



# Trade Facts

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## Vietnam's Accession to the World Trade Organization (WTO)

### US-Vietnam Bilateral Agreement

- The United States and Vietnam have reached agreement in principle on a bilateral market access agreement that will lower trade barriers to a wide range of U.S. industrial and agricultural products and services and help clear the way for Vietnam's accession to the World Trade Organization (WTO).

### Bilateral Agreement will enhance U.S. access to fast-growing Vietnamese market.

- With an ambitious program of economic reform underway, Vietnam is the fastest growing major economy in Southeast Asia. (GDP has increased almost 50 percent since 2001.) Vietnam is, in particular, a growing market for U.S. exports, which have increased over 150 percent since 2001. Last year alone saw increase of 24 percent to \$1.2 billion
- On manufactured goods: under the agreement, 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 we negotiated low duties of 0-5%. Vietnam, like other WTO applicants, has agreed to join the ITA and to embrace more than 75% of the chemical harmonization initiative. Vietnam has also committed to implement low duties immediately upon accession on nearly all medical equipment.
- On agricultural goods: under the agreement, 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. Vietnam is also making numerous improvements to its implementation of WTO rules on Sanitary and Phytosanitary measures, including establishment of a WTO-consistent enquiry point. In addition, Vietnam agreed to recognize the U.S. systems of inspecting beef, pork and poultry as equivalent to its inspection systems.
- On services: under the agreement, 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.

### As a Member of the WTO, Vietnam will have to live by international rules

- Bringing Vietnam into the WTO ensures that Vietnam will be bound by the rule of law.

- Dispute Settlement. The United States will be able to pursue its rights through WTO dispute settlement and other WTO instruments.
- 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.
- Industrial subsidies. Vietnam will eliminate 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.
- 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. We 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. We 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.

### **Vietnam's WTO Accession Yields Other Important Benefits**

- Promotes Continued Domestic Reform in Vietnam. WTO accession will require Vietnam to enhance transparency in government processes, increase economic freedoms of Vietnamese, and observe rule of law. It will also bring Vietnam into the global rules-based trading system. These changes will support processes of reform ongoing in other areas of Vietnamese government and society.
- Strengthens U.S. Relations with Strategically Important Region. WTO membership for Vietnam supports and strengthens our linkages with the commercially and strategically significant Southeast Asian grouping of nations. This region – with a total GDP of \$2.7 billion and a population of 570 million – has been an engine of economic growth; it represents our fourth largest export market. WTO membership further encourages the growth of Vietnam as an emerging alternative Asian market for the U.S.

### **WTO Accession Requires Congressional Vote on PNTR**

- Congressional action is necessary to terminate application of Jackson-Vanik to Vietnam and authorize the granting of permanent normal trade relations (MFN) tariff treatment to products of Vietnam.