U.S. goods, services and farm products would not enjoy the benefits of the market access that U.S. negotiators significantly made possible.

S. 3495 will provide the President the authority to graduate Vietnam from the Jackson-Vanik provisions of the Trade Act of 1974 and, therefore, should be approved expeditiously.

**ECAT Position:** *ECAT strongly supports the expeditious approval of S. 3495, authorizing the President to extend permanent normal trade relations with Vietnam.*



Gina F. Adams  
Corporate Vice President  
Government Affairs

101 Constitution Avenue, NW  
Suite 801 East  
Washington, DC 20001

Telephone 202.218.3800  
Fax 202.218.3803  
Email gfidams@fedex.com



July 12, 2006

The Honorable Charles Grassley  
Chairman, Finance Committee  
United States Senate  
219 Dirksen Senate Office Building  
Washington, DC 20510-6200

Dear Mr. Chairman:

This letter is to express FedEx's support for United States' Permanent Normal Trade Relations with the Socialist Republic of Vietnam. FedEx has always been committed to free trade around the globe and has been actively engaged in WTO matters. We are very pleased that Vietnam and the United States recently concluded the bilateral agreement on Vietnam's WTO accession. This event is truly a milestone in US-Vietnam relations with the emphasis now on the bright future between our two nations and greater economic reform and integration of the Vietnamese economy in the global market.

FedEx is committed to Vietnam's accession to the WTO and has been supporting this initiative. FedEx is a co-chair of the US-Vietnam WTO Business Coalition which has been advocating for Vietnam's PNTR.

Vietnam's WTO accession package and Congress' PNTR approval would allow FedEx and other members of our industry to wholly own our services in Vietnam after a short phase in period. This will allow our global network, the basis of our service, to widen and be more competitive. Our \$60 billion industry which employs over half a million people and provides the infrastructure for the modern global economy depends on open and unencumbered markets for us to be able to provide competitive products and services. Vietnam's WTO accession package provides such access in Vietnam's market as never before.

Again, we urge Congress to grant PNTR to Vietnam. If you have any questions, please do not hesitate to contact us.

Sincerely,

A handwritten signature in black ink that reads "Gina F. Adams". The signature is written in a cursive style with a long, sweeping underline.

Gina F. Adams

### **GE Supports PNTR for Vietnam**

The General Electric Company strongly supports S. 3495 (and its House companion bill, H. R. 5602) which authorizes the President to extend permanent normal trade relations (PNTR) to Vietnam.

Vietnam is now nearing completion of its negotiations to accede to the WTO and become a fully integrated member of the world trading community. The bilateral WTO agreement that the United States and Vietnam signed in May 2006 ensures that Vietnam's accession to the WTO will be of immediate and long-term benefit to the General Electric Company and the overall American business community.

GE has been in Vietnam since 1991, first selling medical equipment under a humanitarian exemption to the US embargo, and evolving to a growing business today selling aircraft engines, power generation equipment, hydroelectric equipment, and, hopefully in the near future, consumer financial services. GE's sales in Vietnam have grown as U.S. relations with Vietnam have been gradually normalized.

Vietnam's accession to WTO will mean its commitment to increased disciplines in the areas of intellectual property rights, dispute settlement, transparency, distribution rights, and services. These provisions will insure that our businesses in Vietnam have the same level playing field that they do in other WTO member countries. We will benefit from the dramatic reduction in Vietnam's tariffs, as well as the liberalization of its services market, particularly financial services and energy services. GE's increased ability to export to Vietnam will benefit workers in our plants around the United States, including Ohio, South Carolina, New York and Pennsylvania.

In order for GE and the larger US business community to reap the benefits of Vietnam's market opening commitments, the US must accord PNTR to Vietnam by the time of its WTO accession, which is expected sometime this fall. We urge the Congress to approve this legislation, which would allow the business community to benefit from Vietnam's WTO accession, and complete the final step in the normalization of relations between the US and Vietnam.

To The Members of US Senate and Congress

WRITTEN TESTIMONY

of  
 Ms. Loan Hoang  
 805 Wessex Dr., Concord, NC 28025  
 on "S.3495 - A bill to authorize the extension of nondiscriminatory  
 treatment to the products of Vietnam" July 12, 2006 hearing

Senate Committee on Finance  
 Attn. Editorial and Document Section  
 Rm. SD-203  
 Dirksen Senate Office Bldg.  
 Washington, DC 20510-6200

Dear Sir/Madam:

The U.S. Congress is now considering to grant Vietnam Communist Dictatorial Regime a Permanent Normal Trade Relations (PNTR) status which will pave the way for Vietnam's entry into the World Trade Organization (WTO). We urge you to demand that in order for Vietnam to gain PNTR, the Vietnam Communist regime must release all religious and political prisoners, end house-arrest practice against them, allow and recognize independent churches and labor unions, and truly practice free trade by allowing the importation of American media (print and audio-video) products.

As you may already know, the human rights situation in Vietnam has not improved in recent years. Consequently, the U.S. Department of State has retained Vietnam on its annual list of countries of particular concern (CPC). Further, on January 25, 2006, the Parliamentary Assembly of the Council of Europe (PACE) adopted resolution 1481 (2006) which strongly "condemned the massive human rights violations committed by totalitarian communist regimes and expressed sympathy, understanding and recognition for the victims of these crimes." On April 6, 2006, the House of Representatives passed Resolution. 320, calling on Vietnam to immediately and unconditionally release all prisoners of conscience, and comply with the terms of the European Parliament resolution. Not surprisingly, Vietnam's communist leaders have rejected our appeals.

Further, recent widespread labor unrest in Vietnam reflects the reality that labor rights in Vietnam are not protected. The average salary of Vietnamese workers is less than \$1/day and working conditions are extremely poor. This state of affairs is due to the fact that workers in Vietnam have been denied the right to form independent labor unions to protect basic worker rights.

In the meantime, Vietnam enjoys the privilege of freely exporting to the U.S. all forms of print and audio-video products including cultural products, books, newspapers, and other audio / DVD releases, many of which explicitly promote communism and government policies. Yet, none of our media / music products including those produced by Americans of Vietnamese origin are allowed to be imported into Vietnam. The Vietnamese government, through its state-owned enterprises, maintains a monopoly and, in effect, an absolute ban on these imports into Vietnam. Vietnamese American artists are routinely harassed and required to obtain government permits before they could perform in Vietnam. This 'free trade' concept is neither fair nor free - both core principles of our WTO agreement with Vietnam recently signed.

In your second inaugural address, you stated definitively that "it is the policy of the United States to seek and support the growth of democratic movements and institutions in every nation and culture, with the ultimate goal of ending tyranny in our world". We hope that you

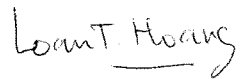
will personally see to it that America will live up to its promise regarding Vietnam and its conduct.

We hereby call upon you to deny the communist dictatorial regime in Vietnam the free PNTR status until the aforementioned conditions are met.

Thank you for your leadership and continued support for universal human rights. May God bless you and America.

Respectfully,

Ms. Loan Hoang

A handwritten signature in cursive script that reads "Loan T. Hoang". The signature is written in black ink and is positioned below the typed name.

To The Members of US Senate and Congress

WRITTEN TESTIMONY

of  
 Mr. Ninh Hoang  
 1607 Greenock Ave., Fayetteville, NC 28304  
 on "S.3495 - A bill to authorize the extension of nondiscriminatory  
 treatment to the products of Vietnam" July 12, 2006 hearing

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 Rm. SD-203  
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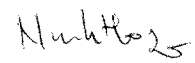
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Thank you for your leadership and continued support for universal human rights. May God bless you and America.

Respectfully,

Ninh Hoang

A handwritten signature in cursive script, appearing to read "Ninh Hoang", with a stylized flourish at the end.

To The Members of US Senate and Congress

WRITTEN TESTIMONY

of  
Mr. Phan Hoang  
554 Harris Rd., Sheffield Lake, OH 44054  
on "S.3495 - A bill to authorize the extension of nondiscriminatory  
treatment to the products of Vietnam" July 12, 2006 hearing

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Rm. SD-203  
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In the meantime, Vietnam enjoys the privilege of freely exporting to the U.S. all forms of print and audio-video products including cultural products, books, newspapers, and other audio / DVD releases, many of which explicitly promote communism and government policies. Yet, none of our media / music products including those produced by Americans of Vietnamese origin are allowed to be imported into Vietnam. The Vietnamese government, through its state-owned enterprises, maintains a monopoly and, in effect, an absolute ban on these imports into Vietnam. Vietnamese American artists are routinely harassed and required to obtain government permits before they could perform in Vietnam. This 'free trade' concept is neither fair nor free - both core principles of our WTO agreement with Vietnam recently signed.

In your second inaugural address, you stated definitively that "it is the policy of the United States to seek and support the growth of democratic movements and institutions in every nation and culture, with the ultimate goal of ending tyranny in our world". We hope that you

will personally see to it that America will live up to its promise regarding Vietnam and its conduct.

We hereby call upon you to deny the communist dictatorial regime in Vietnam the free PNTR status until the aforementioned conditions are met.

Thank you for your leadership and continued support for universal human rights. May God bless you and America.

Respectfully,

Phan Hoang

*Phan Hoang*



**Statement of International Textile Group**

804 Green Valley  
Greensboro, NC 27408

**Before the Committee on Finance**

**United States Senate**

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

**July 12, 2006**

International Textile Group (ITG) supports pending legislation to confer permanent normal trade relations (PNTR) status on Vietnam because it is good for American business, including companies involved in the textile industry.

ITG, based in North Carolina, is the union of Cone Mills and Burlington Industries, two of the most respected names in the dynamic textile arena. Working in four integral business units and from a U.S. base, ITG companies provide innovative textile solutions and distinguished brands to apparel, interior furnishing and industrial customers worldwide.

For ITG, as a North Carolina-based textile maker, Vietnam represents a significant opportunity to expand sales globally, with much of the benefit inuring to employees and know-how firmly planted in the state. ITG, as a diverse and innovative provider of textile solutions, uses its North Carolina base to design and market merchandise that is produced globally. It is precisely its global outlook that has allowed ITG to expand and has secured its success and the long term future of its employees in North Carolina.

Vietnam is one site of ITG's successful global reach. In June, ITG committed to build a state of the art cotton manufacturing complex in DaNang, as part of a joint venture with a Vietnamese textile and garment enterprise. The facility will produce apparel fabrics, and significantly, it will do so using not only U.S. cotton and U.S. dyes and chemicals, but also the valuable technology and innovation that is being developed in North Carolina today. Clearly, this is the way for American firms to be competitive in the global economy.

Vietnam is a country at the forefront of growth and it provides an excellent platform for ITG to introduce more customers to the full range of products and technology we offer. A significant factor underlying ITG's decision to invest in Vietnam was its commitment to accede to the World Trade Organization, including its commitments to continue legal reforms that will make doing business in that fast growing economy more transparent and more attractive. With Vietnam's commitment to reduce the role of state trading enterprises in commercial activities, and the elimination of restrictions on trading rights, the time is clearly right for us to act.

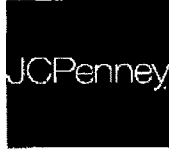
ITG firmly rejects the suggestion that Vietnam, as a non-market economy, is either not ready to join the World Trade Organization or not ready for the benefits of PNTR. Delaying

Vietnam's induction into the international trading system, with its established rule of law and forum for resolving disputes, would postpone the very reforms that are essential for Vietnam to become a market economy. It is also contrary to the interests of the United States, which stands to gain from Vietnam's compliance with the WTO's agreements, such as those on intellectual property rights protection and subsidies disciplines. Moreover, without PNTR, Vietnam will still become a WTO member, but businesses like ITG would not be eligible to take advantage of the new benefits of that membership. U.S. influence would wane and, no doubt, the volume of U.S. inputs would decline. Clearly, it would be short-sighted and poor policy for the United States to allow that to happen.

PNTR is a win-win for ITG and for the United States, and particularly, North Carolina. We get the full benefits of Vietnam's WTO concessions and commitments and a meaningful opportunity to deploy North Carolina resources to expand our reach around the world. ITG urges the Congress to act without delay to approve this important legislation.

Wilbur L. Ross, Jr.  
Chairman  
International Textile Group

it'sallinside:



Ron Shulman  
President  
JCPenney Purchasing Corporation

June 5, 2006

FAX: (202) 224-6020

The Honorable Charles Grassley  
135 Hart Senate Office Building  
Washington, DC 20510-1501

Re: Granting PNTR Status to Vietnam

Dear Mr. Chairman:

In the next month or so, the Senate and House will vote on the issue of granting permanent normal trade relations ("PNTR") status for Vietnam. J. C. Penney Corporation and its international sourcing subsidiary, J. C. Penney Purchasing Corporation (together "JCPenney"), are writing to strongly urge that you vote in favor of granting Vietnam PNTR status.

JCPenney is one of America's largest department store, catalog, and e-commerce retailers, employing 151,000 associates. As of January 28, 2006, JCPenney operated 1,020 JCPenney department stores throughout the United States and Puerto Rico. JCPenney sells a wide variety of consumer products, including textiles and apparel, to its customers recording sales of over \$18.8 billion in 2005. JCPenney sources and purchases the products it sells to its customers both domestically and internationally. Vietnam is an important part of JCPenney's international sourcing strategy. Over the last few years, Vietnam has become a competitive economic alternative to sourcing in China.

The U.S.-Vietnam WTO Bilateral Agreement ("Bilateral Agreement") marks a significant move forward in the political and economic relations between the U.S. and Vietnam. The Bilateral Agreement not only provides U.S. companies with broader and deeper market access for a wide range of goods and services, but also integrates Vietnam into the WTO rules-based global trading system. Vietnam has agreed to eliminate immediately all WTO-prohibited subsidies to its textiles and apparel industries and to be subject to an unprecedented enforcement mechanism to ensure that its commitments are met. In turn, the U.S. has, consistent with its commitment to Vietnam in the U.S.-Vietnam 2002 textile quotas agreement, agreed to eliminate all existing textile and apparel quotas on Vietnam upon its accession to the WTO.

Textiles and apparel constitute an important sector in Vietnam and account for a substantial share of its exports. In contrast, textiles and apparel imports from Vietnam account for less than 4% (by value) of U.S. imports of textiles and apparel in 2005. Eliminating unnecessary import restrictions in this vital sector of Vietnam's economy will encourage Vietnam's transition to a market economy while having no impact on U.S. textile producers.

The U.S. and Vietnam have taken a historic step to strengthen our bilateral relationship. JCPenney urges you to take an active role to accomplish this and support the granting of PNTR status to Vietnam.

Best regards,

A handwritten signature in black ink, appearing to read "Ronald Shulman", is written over a horizontal line.

Ronald Shulman

J. C. Penney Company, Inc.  
P.O. Box 10001, Dallas, TX 75301-0001  
6501 Legacy Drive, Plano, TX 75024-3698

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**TESTIMONY OF**

**KATHRYN CAMERON PORTER**

**PRESIDENT**

**LEADERSHIP COUNCIL FOR HUMAN RIGHTS**

**WASHINGTON, DC**

**SUBMITTED FOR THE RECORD TO**

**UNITED STATES SENATE COMMITTEE ON FINANCE**

**HEARING ON**

**S. 3495—A BILL TO AUTHORIZE THE EXTENSION OF  
NONDISCRIMINATORY TREATMENT (NORMAL TRADE RELATIONS  
TREATMENT) TO THE PRODUCTS OF VIETNAM**

**JULY 12, 2006**

The Leadership Council for Human Rights (LCHR) seeks to encourage and promote information and action campaigns on the behalf of ethnic and religious persecuted peoples, providing assistance to organizations and individuals under threat. Our goal is reach out to groups and individuals to educate, communicate, train and increase effectiveness on human rights issues by bringing together disparate individuals and groups in a more inclusive, informed and effective manner. Our philosophy, "feet in the mud, head in the sky," means that we are committed to working on the ground with real people, and to bringing their voices and the stories of their struggles to decision makers in Washington, DC. We aim to cast a bright light on injustices through coalition building within the human rights community. LCHR's projects are as varied as the individual groups we seek to serve.

LCHR focuses specifically on four countries: Afghanistan, Egypt, Iraq, and Viet Nam. In our initial assessment and planning with respect to Viet Nam, LCHR's concern was drawn to the continuing exodus to Cambodia of certain ethnic minority individuals from Viet Nam's Central Highlands, a persistent phenomenon that goes back twenty years and is perhaps the last vestige of the mass departure of refugee groups and asylum-seekers from the countries of Indochina after the end of American military and political involvement there in 1975. In particular we were struck by the history of complaints of governments, the U.N. High Commissioner for Refugees (UNHCR), and international NGOs of the lack of meaningful access to those asylum-seekers who had repatriated from Cambodia to the Central Highlands under UNHCR auspices.

With this concern in mind we approached the Vietnamese government through their embassy here in Washington last summer and expressed our interest in the plight of Highlander asylum seekers in specific and the human rights concerns in Viet Nam in general. While there was some initial skepticism on the part of our Vietnamese counterparts, we were in the end surprised at their support for our interest and wish to be involved. Encouraged by this response, and wanting to probe the boundaries of the possible, a month or so after our initial contact with the Vietnamese government we proposed to them a "no limits" visit by LCHR to the Central Highlands that would focus on repatriated asylum seekers but also explore larger religious freedom and human rights aspects of contemporary Viet Nam. Our proposal was approved by Ha-noi, and I traveled to Viet Nam for three weeks in late September and early October, returning to Washington via Phnom Penh where I met with UNHCR and NGO officials responsible for Vietnamese asylum seekers in Cambodia.

The full text of a summary report presenting the findings of my trip and recommendations for action to the Vietnamese, Cambodian, and U.S. governments and UNHCR is included herewith. Given the large amount of territory to be covered, both figuratively and geographically, we had asked to visit districts and villages and the returnees living in them in just one Central Highlands province which hosts the greatest number; once on the ground in Viet Nam access was granted to three of the four core Highlands provinces, Gia Lai, Kon Tum, and Dak Lak. On a number of occasions I asked to visit places and persons that were not on my itinerary; while these impromptu requests required some consultation between local authorities and the official from the Union of Friendship Organizations (UFO) who accompanied me, my requests were granted. In Ho Chi Minh City I asked to meet with

Reverend Nguyen Hong Quang, General Secretary of the Vietnamese Mennonite Church and perhaps Viet Nam's most high profile religious prisoner at the time, who had just been released from jail a few weeks earlier. This request was granted as well, and I met and spoke with Reverend Quang at length.

Clearly the Vietnamese government has decided to do some new things with respect to human rights and international human rights advocates, and I believe that the LCHR trip is among the first fruits of this new approach. The establishing of a "cooperation equation" with the Vietnamese government was for us no doubt simplified by the fact that LCHR, unlike some other advocacy organizations active on Viet Nam, has no difficult or contentious history with that country and its government to overcome. While the access that we were granted is unprecedented, other human rights organizations, the RFK Memorial Center for Human Rights and Ambassador Bob Seiple's Institute for Global Engagement among them, have over the past year received similar encouragement and offers of direct cooperation from the Vietnamese government.

The reasons for this new approach by Viet Nam can be discussed and even disputed, as can the question of whether this is a long-term strategic shift or simply a near-term tactic. But it is clear that, for the moment, at least, Viet Nam has decided to do something different. We do not think that our experience need be unique or exceptional, and believe that there are other similar opportunities for direct engagement with the Vietnamese government to be developed and realized, even for organizations whose basic mandate and mission might have previously been rejected by Viet Nam as "reactionary" or "subversive." Viet Nam is a vast country of great diversity and extreme contrasts, and our work to date offers only a glimpse into a small and remote corner of a much larger and more complicated reality, a view that we are committed to expanding in the months and years ahead. We have no illusions about the complexity and difficulty of dealing with Viet Nam and its government – an endeavor in which our country has historically had problems – but we firmly believe that new things are possible, and we are resolved to engage the on-the-ground realities in the hopes of creating these successes.

The United States government for its part, so as to more effectively address continuing human rights concerns in Viet Nam, must strengthen the partnership and coordination between the Administration and the Congress. The United States has the Vietnamese government's full attention this year in need of support for the granting of Permanent Normal Trade Relations (PNTR), on which the Congress may well take action this month, and full entry into the World Trade Organization (WTO) which would then be likely to follow it later this year. This focus in Viet Nam on the bilateral relationship with our country, while driven largely perhaps by simple economics, brings with it an unprecedented opportunity for progress with Viet Nam on all fronts, including human rights, and as Viet Nam shows openness to new and expanded cooperation the United States should respond accordingly so as not to squander the moment.

The US response to the continuing difficulties being faced by certain ethnic minority populations in the Central Highlands can serve as an example of how our government must improve its own advocacy and interventions relating to Viet Nam. The Congress last

November made available two million dollars in funding for humanitarian projects in the Central Highlands, assistance intended directly for vulnerable ethnic minorities. Yet more than eight months after this funding was signed into law these funds have yet to be put to use, even though as the months have passed there have been credible reports of new difficulties and critical human needs among the ethnic minorities of the Central Highlands. There is no guarantee, no certainty, that the current human rights opening by the Vietnamese government will persist beyond Viet Nam's anticipated entry in WTO. Cooperation and coordination between the White House and Congress must improve in the crucial months ahead, particularly as both governments prepare for President Bush's expected trip to Ha-noi to attend the APEC summit there in November. The President's trip is just four months away, and if we don't all work harder and better to seize this moment the Vietnamese government's interest in direct cooperation in the area of human rights, and the larger opportunity that it represents, may be lost.

That being said, we make the following specific recommendations to the governments of Cambodia and Viet Nam with respect to the present situation of ethnic minority persons from the Central Highlands.

-- The Government of Cambodia should match UNHCR's continuing commitment to asylum seekers from Viet Nam with full respect and implementation of its obligations under international law to foreign nationals seeking asylum on Cambodia territory. This is especially important with respect to cross-border cooperation between Cambodian and Vietnamese public security and border defense forces, which have in the past threatened to turn back potential asylum seekers.

-- The Vietnamese government for its part should affirm and continue its trend towards more openness with respect to the Central Highlands in specific and cooperation and dialogue on human rights in general, establishing this as permanent policy and not just an interim measure. Viet Nam should grant international UNHCR staff unimpeded access to asylum seekers who have returned to Viet Nam and the freedom to reestablish the expatriate-staffed UNHCR presence which existed in Viet Nam for more than two decades.

**SUMMARY TRIP REPORT -- VIET NAM AND CAMBODIA***September 25 – October 11, 2005*

“It is easier to get results with an outstretched hand than with a closed fist.”

-- U.S. Ambassador Pete Peterson

“If you pursue the truth, you will frequently have to change your mind.”

-- Anonymous

**SUMMARY FINDINGS**

During the 17 days I spent in Vietnam and Cambodia, I covered extensive ground and met with more than 100 individuals, ranging from our U.S. Ambassadors, to United Nations High Commission for Refugees (UNHCR) representatives, to returnees from refugee camps in Cambodia to the Central Highlands and their families and those still living in Cambodian refugee camps, to religious figures including priests, pastors, ministers, and monks. My visit included pagodas and churches both new and old and those under construction. My trip began in Hanoi, and continued to the Central Highlands, where I visited three provinces; Dak Lak, Gia Lai, and Kontum. I traveled on to Ho Chi Minh City and ended my trip in Phnom Penh with visits to the UNHCR offices, refugee camps, and the Cambodian Documentation Center. In both countries I had informative meetings with representatives of non-governmental organizations who have worked on the ground there for many years.

The unprecedented openness and access granted by the Vietnamese government allowed me to learn much about conditions in the Central Highlands, as well as to see them firsthand. As an experienced human rights activist, I started out somewhat skeptical of what I would find. Mindful that I might be putting individuals at risk, I proceeded with caution and yet found that most everyone I encountered displayed a willingness to be open and helpful. Viet Nam is changing; it is not the former Soviet Union, Bosnia, Saddam's Iraq or even southeastern Turkey. Meeting with officials at all levels of government, from the national, provincial, district, and local village levels, I found an awareness about what is not working and a commitment to help those most in need. These meetings included open discussion of the political complications caused by misperceptions and disinformation and the need for openness and candor on all sides.

The situation of the native peoples living in the Central Highlands is very complex and has been manipulated over time by all involved, including actors in the United States. There continue to be persistent reports of Vietnamese government restrictions on religious freedom and other human rights abuses including detentions and physical abuse of asylum-seekers, actual or potential, by Cambodian and Vietnamese officials. In my many conversations there was no reference to any present violence or discrimination but



rather just examples of abuses that had occurred many years ago. There is a very clear need to “ground truth” information from all sides.

Of the many returnees that I met in the three Highlands provinces, no one expressed any hint of recrimination or the types of abuses mentioned above. Those living in the Central Highlands, however, face obvious pervasive poverty and economic deprivation. The children I saw seemed to lack adequate nutrition and access to even basic services. For instance, I gave a loaf of bread to one little girl and she kissed it, carefully tucking it away for later, presumably to share with her family. Schools and health-care facilities looked to be inaccessible to many.

I met with several women who asked that I take their photographs to prove to their husbands who have been resettled in North Carolina that they are alive and well. These particular women do not wish to leave their homes and emigrate, yet their husbands have used their cases to suggest that the government was preventing them from leaving. The husbands have said publicly that their wives were subjected to harassment and, in one case, the threat of rape, illustrating the lack of ability to connect fact to rumor.

It seems clear that a small group of vocal activists is encouraging those living in the Central Highlands to travel to Cambodia to seek refugee status, an effort being led from the United States. Many men have acted on this disinformation campaign and the rumors of land to be given away or monies to be paid for sitting in a refugee camp in Cambodia, leaving wives and children behind. I believe the result is a clear case of reckless endangerment which destabilizes families and seriously jeopardizes women and their children, particularly their daughters, who in the absence of a father become especially vulnerable, even to human trafficking. One little girl I met had been pulled out of third grade to care for her younger siblings while her mother tapped rubber trees. Her father was a voluntary returnee and almost two years later she is still not back in school. This innocent child is suffering and could even end up being trafficked as the vicious cycle of politics and personal agendas takes its greatest toll on the lives of women and children.

Through meetings with the Women’s Unions I saw how families in the Central Highlands can benefit immensely from microfinance programs involving agricultural cooperatives, intensive gardening projects, and other activities. I visited a number of such projects in urban areas that could be adapted for use in the Central Highlands. There is a real ‘reaching out’ to the neediest women by the Women’s Union network that is very impressive. Clearly microfinance projects in the Highlands could almost immediately improve the quality of life of these peoples as well as offer a means to observe their condition and the status of their well-being.

Regarding religious freedom, it seems clear that people can build churches if they complete the official application/permissions process. There is an apparent disconnect, however, between some applications and approvals. This could likewise be helped by a “ground truth” approach on all sides. In the U.S., I received information that thousands of churches had been confiscated; while on the ground in Viet Nam, I met with pastors and ministers who put this number at 217. There is clearly no understanding of the

Evangelical movement and the impetus that people in it feel to act on their newfound faith, and while anyone can preach and function as a minister, they are compelled to register as such with the authorities. This is a process that must be improved upon.

### **SUMMARY RECOMMENDATIONS**

#### **VIET NAM**

1. Continue efforts to liberalize religious practice in general, and specifically pursue full implementation by officials at all levels in the Central Highlands of recent Vietnamese laws and decrees on freedom of religion, with broader reference to Viet Nam's obligations under the relevant international laws and covenants.
2. Actively facilitate the reunification of long-separated ethnic minority families by granting them earliest and priority issuance of civil documentation, passports, and other necessary authorizations and permissions so that they can pursue immigration opportunities with the relevant embassies/consulates in Viet Nam.
3. Grant wider access to UNHCR and foreign diplomatic and NGO staff in Viet Nam to returnees from Cambodia in the Central Highlands.
4. Work to ensure fuller participation by ethnic minority persons in the social and economic life of the Central Highlands, including the issuance of civil documentation, receipt of remittances from within Viet Nam and abroad, free travel within the country, and the granting of passports for foreign travel or emigration.

#### **CAMBODIA**

1. Scrupulously respect at all levels of government its obligations under the UN Convention Relating to the Status of Refugees and international law with regards to asylum-seekers from Viet Nam, both at its borders and as regards access to UNHCR personnel and offices in Cambodia and the conditions of temporary asylum and detention.
2. In coordination with UNHCR, grant local and international NGOs open access to asylum-seekers from Viet Nam for the purposes of providing material and legal assistance.
3. Cease activities along its borders which have the effect of denying asylum-seekers access to status determination procedures in Cambodia.

**UNITED STATES**

1. Continue to aggressively pursue expanding cooperation and engagement with the Vietnamese government on issues of religious freedom and human rights, making them issues of increased emphasis in bilateral relations.
2. With an emphasis on family unity, grant priority access and the most generous consideration possible to ethnic minority persons in Viet Nam seeking to join relatives in the United States and to other ethnic minority persons of concern, using parole authority where regular refugee and immigration processing are inadequate, both within and above and beyond the US-Viet Nam "Humanitarian Resettlement Program."
3. Provide funding to UNHCR and international and foreign NGOs working in Viet Nam to carry out humanitarian and development assistance projects in those Central Highlands villages to which ethnic minority asylum seekers have returned, and to similarly needy and affected areas.
4. So as to provide the most favorable processing mechanism possible for ethnic minorities and other persons seeking resettlement in the United States, establish a US voluntary agency Overseas Processing Entity (OPE) in Ho Chi Minh City.

**U.N. HIGH COMMISSIONER FOR REFUGEES**

1. Work aggressively to restore to its functional agreements with the concerned governments the protections which prevailed for many years via the Comprehensive Plan of Action (CPA), specifically with respect to access to status determination procedures, the assurances of non-refoulement for persons recognized as refugees or requiring protection, and monitoring and reintegration mechanisms for former asylum-seekers after their return to Viet Nam, removing all threats of forced repatriation.
2. Urge the Vietnamese government to allow UNHCR to re-establish an expatriate-staffed resident representative mission in Viet Nam, building on the many accomplishments of UNHCR-Viet Nam through the CPA during the 1980s and 1990s.

Kathryn Cameron Porter  
President  
Leadership Council for Human Rights  
444 North Capitol, N.W.  
Washington, D.C. 20001  
202-638-0066



175 Berkeley Street  
Boston, Massachusetts 02116

**Edmund F. Kelly**  
Chairman, President and  
Chief Executive Officer

(617) 357-9500

July 11, 2006

Honorable Charles Grassley  
Chairman  
Committee on Finance  
United States Senate  
Washington, DC 20510

The Honorable Max Baucus  
Ranking Member  
Committee on Finance  
United States Senate  
Washington, DC 20510

Dear Chairman Grassley and Ranking Member Baucus:

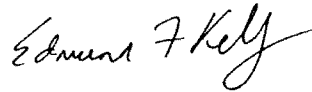
Thank you for holding this important hearing on S. 3495, and for your leadership on the matter of granting Permanent Normal Trade Relations (PNTR) to Vietnam. Liberty Mutual Group strongly supports Congressional passage of PNTR legislation for Vietnam during the coming weeks to ensure that Vietnam can formally join the WTO by the November 2006 APEC Summit. As you know, Vietnam's accession to the WTO will bring significant economic benefits to both our nations by lowering trade barriers for a wide range of services and industrial and agricultural products.

Liberty Mutual views Vietnam as a market with tremendous opportunity and we are committed to expanding our presence and operations there. We established our representative office in Hanoi in 2003. We then filed our application in June 2005 for a license to operate a 100% foreign owned non-life insurance company. We have focused considerable time and effort on working with officials from the Vietnamese Ministry of Finance in insurance training exercises as well as improving their understanding of insurance regulatory structures. We have also worked with Vietnamese officials to strengthen their expertise in occupational safety and health matters. For example, our world renowned Research Institute for Safety is currently working with Vietnamese health officials on a pilot study to discern the causes of occupational injury in Nam Dinh Province. We are confident that these findings will eventually form the basis of "best practices" to improve on-the-job safety throughout Vietnam. A summary of the study is attached.

*Chairman Grassley  
Ranking Member Baucus  
July 11, 2006  
Page 2.*

Liberty Mutual serves as a corporate Co-Chair of the U.S.-Vietnam WTO Coalition, and we are playing a leadership role in this group in helping to mobilize support in the Congress for expedited consideration and passage of the PNTR legislation for Vietnam. We are committed to working closely with you to achieve this important objective.

With best regards,

A handwritten signature in cursive script that reads "Edmund F. Kelly". The signature is written in black ink and is positioned above the printed name.

Edmund F. Kelly



***Occupational Injury Surveillance in Vietnam –  
A Model for Developing Economies***

In 2004, the Liberty Mutual Research Institute established official agreements with the Vietnamese National Institute of Occupational and Environment Health (NIOEH) and the Vietnam Occupational Health Association (VOHA), which laid the foundation for a surveillance study to examine the Vietnamese societal burden of workplace injury. Now underway, the inaugural project aims to build an injury-reporting model that can accurately inform and help prevent workplace accidents in Vietnam and potentially other industrializing countries.

Over the past several years, Vietnam has rapidly transitioned to a market economy. While this transformation has stimulated strong economic growth, it has also brought about a dramatic increase in injuries. To better understand the nature and true scale of the injuries occurring in Vietnamese workplaces, the Liberty Mutual Research Institute is doing a pilot surveillance study of injuries in Xuan Tien commune, Nam Dinh Province. This commune was chosen for the pilot study because Xuan Tien has a stable but developing industrial base with some medium and large enterprises and many family owned businesses. Many rural communes in Vietnam are expected to develop similarly.

Researchers have surveyed more than 2,500 households in the commune, gathering work and injury information on approximately 10,000 residents. They also began collecting prospective injury information from over 50 reporting sites to include the district hospital servicing this commune, the commune health station, pharmacists, traditional healers, and village health volunteers. In addition, Liberty Mutual has provided 40 first aid boxes in high-risk mechanical enterprises where a reporting log is filled out every time the first aid box is used. Information from all reporting logs will be used to develop a model for understanding the true burden of work-related injuries in Vietnam and, potentially, other developing nations.

Liberty Mutual also provided 4 computers to help with collection and analysis of data within Vietnam. Computers were given to the district hospital and district health center for input, manipulation and use of hospital admissions data, the commune health station to collect active surveillance data (i.e. reporting form and tracking of injuries information), and the National Institute for compiling and analyzing study data.



**NATIONAL CONGRESS OF VIETNAMESE AMERICANS**

*Nghị Hội Toàn Quốc Người Việt Tại Hoa Kỳ*

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July 12, 2006

Senator Chuck Grassley  
Chairman, U.S. Senate Committee on Finance  
219 Dirksen Senate Office Building  
Washington, DC 20510

Submission of Written Testimony of Mr. Nguyen Ngoc Bich, East Coast U.S.A. Vietnamese Publishers Consortium to the U.S. Senate Committee on Finance regarding S.3495

Honorable Mr. Chairman,

On behalf of the National Congress of Vietnamese Americans, we are submitting a Statement for the Record written by Mr. Nguyen Ngoc Bich, a member of our organization, on "S.3495 – A bill to authorize the extension of nondiscriminatory treatment (normal trade relations treatment) to the products of Vietnam" held by the U.S. Senate Committee on Finance on July 12, 2006.

The National Congress of Vietnamese Americans believe that trade is good for the economy. Fair and equitable trade practices should be the norm and not the exception in a market economy.

Sincerely,

Hung Nguyen  
President/CEO  
National Congress of Vietnamese Americans

TESTIMONY

NATIONAL COUNCIL OF TEXTILE ORGANIZATIONS

SENATE FINANCE COMMITTEE HEARING

on

*S. 3495 – A bill to authorize the extension of nondiscriminatory treatment (normal trade relations treatment) to the products of Vietnam*

July 12, 2006

Cass Johnson, President  
National Council of Textile Organizations  
910 17<sup>th</sup> Street NW, Ste 1020  
Washington, DC 20006

The National Council of Textile Organizations represents the fiber, yarn, fabric and supporting interests of the U.S. textile industry and is pleased to submit this testimony to the Senate Finance Committee on extending Permanent Normal Trade Relations (PNTR) to Vietnam and the proposed terms of Vietnam's WTO accession agreement.

First, we would like to clear the record regarding the textile provisions included in the U.S.-Vietnam bilateral WTO accession agreement. USTR has repeatedly stressed how unique these provisions are and what an effective tool they will be if Vietnam violates the terms of the agreement. Most important, however, is whether they force the Vietnamese government to become a fair player in textile trade. In this context, the textile provisions are an abject failure – and U.S. textile workers, as well as their apparel partners in CAFTA and NAFTA, will pay a heavy price.

The agreement does not, as USTR has often implied, force the Vietnamese government to stop subsidizing its textile sector. It also does not prevent Vietnam from creating new subsidies in the future<sup>1</sup>. And it does not contain an effective safeguard - rather it contains a sham safeguard<sup>2</sup> that essentially serves the interests of Vietnamese apparel producers at the expense of U.S. textile manufacturers.

In fact, the agreement strips the U.S. textile industry of its ability to defend itself – in any manner – from either dumped or subsidized exports of apparel from Vietnam. The agreement reinstates a failed and destructive policy of trading a major manufacturing sector away to gain new market

<sup>1</sup> This is abundantly clear because the agreement itself requires Vietnam to notify any new subsidy programs to the WTO.

<sup>2</sup> The safeguard is a sham because it is not based on market disruption but on Vietnam's removal of a small list of "prohibited" subsidies. In addition, the safeguard mechanism only lasts up to one year, regardless of whether Vietnam removes the subsidies or not. Even with the safeguard in place, Vietnam can continue to subsidize its exports in a myriad of other ways and thus will still be able to continue to export apparel products at dumped prices without the textile industry having any recourse to using either this safeguard or anti-dumping or countervailing duty trade remedies. Thus, this is safeguard in name only, designed to give the appearance of doing something effective but not really providing meaningful relief. It is no wonder that importers, who are traditionally the first to object to safeguards, have hailed this agreement.



access for product areas that themselves will see relatively small export gains<sup>3</sup>. As such, the net effect of the Vietnam WTO accession agreement will be to cause many more job losses and plant closures in the United States than it creates. This is the type of bad trade policy that has given us a record trade deficit and the loss of nearly three million manufacturing jobs over the past six years.

These are important points. USTR uses terms such as “unprecedented” in regards to the special textile enforcement mechanisms. And there is some truth here – but in the wrong direction. It is “unprecedented” for USTR to sign an agreement that allows a large government-owned and subsidized textile sector complete free reign in the U.S. market. This has not happened before – the only other government to so deeply subsidize its textile sector, China, was required to include a real safeguard as part of its WTO accession package.

And when we say “free reign,” we mean “free reign.” The agreement leaves the U.S. textile sector defenseless, which may be a first for a WTO agreement. Because the U.S. textile industry manufacturers component parts (yarns and fabrics), it is barred from filing dumping cases against subsidized apparel imports from Vietnam. And because the apparel sector, the U.S. industry’s customers, has migrated to the NAFTA/CAFTA countries, there is no legal means for us to defend our vital interests. So when we get a flood of apparel imports from Vietnam, which Vietnam is predicting it will send, our only option is to close plants and lay off workers. And our partners in the NAFTA/CAFTA countries will have to do the same.

We would ask the Committee to ponder if this sort of agreement is not one reason why trade agreements in general are so unpopular today. The U.S. government has essentially negotiated an agreement with Vietnam that takes away our only defense against government-subsidized imports – our current quotas – and left us defenseless against one of the biggest, and most heavily subsidized textile producers in the world.

We would ask the Committee to consider whether the dairy or pork or citrus producers that they represent would ever accept such a result? And imagine your outrage if the U.S. government stripped those producers of their rights to take trade remedy cases against their biggest competitors.

Vietnam has projected that it will become the second largest apparel supplier to the U.S. market after quotas are lifted. Vietnam predicts, and we expect as well, that it will push aside our partners in the NAFTA and CAFTA region. In fact, we are virtually certain this will happen because this is precisely what happened four years ago. Once Vietnam received MFN status, Vietnam blew past Mexico and the Central American countries in nearly every product category

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<sup>3</sup> Vietnam projects that once it is free from quota restraints, it will double its apparel exports to the U.S. market, making Vietnam the second largest supplier of apparel (after China) and overtaking Mexico, currently the 2<sup>nd</sup> largest supplier. Mexico is the largest export market for U.S. yarns and fabrics. In a sign of how heavily subsidized Vietnam’s textile sector is, Vietnam is the only country in the world to have actually GAINED market share against China since apparel quotas were removed in 2002.

The current \$5 billion trade deficit with Vietnam is likely to escalate sharply because of this agreement. Vietnamese exports to the U.S. currently total \$6.6 billion, the greatest portion of which are textiles and apparel, and will increase to \$10 billion once quotas are removed. In contrast, U.S. exports are only \$1.2 billion and consist mainly of aircraft, logs, cotton and small amounts of agricultural and other products. In addition, billions of dollars of US textile exports to CAFTA and NAFTA countries may also be lost. Many of the products which USTR touts as achieving market access have export totals of less than ten million dollars. Vietnam is one of the poorest countries in the world, ranking 141<sup>st</sup> in per capita income (IMF, 2005).

that they manufactured – and this was in spite of our neighbors getting duty free status for their exports. Exports, by the way, which were made up of over \$10 billion worth of U.S. made yarns and fabrics.

This record was ignored by USTR which maintains that it consulted closely with the industry. Though textile and apparel trade is by far the largest component of U.S.-Vietnam trade, the industry was not consulted until the very end of the negotiations. Safeguards, we were then told, were “not popular” in the building. When we asked what other trade remedies the industry could rely on if Vietnam dumped apparel in the U.S. market, there was no response. And, amazingly, USTR did not even discover that Vietnam had any textile-specific subsidies until the final two weeks of negotiations. This is despite the fact these subsidies can be easily accessed on the web<sup>4</sup>. This leaves little confidence that USTR is either fully aware of or overly concerned with the scope of subsidies that Vietnam is providing to its industry.

Similarly, USTR is being disingenuous when it testifies that the textile industry identified as “a major goal” that Vietnam should be required to “cease all prohibited subsidies.” To set the record straight, the industry’s major goal was for Vietnam to either demonstrate that its prices were no longer reflecting subsidies from the central government – eg, that prices were being set at the free market rate - or that safeguards be imposed until they were. The industry never said that a partial removal of some subsidies – in this case, the small list of subsidies that the WTO has decided are prohibited - was ever an industry goal.

Aside from China, Vietnam’s list of subsidy support to its industry is the longest in the world. It ranges from preferential tax rates, tax forgiveness, free land and reduced land rents, low cost or no cost loans, reduced wage rates, currency manipulation and many others. None of these subsidies are ended by this agreement. Add to this the fact that Vietnam has already poured billions of dollars of government financing into its textile sector in terms of new plants and equipment – and these “in the ground” subsidies are not touched either. And of the “prohibited” subsidies that Vietnam has agreed to end, these can easily be transformed into the “legal” subsidies by merely removing the word “export” from the subsidy description.

As a strong supporter of CAFTA, we had hoped that the industry’s concerns would have some traction with USTR. We had hoped the recent history with Vietnam – when just four years ago, their textile and apparel exports increased thousands of percent – would give USTR some pause. We had hoped that current price data showing Vietnamese prices were 30 to 40 percent below CAFTA and NAFTA prices would have an impact. We had finally hoped that the fundamental inequity of an agreement that leaves our industry with no means of defense, particularly in light of a major competitor that deeply subsidizes its industry, would have provoked some concern.

But USTR consistently demonstrated a lack of interest or will to address this problem. This is because, we were repeatedly told, that PNTR would not be a close vote in the Congress. Which is why we go back to why trade policy has become so unpopular in this country. When USTR constructs agreements that they know are going to cause widespread job losses, that will most likely bring more harm than good to the U.S. economy, that trade away one sector for another, then people are right to get angry. And when we go back to our workers and tell them their plant

<sup>4</sup> In Google, type: “Vinatex, subsidy”. Vinatex is the Vietnamese government owned textile and apparel company. It is the tenth largest garment producer in the world.

has to close because the U.S. government signed an agreement that will not even let us defend them against dumped goods, much less remove the subsidies that made the dumping possible, then people are right, as they consistently do, to judge our government's trade policy harshly. No wonder trade policy, and more importantly trade votes, has become such a divisive issue.

In closing we would ask the Committee and the Congress to send a message that you will not stand for one way trade deals that sacrifice the biggest sector involved in order to bring a country like Vietnam into the WTO. Such sacrifices are not required and should not be supported by this Congress. Trade policy done for the sake of foreign policy, particularly in this case where we have few if any vital security interests, is a mistake. And trade policy that will not only cost many U.S. jobs but also takes apart a CAFTA agreement where USTR has already argued that vital economic, security and immigration issues are clearly present, is a folly. We urge the Committee and the Congress to send the message that this type of folly will no longer be tolerated and that WTO accession for Vietnam should be renegotiated.



**NEMA SUPPORTS PNTR FOR VIETNAM, CALLS FOR ADMISSION  
INTO THE WTO AS SOON AS POSSIBLE**

**Statement for the Record  
Hearing on S.3495, Extension of Normal Trade Relations Treatment to Vietnam  
Committee on Finance, United States Senate  
July 12, 2006**

NEMA, the National Electrical Manufacturers Association, heartily welcomes the recent conclusion of negotiations between the U.S. and Vietnam that heralds the latter's approaching entry into the World Trade Organization as a full member. We call on the U.S. Congress to give this agreement its stamp of approval by granting Permanent Normal Trade Relations [PNTR] status to Vietnam as soon as possible – Capitol Hill should not let this slide. Not only does this portend improved market access for our members to a populous, burgeoning economy, but bringing Hanoi into the fold of the international body governing world trade has crucial geopolitical implications as well.

Our association, a member of the U.S.-Vietnam WTO Coalition, recently hosted a delegation of Vietnamese standards experts, and looks forward to further exchanges with counterparts from this important Southeast Asian nation.

NEMA is the trade association of choice for the electrical manufacturing industry. Founded in 1926 and headquartered near Washington, D.C., its 430 member companies manufacture products used in the generation, transmission and distribution, control, and use of electricity. These products are used in utility, medical, industrial, commercial, institutional, and residential applications. Domestic production of electrical products sold worldwide exceeds \$120 billion. In addition to its headquarters in Rosslyn, Virginia, NEMA also has offices in Beijing, Sao Paulo, and Mexico City.

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**National Electrical  
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**NATIONAL FOREIGN TRADE COUNCIL, INC.**

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**NFTC Statement for the Record in Support of S.3495**

**A Bill to Authorize the Extension of Non-Discriminatory Treatment to the  
Products of Vietnam**

July 12, 2006

The National Foreign Trade Council (NFTC) and its 300 member companies strongly support S.3495, legislation to provide permanent normal trade relations (PNTR) status to Vietnam. Providing PNTR to Vietnam is necessary to enable the United States to receive the full benefits of Vietnam's market-opening and rules commitments upon its accession to the WTO. This legislation will also ensure the United States upholds its WTO commitments.

Vietnam's accession to the WTO is a significant step toward integration of Vietnam into the world trading system. Moreover, it would be a capstone to the steady progress by our two countries to fully normalize relations. The integration of Vietnam into the WTO will promote market-oriented and transparent rules-based reform in Vietnam's economy and will result in commercially meaningful economic gains for U.S. firms, workers and farmers by securing access to one of the fastest growing Southeast Asian economies. Vietnam is one of the fastest-growing export markets for the United States; since 2001 exports have increased by 150%. Significant commercial opportunities will be opened up for the U.S. banking, insurance, and telecommunications sectors, among other sectors, as a result of Vietnam's accession to the WTO.

The terms of the bilateral market access agreement reached between the United States and Vietnam as part of Vietnam's accession will remove trade barriers at a pivotal moment when our trade relationship is growing rapidly. Last year, our bilateral trade increased by 21.6% to almost \$8 billion, and the removal of existing trade barriers in Vietnam will further boost the prospects for growth in our bilateral economic relationship. Importantly, Vietnam's accession commitments will put in place greater transparency and improved trade governance in Vietnam's trade regime and will remove other obstacles to increased trade and investment which have been a major source of concern to American companies. Conditions agreed to by Vietnam include protection of intellectual property and progressive elimination of industrial subsidies.

The NFTC urges prompt Congressional approval of S.3495 and its counterpart legislation in the House to provide normal trade relations status to Vietnam to enable the United States to secure the full benefits of Vietnam's accession to the WTO. It is vital for continued growth in trade with Vietnam, it is important strategically, and it will provide a solid basis on which to deepen the US-Vietnam economic and trade relationship.



July 10, 2006

The Honorable Charles E. Grassley  
Chairman  
U.S. Senate Committee on Finance  
Rm. SD-203  
Dirksen Senate Office Building  
Washington, DC 20510-6200

Attn: Editorial and Document Section

Re: July 12, 2006, to Hear Testimony on S.3495 – A Bill to Authorize the Extension of Non-Discriminatory Treatment (Normal Trade Relations Treatment) to the Products of Vietnam

Dear Chairman Grassley:

The **National Retail Federation (NRF)** submits this statement on behalf of its member companies in the U.S. retail industry for the above titled hearing regarding the extension of permanent normal trade relations status to Vietnam. NRF is the world's largest retail trade association, with membership that comprises all retail formats and channels of distribution including department, specialty, discount, catalog, Internet, independent stores, chain restaurants, drug stores and grocery stores as well as the industry's key trading partners of retail goods and services. NRF represents an industry with more than 1.4 million U.S. retail establishments, more than 23 million employees – about one in five American workers – and 2005 sales of \$4.4 trillion. As the industry umbrella group, NRF also represents more than 100 state, national and international retail associations.

NRF and American retailers strongly support the bilateral trade agreement that was concluded on May 31, 2006, between the United States and Vietnam as part of the process to complete Vietnam's accession to the World Trade Organization (WTO). In order for the United States to realize the benefit of this agreement and Vietnam's membership in the WTO, we whole-heartedly endorse congressional passage of legislation to grant Vietnam permanent normal trade relations (PNTR) status as soon as possible, and in any event no later than the date on which Vietnam completes its accession to the WTO or when President Bush travels to Hanoi in mid-November 2006 to attend the Asia-Pacific Economic Cooperation (APEC) summit, whichever is earlier.

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The bilateral agreement and the provision of PNTR status to Vietnam are significant steps to complete the process of normalizing political and economic relations between the United States and Vietnam that began under President Reagan, and continued uninterrupted by all three of his successors with strong, bipartisan support in Congress. During the past twenty years, Vietnam has made steady progress in developing the rule of law, transitioning to a market-based economy, improving its adherence to international norms on human rights, and cooperating with the United States on important political and strategic issues (e.g., terrorism, human rights, and POW/MIA issues). As a result, commerce has grown rapidly between our two countries, to the benefit of U.S. services providers, manufacturers, farmers, and consumers. With the completion and implementation of the bilateral agreement and passage of PNTR legislation, there is every reason to expect these positive trends will continue once Vietnam has joined the rules-based, multilateral trading system through WTO membership. However, failure to pass PNTR legislation will force the United States to invoke the WTO non-application clause with Vietnam, thereby denying U.S. companies and consumers significant commercial benefits, and inflicting serious harm on bilateral relations.

Looking specifically at the retail industry, the bilateral agreement, PNTR, and Vietnam's membership in the WTO will have important positive benefits. As Vietnam's economy grows, its expanding middle class will increasingly demand the services of a formal retail sector like that available in the United States and other developed countries. Under the bilateral agreement, Vietnam has agreed to open its distribution services market by January 1, 2009. This commitment will allow U.S. retailers to open and wholly own stores and other retail operations serving customers in Vietnam essentially without restriction.

Vietnam has also agreed to reduce significantly its bound tariffs on imported products, to an average of 15 percent, remarkably low for a country at Vietnam's level of economic development. This commitment will make it much easier for retailers operating in Vietnam to provide their Vietnamese customers with consumer products exported from the United States.

With respect retail sourcing operations, it is also important to note that NRF's member companies already account for a significant portion of the commerce between the United States and Vietnam. Vietnam is still a comparatively small but growing supplier to the U.S. market of such basic consumer goods as furniture, footwear, apparel, coffee, and seafood. With respect to footwear, Vietnam is now second only to China as a supplier to the U.S. market, where imports account for 98 percent of all shoes sold. Vietnam has also become a growing importer of U.S. cotton to supply its apparel industry. For furniture, Vietnam has also become an important alternate sourcing location to China. Extending PNTR for Vietnam will provide the business predictability necessary for retailers to expand commerce ties and investment in Vietnam.

Since it could adversely impact the business operations of U.S. apparel retailers, NRF would like to respond to arguments raised by the U.S. textile industry, the only U.S. industry group opposed to the bilateral agreement with Vietnam and PNTR legislation. Textile industry opposition has arisen due to the commitment made by the United States in the bilateral agreement to eliminate all existing textile and apparel quotas on Vietnam upon its accession to the WTO. NRF strongly disagrees with any argument that quotas on Vietnam should be maintained. The following points support our conclusion that there is simply no economic rationale for continuing to restrain apparel imports from Vietnam:

1. The U.S. is currently the only country that still imposes quotas on Vietnam;
2. All major exporting countries, except China, are not subject to quota, and China will also be quota free by the end of 2008;
3. In the last U.S.-Vietnam textile agreement, the U.S. promised it would eliminate these quotas when Vietnam joined the WTO;
4. In 2005, Vietnam only ranked 8<sup>th</sup> by value (12<sup>th</sup> by volume) among textile and apparel exporters to the U.S. market, and accounted for only 3.2 percent of U.S. textile and apparel imports by value (1.9 percent by volume) – in contrast, China is the number one exporter by volume and value to the U.S. market, and accounts for 25 percent of all textile and apparel imports into the U.S. by value (33 percent by volume);
5. Over 90 percent of all clothing imported from Vietnam is now produced by privately-owned companies, not state-owned enterprises, a positive trend that would be further reinforced by eliminating quotas on those products;
6. Restraining Vietnamese textiles and apparel would hinder the development of Vietnam as a growing export market for U.S. cotton;
7. The China textile safeguard mechanism was very disruptive and costly for U.S. apparel retailers and manufacturers, but did nothing to improve the competitiveness of U.S. textile producers or protect American textile jobs;
8. Restraining imports from Vietnam would not change the overall level of imports into the United States, and will only result in the shifting of trade to other Asian suppliers.

During negotiation of the bilateral agreement, textile industry representatives' comments focused almost entirely on the creation of an effective mechanism to counter WTO-prohibited government subsidies (those based on export performance and local content requirements) provided to Vietnamese textile and apparel producers. In response to these concerns, U.S. negotiators insisted on, and Vietnam agreed to the immediate elimination upon accession of all WTO-prohibited subsidies to Vietnamese textile and apparel producers. In addition, Vietnam agreed to be subject to a safeguard mechanism to ensure it abides by this commitment. That mechanism includes the following provisions:

- If, within one year of accession, the U.S. believes Vietnamese textile and apparel producers are receiving WTO-prohibited subsidies, it may request consultations with Vietnam.



- If no solution is reached after 60 days, the U.S. may request a WTO arbitrator to determine within 120 days if Vietnam is violating WTO subsidies rules.
- Upon a finding of a violation, the U.S. may immediately reimpose quotas for a period of 12 months on those products under quota and at the quota levels existing in the last full year before Vietnam's accession. (If there is no decision by the arbitrator within 120 days, the U.S. may also reimpose quotas until a written decision is provided.)
- Thereafter, the U.S. has the WTO dispute settlement system to ensure that Vietnam abides by its obligations under WTO rules.

This safeguard mechanism provides an appropriate and effective means to identify and eliminate WTO prohibited subsidies. Notwithstanding arguments to the contrary, this mechanism does provide a strong incentive for the Vietnamese to abide by their commitment, because, were it ever to be invoked, Vietnamese apparel exporters know their orders for shipment to the United States would cease immediately.

It is also important to note that the bilateral agreement and PNTR legislation will have no impact on existing cases or on the filing of new actions against imports from Vietnam under U.S. trade remedies laws for a considerable length of time. Indeed, under the terms of the bilateral agreement, the United States will continue to treat Vietnam as a non-market economy for purposes of antidumping cases for 12 years – *i.e.*, until December 31, 2018. Vietnam could receive market economy status at an earlier date, but only if it has met U.S. requirements for such designation.

In conclusion, we urge Members of the Finance Committee to support legislation to provide PNTR status for Vietnam. During the course of the Committee's and the Senate's consideration of this legislation, we also urge Members to oppose efforts to attach non-germane amendments that would force renegotiation of the bilateral agreement or otherwise jeopardize or delay expeditious passage of this important legislation by Congress.

Passage of Vietnam PNTR legislation is a priority issue for the U.S. retail industry, and NRF appreciates the opportunity to offer our views on behalf of our member companies. Please send any questions or comments to NRF Vice President and Int'l Trade Counsel, Erik Autor (202-783-7971; [autore@nrf.com](mailto:autore@nrf.com)).

Sincerely,



Steve Pfister  
Sr. Vice President  
Government Relations

WRITTEN TESTIMONY  
of  
Mr. Hang L. Phan

on "S.3495 - A bill to authorize the extension of nondiscriminatory  
treatment to the products of Vietnam"  
July 12, 2006 hearing

Dear Senators, Congressmen, Congresswomen and the wisest people in the land,

I would like to give you some facts on Vietnam economy, Vietnam political situation in the hope that these facts will help you on the decision of granting the Permanent Normal Trade Relation to Communist Vietnam.

Untrustable people: The Vietnamese Communists.

1. They broke the cease-fire during the Tet of 1968.
2. They broke Paris Accord, brought troops from the north to invade the South while the ink on the Accord is still wet.
3. They deceived the people of the world by setting up and controlling the National Liberation Front in the South while claiming that it is the work of the people in the South themselves.
4. They have changed the name and the objectives of their party like yoyo with the same purpose as the octopus changing color: Just to swallow their prey.
5. They are a member of the United Nation, yet they do not seem to know the rights of a human being in their country.
6. Their election process and results are comparable to that of Iraq under President Saddam or North Korea.
7. They say one thing, act the other.
8. They applied for WTO in 1995, when they have no idea what free economy is. Currently, they have no real economic lawyers, they have plenty Soviet style economics, trade laws are made by economic novice, some of them have no idea how free trade works; most of them are in their position because of the party membership, not by their skill and ability. They have been very busy writing laws to suit free trade requirements with no intention to practice these laws. The fact that they do not let the people in Vietnam to know these laws or what are in the trade agreement speaks something.
9. Enforce even stricter rules on internet users: They monitor and report users' activities.
10. Very recently, the out-going Prime minister signed a law to ban meeting with 5 or more people.
11. They have not been genuine in joining WTO, they label their economy model "Market oriented under Socialism", and you do not have to be smart to know this is not a "NORMAL" economy.
12. Very cunning diplomatic, when the unelected Prime Minister of Communist Vietnam visited The United States of America, he bought four Boeing aircrafts as a gesture of goodwill or "gift", now they expect the President of the United States to bring "PNTR" as "gift" to Vietnam Communist in November.

And there are countless other examples. The people with credibility this low, you should think more than twice before giving them anything.

Overly optimistic people: The Americans.

Senator Max Baucus is right about the improvement of Vietnam economy since the collapse of their allies: Now there are girls riding scooters, if you look closely, there is a good chance that Honda look-a-like scooter is a knock-off made in China (intellectual infringement). What he sees

is a tiny angle of current Vietnam. He does not realize that the number of girls riding scooters is tiny comparing to the number of girls riding bikes or girls have nothing to ride. He only sees the small surface. What he has not seen are child prostitution, export of women on a grand scale.

With PNTR, importing some pigs and agriculture products from his state, there is not changing anything.

Dr. Kissinger supports PNTR for Communist Vietnam following his trend of supporting Communist Vietnam; he handed the free people, American's ally in the South to the Communist in 1972.

Dr. Albright supports PNTR for Communist Vietnam to complete the work of her former boss, President Clinton, who supported them in the first place, forty years ago.

Senator McCain and Mr. Pete Peterson's supports PNTR for Communist Vietnam: Stockholm syndrome has something to do with it.

There are some other good hearted Americans who believe in there is some good in giving something to someone.

There are some, who place faint hope in the wrong hand, believing in giving money to the criminals, they will in turn treat their victims more kindly or they will rob other people less.

There is no denying that these Americans are wise or generous, the problem is that they seeing thing from the high above, on the cloud, from a distance and they are fairly clueless about Communist Vietnamese. History had shown that these kind, wise people have been wrong on their assessment on Vietnamese Communists again and again.

They are happy when Vietnamese Communists released few people who practice their given right (freedom of speech), while ignoring the fact that thousand of other people have been rounded up and put in jail, tortured, even killed for practicing their given right also (Religious freedom).

Vietnam economic reality:

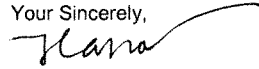
1. Revenue of exports from garments, shoes end up mostly in the pockets of Korean, Taiwanese factory owners. Workers from garment factories earn subsistence wage, Labor Right Watch is very vocal on this.
2. Number two rice exporter in the world: Peasants from the delta in the South, the most fertile region are still very poor. Many of them want to change their life by getting married to unmarriageable foreigners.
3. So far, the major force behind Vietnam's improving economy is free money from overseas Vietnamese: Refugees, emigrants, exported workers save every penny and send the bulk of the money back to their relatives in Vietnam; several billions of dollars a year, year after years.
4. Peasants who supported Communist got their wish; they divided the confiscated land from average land owners, ones with couple of acres of land. After the spectacular collapse of the collective farming, each of them now own half of an acre each, they can't live on this small piece of land and they are now streaming into cities to live a life of a refugee, doing all kind of odd jobs for a meager wage.
5. Communists have a very hot commodity to export: Human, the communists oppose human exploitation; they export their people so capitalists in other country can exploit them instead!!!
6. After two decades of 'reform', the economy grows at 7-8% annually, the average wage of Vietnamese is \$500.00 and Vietnam is still at the bottom of the world economy, in the world poorest club of countries.

What people have heard from this discussion is money first, human right second. Anti-Americans are ecstatic to know about this. American allies think twice about their association with US, South Vietnam is a glaring example.

What should a wise and fair and decent American do?

1. Earnestly asking them to show that they are decent, honest: Allowing Vietnamese to have private newspapers, to be able to form their own association and several other rights in their constitution.
2. Force them to privatize communist companies, to enrich the ordinary people.
3. Challenge them to carry out fair election. Do not let them get away with phony elections; they must show the people of the world that they are trustable, honest.
  
4. Ask them to change their way, the more they change the better voiceless Vietnamese are. They have been waiting for eleven years; waiting for a couple of more years are not too long.
  
5. Protect low skilled American garment workers, protect the endangered American species: 'shrimp fishermen'.
  
6. Do not enrich Communist criminals, strengthening, legitimizing their loots. Communist millionaires are not "NORMAL".
  
7. Support the oppressed Vietnamese people, the exploited workers in Vietnam.

Your Sincerely,

A handwritten signature in black ink, appearing to read 'Hang L. Phan', with a long, sweeping flourish extending to the right.

Hang L. Phan

Wednesday 12<sup>th</sup>, 2006.  
WRITTEN TESTIMONY  
of  
Khai Phan

on "S.3495 - A bill to authorize the extension of nondiscriminatory  
treatment to the products of Vietnam"  
July 12, 2006 hearing

Dear Sir/Madame,

As The United States of America is in the process of granting "Normal Trade Relation"  
to Communist Vietnam, I would like to inform you the followings:

The Communist government of Vietnam wants to get Permanent Normal Trade Relation  
in order to join WTO to take advantage of the benefits from the free trade while having  
no intention to adhere to the rules of trade.

There is a small group of people, commissioned by Communist party to prepare laws,  
they are making laws and learning law at the same time. And they have changed the laws  
on fly to suit the need to join WTO. They do not fully understand the impact on Vietnam  
economy after joining WTO; they vaguely understand that it is beneficial for them to join  
WTO. They applied for WTO admission since 1995, at that time they have no idea about  
trade, about free market, about international laws; yet they want to join WTO! They have  
no expert on trade, they have no lawyer who specializes on trade.

Right at this moment, they have not discussed or release details of the trade agreement to  
the public in Vietnam.

Lately, the Communist government allows some people to set up private companies, most  
of these people are Communist party members, their relatives or their off-springs,  
educated in Eastern Europe; these people really take advantage of the connection to  
Communist party. They get virtually everything for free at the expense of the people; it is  
well known fact that local government evicted people from their land, paying very low  
price for the land then give or sell it at the very low price to the new Communist  
Entrepreneurs.

On the export front, the vast majority of export goods from Vietnam are made from  
Taiwanese, Singaporean, Korean, Chinese's factories in Vietnam using Vietnamese  
labor, it is hardly called Vietnamese products.

History has shown that the Communist of Vietnam has never honored the agreements that they signed: UN Human Right Charter, Geneva Accord, and Paris Accord. In their language in Vietnamese newspapers, it is a "victory" for the party to have Vietnam successfully joins the WTO; it is the wisdom of the party leaders to have Vietnam successfully join the WTO. While not one of the politburo members graduated from a reputable, well known University; and majority of the four hundreds people's representatives are not well educated, they have no idea what the law is. They do not make laws and they rule people by instinct. While American will adhere to the agreement signed with Communist Vietnam, they will use unwritten rules, virtual barriers to make it really difficult for American company to succeed in Vietnam. After all, American is Communist Vietnam's adversary as ever been.

If communist Vietnam joins WTO, only the Communists party, Communist party members and Asian foreign companies are benefited. The oppressed people of Vietnam do not have much to gain. Especially, US's old allies South Vietnamese, these people are still suffering politically, economically; they have been the underclass citizens of Communist Vietnam, most of them have subsistent life. American abandoned these people, these days their off-springs are worse off. Almost all workers in Taiwanese, Korean, Chinese and even lower paid Vietnamese companies are South Vietnamese. Their off-springs also work in companies owned by the newly Communists turn into Capitalists for a very low pay. Almost all girls, married to foreigners as only mean to escape poverty are South Vietnamese from the fertile Delta region. Almost all underage girls sold to human traffickers, are South Vietnamese.

Almost all provincial leaders, government enterprise bosses, head of ministries: Education, Police, Health, Cultures (book, radio, TV, entertainment) are Northern born Communist Party members with a web of their relatives under that. The Communists from Northern Vietnam rules the Southern Vietnamese.

Please let them know about their records on human right abuse, religious suppression, about millionaire communists, about exploited workers in worker paradise and phony elections. Carrots tactic does not work with these people and they do not deserve it. Deep down, they still consider the US as their enemy, and joining WTO is an another victory over the US, it is their persistent and their cunning that prevail. It will have a detrimental effect to the people who fight for freedom if US let Communist Vietnam to have it both ways. They will follow Communist Chinese's examples, you are feeding another monster. As in the case of China, American has more to lose, economically. Morally, it is a disaster that you let the bad guys prevail again, while you former allies languishing in hardship.

European Union recently condemned Communism, it is helpful that US puts more pressure on them by assist Vietnamese in Vietnam and Overseas Vietnamese to fight for freedom for Vietnamese inside Vietnam. They copied and pasted the text from president Lincoln's speech into their constitution; challenge them to show their voting process, ask UN to monitor elections; the enlighten leaders of Communist Vietnam got more than ninety percent of the people's votes all the time!

I urge you to take strong stand on the relation with Communist Vietnam, let them know that they are dishonest in the past, un-trustable at the present and unreliable in the future. They are not the legitimate representatives of Vietnam.

I urge you not to grant Permanent Normal Trade Relation to Communist Vietnam; American should continue the noble task of fighting tyrants all over the world. Don't give in, more than fifty thousands brave Americans and millions of Vietnamese perished in the quest of preserving freedom and justice. Please don't let them down: It is wrong to have more than fifty eight thousands brave souls perish and ten of thousands others wounded, and then in the end the US government help their enemy, the bad people get rich.

By granting PNTR to Communist Vietnam, you are helping Communists Vietnam and hurting Vietnamese Americans and America. Communists Vietnam has been very active in influencing overseas Vietnamese; they try to control, use overseas Vietnamese population because of our money and knowledge. While many Vietnamese are hungry, relying on foreign aid; they spent money to bring overseas Vietnamese's children back to Vietnam to visit "Fatherland". They spent lot of money on satellite TV to broadcast their propaganda to overseas Vietnamese. By granting PNTR to Communist Vietnam, you are strengthening their tentacle.

They have just signed new laws:

1. It is illegal for five people to meet without permission.
2. It is illegal to write/express dissatisfaction or to criticize Communist leaders.
3. They are forcing internet shop to monitor all users' activities after August 1<sup>st</sup>, 2006.

Please force them to do the following to become "NORMAL":

1. Make sure their elections are fair, verifiable.
2. Return all church's properties that they have confiscated.
3. Stop suppressing religious activities.
4. Allow workers to form associations.
5. Allow freedom of expression, allow private news paper.

Let them know that they are liars.

I am not opposing Permanent Normal Trade Relation for Communist Vietnam because they confiscated all my family properties that our parent built by their own sweat. My father died of stroke, partly because of all the stress and anxiety.

I am not opposing Permanent Normal Trade Relation for Communist Vietnam because my brother who served in the South Vietnam Army: He suffered serious brain injury because of enemy's shell exploded near by; he was in comma for several days. After staying few months in hospital and was not fully recovered, he returned to serve in the Army again until April of 1975. He could not live under the tyranny, he alone tried to

escape by boat to die during the journey to freedom; leaving behind a wife and three children: one toddler, one infant, and one unborn...

I am not opposing Permanent Normal Trade Relation for Communist Vietnam because as a Christian, I was discriminated, humiliated, forced to do "volunteer" work on Sundays, coerced to attend Communist Youth education on Sundays, suffer like all the people in South Vietnam during that time, or destine to become a second class citizen.

I like many, many other people who really want justice served. I urge you again: Do not allow the tyrants under the name of Communists continue to ride on the back of the poor Vietnamese. Please note that you have a moral responsibility, granting Permanent Normal Trade Relation to Communist Vietnam is like rewarding criminals, do not help them merely change their appearance. Oppressed Vietnamese in Vietnam and us (freed Vietnamese) are grateful for your conscientious decision.

Yours sincerely,

  
Khai Phan





1700 N. Moore Street, Suite 2250, Arlington, VA 22209  
Phone: 703-841-2300 Fax: 703-841-1184  
Email: [info@retail-leaders.org](mailto:info@retail-leaders.org) [www.retail-leaders.org](http://www.retail-leaders.org)

Written Statement of  
The Retail Industry Leaders Association  
Submitted for the  
Senate Committee on Finance  
Hearing on  
Establishing Normal Trade Relations with The Republic of Vietnam

July 12, 2006

Chairman Grassley, Senator Baucus, and members of the Senate Finance Committee, the Retail Industry Leaders Association (RILA) welcomes the opportunity to submit a written statement for the record on the normalization of trade relations with the Republic of Vietnam. RILA strongly supports S. 3495, as Vietnam's accession to the World Trade Organization (WTO) and granting of Permanent Normal Trade Relations (PNTR) would represent the final step in the reconciliation and foster economic cooperation between two nations.

The Retail Industry Leaders Association (RILA) is a trade association of the largest and fastest growing companies in the retail industry. Its member companies include over 400 retailers, product manufacturers, and service suppliers, which together account for over \$1.4 trillion in annual sales. RILA members operate over 100,000 stores, manufacturing facilities and distribution centers, have facilities in all 50 states, and provide millions of jobs domestically and worldwide. RILA is also a member of the U.S.-Vietnam World Trade Organization Coalition, a coalition of more than 135 companies and associations who are committed to seeing the completion of normal trade relations with Vietnam.

According to the United States Trade Representative, U.S. exports to Vietnam have increased by more than 150 percent since 2001, including a 24 percent increase last year. Vietnam's membership in the WTO will lock in and increase U.S. access to this expanding market. In addition, WTO accession will bring Vietnam into the rules-based trading system, creating a more favorable climate for sourcing and investment by U.S. companies, and providing enhanced opportunities for RILA members and many other U.S. firms. It will also significantly lower duties on U.S. exports, and will open key service and investment opportunities. Extension of trading rights and the liberalization of the distribution sector in Vietnam are also important benefits of the accession package.

The accompanying U.S. reforms, including PNTR and the elimination of textile/apparel quotas, will specifically benefit the retail industry. RILA's membership includes some of the country's largest apparel retailers and manufacturers. PNTR with Vietnam will improve the ability of these retailers and manufacturers to find the best available combination of speed-to-market, product price and quality, and in doing so provide a tremendous benefit to consumers. The WTO accession package includes an

enforcement mechanism, which will permit the temporary reimposition of quotas if an expedited WTO dispute arbitration finds that Vietnam has not promptly eliminated, prohibited subsidies in the textile/apparel sector.

RILA applauds the bipartisan support already shown for S.3495 and urges the Senate to vote to grant Vietnam PNTR status. Doing so will not only benefit US consumers and businesses, but will also complete the healing process between two nations who were at war with one another for more than a decade.



1700 N. Moore Street Suite 2250, Arlington, VA 22209  
Phone: 703-841-2300 Fax: 703-841-1184  
Email: [info@retail-leaders.org](mailto:info@retail-leaders.org) [www.retail-leaders.org](http://www.retail-leaders.org)

July 26, 2006

The Honorable Charles Grassley  
Chairman, Committee on Finance  
United States Senate  
Washington, DC 20510

Dear Chairman Grassley:

On behalf of the Retail Industry Leaders Association (RILA), I am writing to thank you for your leadership in moving forward with a markup of legislation granting permanent normal trading relations (PNTR) with the Republic of Vietnam. Granting PNTR to Vietnam will strengthen our nation's economic relationship with an important trading partner while benefiting American consumers and businesses.

By way of background, the Retail Industry Leaders Association (RILA) is a trade association of the largest and fastest growing companies in the retail industry. Its member companies include more than 400 retailers, product manufacturers, and service suppliers, which together account for more than \$1.4 trillion in annual sales. RILA members operate more than 100,000 stores, manufacturing facilities and distribution centers, have facilities in all 50 states, and provide millions of jobs domestically and worldwide.

Vietnam's entry into the World Trade Organization (WTO) will provide tremendous benefits to U.S. consumers and RILA members. Many RILA members have longstanding commitments in Vietnam, and the removal of textile/apparel quotas will provide a predictable sourcing environment. Vietnam's accession into the WTO will also improve the ability of retailers to meet customer's needs by finding the best available combination of speed-to-market, product price, and quality. In addition, Vietnam's commitment to liberalize distribution and trading rights will allow retailers to open outlets in Vietnam, providing additional opportunities to stock shelves with U.S. products and thus helping to create additional U.S. jobs.

RILA applauds the bipartisan support already shown for S.3495 and urges all Senators to vote in favor of the bill. Doing so will not only benefit U.S. consumers and businesses, but will also help complete the reconciliation process between our two nations.

Again, I thank you for your leadership on this important matter. If you have any questions, please contact Allen Thompson ([allen.thompson@retail-leaders.org](mailto:allen.thompson@retail-leaders.org)), Vice President for Global Supply Chain Policy in the RILA office.

Sincerely,

A handwritten signature in cursive script that reads "Paul T. Kelly".

Paul T. Kelly, Senior Vice President, Government Affairs

Cc: Lori Denham, Executive Vice President of Public Affairs, RILA



Writer's Direct Dial  
(612) 696-6866

Government Affairs

Nathan K. Garvis

July 10, 2006

The Honorable Charles Grassley  
United States Senator  
135 Senate Hart Building  
Washington, DC 20510

Dear Senator Grassley,

Target strongly supports granting Permanent Normalized Trade Relations (PNTR) to Vietnam. Granting Vietnam PNTR will create a structure that brings the country into the rules-based system of world trade.

PNTR for Vietnam will benefit businesses throughout the United States by reducing tariffs on goods, therefore benefiting American consumers. By engaging the Vietnamese through normalized relations, the United States can expose them to new ideas and information, as well as strengthen the rule of law.

Target is a \$52 billion per-year upscale retailer located in 47 states that provides quality merchandise at attractive prices in clean, spacious and guest-friendly stores. Nationwide, Target has 1,397 stores and employs 338,000 teammates.

Target Sourcing Services/Associated Merchandising Corporation, our worldwide sourcing organization, has 75 offices around the world, including one in Vietnam. Of particular importance to Target in the US Vietnam Agreement are the textile provisions assuring that industry will not be subsidized.

We urge you to support PNTR for Vietnam. It is an issue of the utmost importance, not only to Target, but to the larger business community and to all nations engaging in world trade.

Sincerely,

A handwritten signature in black ink, appearing to read "Nate Garvis".

Nate Garvis  
Vice President  
Government Affairs

To The Members of US Senate and Congress

WRITTEN TESTIMONY

of

Nhan T. Tran

on "S.3495 - A bill to authorize the extension of nondiscriminatory treatment to the products of Vietnam" July 12, 2006 hearing

Senate Committee on Finance  
Attn. Editorial and Document Section  
Rm. SD-203  
Dirksen Senate Office Bldg.  
Washington, DC 20510-6200

Dear Sir/Madam:

The U.S. Congress is now considering to grant Vietnam Communist Dictatorial Regime a Permanent Normal Trade Relations (PNTR) status which will pave the way for Vietnam's entry into the World Trade Organization (WTO). We urge you to demand that in order for Vietnam to gain PNTR, the Vietnam Communist regime must release all religious and political prisoners, end house-arrest practice against them, allow and recognize independent churches and labor unions, and truly practice free trade by allowing the importation of American media (print and audio-video) products.

As you may already know, the human rights situation in Vietnam has not improved in recent years. Consequently, the U.S. Department of State has retained Vietnam on its annual list of countries of particular concern (CPC). Further, on January 25, 2006, the Parliamentary Assembly of the Council of Europe (PACE) adopted resolution 1481 (2006) which strongly "condemned the massive human rights violations committed by totalitarian communist regimes and expressed sympathy, understanding and recognition for the victims of these crimes." On April 6, 2006, the House of Representatives passed Resolution. 320, calling on Vietnam to immediately and unconditionally release all prisoners of conscience, and comply with the terms of the European Parliament resolution. Not surprisingly, Vietnam's communist leaders have rejected our appeals. Further, recent widespread labor unrest in Vietnam reflects the reality that labor rights in Vietnam are not protected. The average salary of Vietnamese workers is less than \$1/day and working conditions are extremely poor. This state of affairs is due to the fact that workers in Vietnam have been denied the right to form independent labor unions

to protect basic worker rights.

In the meantime, Vietnam enjoys the privilege of freely exporting to the U.S. all forms of print and audio-video products including cultural products, books, newspapers, and other audio / DVD releases, many of which explicitly promote communism and government policies. Yet, none of our media / music products including those produced by Americans of Vietnamese origin are allowed to be imported into Vietnam. The Vietnamese government, through its state-owned enterprises, maintains a monopoly and, in effect, an absolute ban on these imports into Vietnam. Vietnamese American artists are routinely harassed and required to obtain government permits before they could perform in Vietnam. This 'free trade' concept is neither fair nor free - both core principles of our WTO agreement with Vietnam recently signed. In your second inaugural address, you stated definitively that "it is the policy of the United States to seek and support the growth of democratic movements and institutions in every nation and culture, with the ultimate goal of ending tyranny in our world". We hope that you will personally see to it that America will live up to its promise regarding Vietnam and its conduct.

We hereby call upon you to deny the communist dictatorial regime in Vietnam the free PNTR status until the aforementioned conditions are met.

Thank you for your leadership and continued support for universal human rights. May God bless you and America.

Respectfully,



Nhan T Tran



July 11, 2006

The Honorable Charles Grassley  
Chairman  
Committee on Finance  
US Senate  
219 Dirksen Senate Office Building  
Washington, DC 20510-6200

Dear Mr. Chairman:

**Re : Senate Finance Committee Hearing July 12, 2006  
Vietnam PNTR**

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I am writing to express United Commercial Bank's support for the passage of S. 3495, which would grant Permanent Normal Trade Relations (PNTR) status for Vietnam.

United Commercial Bank is a leading community bank serving Asian Americans with more than 50 branches in California, Washington State, Massachusetts, New York and Hong Kong as well as representative offices in Shenzhen, and Taipei. Our customers are small to medium enterprises (SMEs), the backbone of the US economy. We believe that Congressional approval of PNTR for Vietnam is necessary for the US business community to take full advantage of the benefits that will be granted to all WTO members after Vietnam's accession.

Because of the foregoing belief, United Commercial Bank has submitted an application to the Government of Vietnam for a full-service branch license in Vietnam. Upon approval of our branch license application, we plan to be in Vietnam to serve our American customers who trade with Vietnam, and Vietnamese customers who export to the US. Accordingly, our branch in Vietnam will be beneficial to the trade flow between the US and Vietnam.

We, however, also understand that the recently signed US-Vietnam Bilateral Market-Access Agreement related to Vietnam's WTO accession may contain arbitrary quantitative restrictions. If such arbitrary restrictions are applied to our pending license application, it might unreasonably preclude us -- and other smaller US banks -- from establishing a branch in Vietnam. We wish to call to the Committee's attention the fact that if such arbitrary restrictions are used to keep smaller banks like ours out of Vietnam, SMEs endeavoring to increase the trade flow between the US and Vietnam will find it difficult to do so. This is because the larger banks presently operating in Vietnam -- and those that may establish Vietnam branches in the future -- do not customarily provide US export trade financing to SMEs. Therefore, if the Committee is able to influence Vietnam's not to use of arbitrary quantitative restrictions, we would strongly encourage it to do so.





The Honorable Charles Grassley

Page 2

In all other respects, we believe the timely approval of PNTR is essential not only to US business interests and the overall US trade agenda, but also to US foreign policy interests. These include regional security, cooperation on POW/MIA, continued dialogue and progress on religious and human rights, labor, and other bilateral issues. It is important for the US to demonstrate its support for Vietnam's leaders in their efforts to strengthen the rule of law and integrate Vietnam into the global economy. With President Bush scheduled to visit Vietnam this November during the APEC Summit, this is a critical time for the US Congress to show support and initiate a significant step forward in the US-Vietnam relationship.

We implore you to support S. 3495. Thank you for your considerations.

Sincerely yours,

A handwritten signature in black ink, appearing to read 'Tony Ka Wah Tsui', written over a faint circular stamp.

Tony Ka Wah Tsui  
Executive Vice President  
General Manager  
Greater China Region



**UNITED STATES  
ASSOCIATION OF  
IMPORTERS OF  
TEXTILES AND  
APPAREL**

HEADQUARTERS:  
13 EAST 16<sup>TH</sup> STREET, 6<sup>TH</sup> FL.  
NEW YORK, NY 10003  
212-463-0089  
FAX: 212-463-0583  
  
2100 L STREET, NW  
SUITE 210  
WASHINGTON, D.C. 20037  
202-638-7640  
FAX: 202-419-0487

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**Statement of the U.S. Association of Importers of Textiles and Apparel**

**Before the Committee on Finance**

**United States Senate**

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

**July 12, 2006**

USA-ITA strongly supports S. 3495, legislation to confer permanent normal trade relations status on Vietnam upon its accession to the World Trade Organization. Since the implementation of the Bilateral Trade Agreement in December 2001, Vietnam has been making steady progress toward reform of its legal system to bring it into conformity with international norms. With its accession to the WTO, additional access to this developing market will be available to U.S. firms, including full trading rights, rights to distribution and retail services, and the benefits of improved compliance and protection of intellectual property rights.

USA-ITA, established in 1989, is the largest U.S. trade association of importers of textile and apparel products, with offices in New York and Washington, D.C. Our members, many of whom are currently sourcing from Vietnam, include all of the most well known brand names and top retailers in the country, as well as manufacturers, importers, distributors, and related service providers, such as shipping lines and customs brokers.

To join the WTO, Vietnam has had to negotiate market access agreements with the United States and 27 other WTO members. The U.S. was the last country to conclude a bilateral with Vietnam and by all accounts drove the hardest bargain. Moreover, textiles was one of the very last issues to be resolved and was almost the deal-breaker.

The U.S. textile industry sought a textile safeguard mechanism, following the "precedent" set with China, which has a textile safeguard through 2008, as a condition of its WTO accession. But parallels between Vietnam and China are hard to draw. China had agreed to the post-WTO safeguard process under a textile agreement reached with the U.S. in the mid-1990s. In contrast, the 2003 U.S.-Vietnam textile agreement clearly provides the quotas will be removed when Vietnam accedes to the WTO. China is also a much larger supplier, with strong vertical capabilities. Vietnam's smaller production relies extensively upon imported inputs, including cotton and manmade fibers – much of which comes from the United States. For China, textile trade is hardly its largest export earner. But for Vietnam, apparel is a key export, accounting for a disproportionate share of trade. Plus, while there was multilateral support for a safeguard for China, that is not the case for Vietnam. Europe and Canada canceled their quotas on Vietnam last year, showing no inclination to demand a safeguard for Vietnam. Further, unlike China, much of Vietnam's apparel export industry is the result of foreign investment;

those countries accounting for that investment have no reason to support a safeguard for Vietnam.

However, the U.S. industry identified for U.S. negotiators evidence that Vietnam subsidized its industry, arguing that provided an unfair advantage for which safeguards would be an appropriate remedy. It was an argument that drew the serious attention of U.S. negotiators. Subsidies, such as tax holidays or preferred financing, if conditioned on exporting the manufactured goods or using local content, are prohibited under WTO rules. The U.S. negotiators presented Vietnam with an ultimatum: eliminate the textile subsidies upon accession or there is no deal – and quotas continue. Vietnam acquiesced. This is ground-breaking: no other developing country and no other industry in Vietnam has had to agree to immediate and unconditional elimination of prohibited subsidies.

The U.S. Government also insisted upon an unprecedented enforcement mechanism, to ensure that if Vietnam did maintain or establish new prohibited subsidies, the United States could reimpose all quotas, with those quotas to remain in force for up to a year, at the levels that were in place when the quotas were lifted (with no increase for any trade established since then). While this mechanism is not what USA-ITA would have crafted, it clearly reinforces the commitment by Vietnam to comply with opening its market and with the elimination of subsidies. The U.S.-Vietnam agreement signed on May 31 therefore includes a unique, expedited process: a 60 day consultation period and then, if no resolution, referral to a neutral arbitrator who will have only 120 days to render a decision. This provision likely ensures that if a violation were found, Vietnam would quickly eliminate the measure in order to avoid the reimposition of quotas. Thus, an unfair trading practice is eliminated and Vietnam (and the U.S. importing community) are spared the disruptive, trade restricting safeguards China accepted. This is a true example of a win-win solution.

USA-ITA respectfully urges the Committee to quickly report S. 3495 favorably to the full Senate, to ensure that U.S. business will fully and immediately benefit upon Vietnam's accession to the WTO.



U.S. Senate  
Committee on Finance

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

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

Testimony for the record by the  
U.S. Chamber of Commerce  
And  
American Chamber of Commerce in Vietnam

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

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

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

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

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

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

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

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

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

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

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

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

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

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

## Conclusion

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

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

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

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

Thank you.

July 11, 2006

The Honorable Charles E. Grassley  
Chairman,  
Senate Committee on Finance  
219 Dirksen Senate Office Building  
Washington, DC 20510

The Honorable William M. Thomas  
Chairman,  
House Committee on Ways and Means  
1102 Longworth House Office Building  
Washington, DC 20515

The Honorable Max Baucus  
Ranking Member,  
Senate Committee on Finance  
219 Dirksen Senate Office Building  
Washington, DC 20510

The Honorable Charles B. Rangel  
Ranking Member,  
House Committee on Ways and Means  
1106 Longworth House Office Building  
Washington, DC 20515

Dear Sirs,

The members of the U.S. High Tech Trade Coalition (HTTC) strongly support H.R. 5602, the legislation extending Permanent Normal Trade Relations (PNTR) status for Vietnam, and are writing to urge your support for its passage.

Our industry vitally depends on enhanced multilateral trade liberalization, and trade agreements such as the agreement reached in bilateral negotiations for Vietnam's accession to the World Trade Organization (WTO), will greatly help our companies gain access to that growing market. The United States and Vietnam concluded their bilateral negotiations on May 14<sup>th</sup>, 2006, and officially signed the agreement on May 31<sup>st</sup>. The legislation to grant PNTR to Vietnam was introduced in both the U.S. House of Representatives and the Senate on June 13<sup>th</sup>.

The U.S. high technology industry seeks congressional approval of PNTR for Vietnam in order to take full advantage of the benefits that will be granted upon Vietnam's accession to the WTO. Vietnam's government has made high technology one of the country's main priorities by giving high-tech companies special status and investment incentives. The country continues to invest heavily in information and communication technology (ICT), with ICT spending growing exponentially over the past five years from a mere 4.6 billion in 2001 to an expected 9.24 billion in 2006. This has paved the way for U.S. IT and electronics companies to increase exports and expand investment in order to take advantage of the opportunities in the Vietnamese market. Vietnam's telecommunications revenues were worth U.S. \$1.5 billion last year, and the country exported \$1.5 billion worth of electronics products this year, up 7.1 percent from 2004. U.S. high-tech goods exports to Vietnam increased by 179 percent from 1999 - 2005 (from \$49 million in 1999 to \$138 million in 2005). Capturing more of that market for U.S. products and services will be possible through Vietnam's accession to the WTO.

Congressional approval of PNTR for Vietnam is also important for U.S. foreign policy interests in the region. As political and economic concerns in the region grow, increased trade with Vietnam helps reinforce U.S.-Vietnamese relations. It is extremely important for the U.S. to



bolster reformers within Vietnam in their efforts to integrate Vietnam into the global economy. President Bush is scheduled to visit Vietnam for the APEC Leaders' Summit this November, and passage of H.R. 5602 will show U.S. Congressional support of and U.S. intent to continue a robust and meaningful bilateral relationship.

Thank you very much for your attention, and we look forward to working with you on other issues important to the U.S. high technology sector.

Sincerely,

AeA  
Consumer Electronics Association  
Information Technology Association of America  
Information Technology Industry Council  
National Electrical Manufacturers Association  
Semiconductor Industry Association  
Software & Information Industry Association  
TechNet  
Technology CEO Council  
Telecommunications Industry Association

Cc:

The Honorable Ambassador Susan Schwab, United States Trade Representative



*Addressing the causes, conduct, and  
consequences of war through programs  
of advocacy and service.*

July 11, 2006

The Honorable Harry Reid  
Minority Leader  
United States Senate

Dear Senator Reid:

We strongly support the President's proposal to grant Permanent Normal Trade Relations (PNTR) status to Vietnam. We as veterans have been involved in working in Vietnam for twenty five years helping the reconciliation process and believe this is the final step for normalization of US and Vietnam relations.

Vietnam is home to nearly eighty-five million people, more than half of whom are under the age of twenty-five. As a country facing a host of infrastructure and human development challenges, Vietnam deserves not only our attention, but also our support for the promising reform process that is underway. In this vein, the 2001 US-Vietnam Bilateral Trade Agreement was an important milestone, and it has contributed to the development of a more open, market-oriented economy with tremendous potential benefits for the Vietnamese and American peoples.

The granting of PNTR for Vietnam will represent the logical next step in of relations between our two countries, a process that has been made more effective by broad bipartisan support in Congress, and that has spanned successive presidential administrations during the past three decades. We support the goal of completing Vietnam's WTO accession in advance of Vietnam hosting the Annual APEC Leaders Meeting in November, in which President Bush will participate. This will further encourage Vietnam's emergence as a responsible regional partner, as we together address a myriad of complex international economic and security issues.

We urge the Congress to approve PNTR for Vietnam at the earliest possible opportunity this summer.

Sincerely,

Bobby Muller  
*President*

John Terzano  
*Vice President*

cc: Congressman J. Dennis Hastert, Speaker  
Congresswoman Nancy Pelosi, Minority Leader  
Senator Bill Frist, Majority Leader



*Addressing the causes, conduct, and consequences of war through programs of advocacy and service.*

July 11, 2006

The Honorable Bill Frist  
Majority Leader  
United States Senate

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July 11, 2006

The Honorable Nancy Pelosi  
Minority Leader  
US House of Representatives

Dear Congresswoman Pelosi:

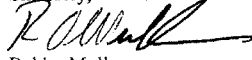
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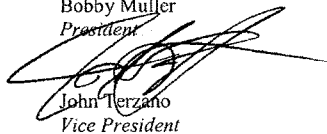
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Vietnam Veterans of  
America Foundation

*Addressing the causes, conduct, and  
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July 11, 2006

The Honorable J. Dennis Hastert  
Speaker  
US House of Representatives

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