



November 12, 2020

The Office of the United States Trade Representative

**RE: Section 301 Investigation: Vietnam’s Acts, Policies, and Practices Related to the Import and Use of Illegal Timber**

The American Chamber of Commerce in Vietnam (“AmCham”) appreciates the opportunity to present the following comments to the Office of the U.S. Trade Representative (“USTR”) on its Section 301 investigation into “Vietnam’s Acts, Policies, and Practices Related to the Import and Use of Illegal Timber” pursuant to Federal Register Notice USTR 2020-0036 (the “Investigation”).

This year, we celebrate 25-years of diplomatic relations between the United States and Vietnam. During this period, the two countries have significantly strengthened their security, economic, and people-to-people ties. The United States and Vietnam are now good friends and close partners. The relationship is based on shared strategic interests, candid dialogue, mutual respect, and a strong commitment by the leadership of both countries. It is a credit to the Vietnamese and American people that our two countries have been able to move beyond the tragedies of our shared past to build such a vibrant and strong friendship and comprehensive partnership.

Trade and investment are intertwined cornerstones of the U.S.-Vietnam relationship. From this perspective, we are submitting this statement to highlight key concerns about the Investigation and its implied proposal to impose tariffs on imported goods from Vietnam in connection with the alleged import and use of illegal timber.

**Trusted Partners Prospering Together**

AmCham believes that the United States and Vietnam have developed a healthy trade and investment relationship that has not only created jobs and prosperity for both countries, but also has enhanced regional security.

The United States is Vietnam’s largest export market. Vietnam receives billions of dollars of foreign investment from U.S. companies each year - much of it to build integrated supply chains that benefit American consumers. Vietnam has emerged as a key partner in the

Indo-Pacific region in achieving this administration's stated goals of enhancing trade ties and mitigating supply chain risks as companies diversify their supply chains away from China.

Vietnam has become one of America's fastest growing export markets and we expect this positive trend to continue as Vietnam's economy and middle-class continue to grow. There are significant opportunities for U.S. agriculture, aircraft, energy, and many other sectors which are helping to create wealth and jobs in America's heartland. The Vietnamese government has expressed a clear desire to increase imports from the United States, and billions of dollars of deals are underway for U.S. exports of aircraft, jet engines, and LNG.

### **Bilateral Trade Deficit with Vietnam Does Not Justify Tariffs**

Although the stated intent of the Investigation is to assess whether Vietnamese import and use of illegal timber harms the United States, it seems the motivation to initiate the Investigation appears is due at least in part to a rising U.S. bilateral merchandise trade deficit with Vietnam.

AmCham does not believe that the merchandise trade deficit has had a material impact on employment and wage growth in the United States. Many of the jobs that have "moved to Vietnam" have moved from other countries and trade creation has also enabled new jobs to arise with fair wages that help supply American consumers with competitively-priced products. Incidentally, the United States enjoys a multi-billion-dollar surplus when it comes to trade in services with Vietnam, and U.S. retirement funds and other institutional investors have been enjoying ever-higher dividends and capital gains from the Vietnam securities market.

In our view, the value of the commercial relationship between the United States and Vietnam cannot be measured by the trade deficit alone. While it is true that the bilateral U.S.-Vietnam trade deficit has grown markedly in recent years, the cause of this growth appears to be driven primarily by the relocation of manufacturing and sourcing operations from China to Vietnam. This shift was driven by a combination of factors, from growing labor costs in China, the imposition of tariffs and antidumping duties by the Administration on goods imported from China, an attractive business climate in Vietnam, and a general wake-up call during the COVID outbreak of the dangers of over-reliance on a single country in global supply chains.

We urge the Administration to view this trend as evidence of success in implementing its oft-stated policy of diversifying supply chains in the Asia-Pacific region. Similarly, we urge the Administration to avoid retaliatory measures against the logical outcome of its own policy goals.

The imposition of tariffs on Vietnam as a result of the Investigation could create a more challenging environment for U.S. businesses that operate in, and trade with, Vietnam. This could also impact the employees of these businesses, both at home in the United States, and abroad. We would prefer that the U.S. government prioritize the most pressing issues

facing U.S. businesses operating in or trading with Vietnam and seek more market access for U.S. goods and services to enable a "win-win" trading relationship.

### **Significant Improvements in Forest Management and Sourcing in Vietnam**

Turning to the specific issue of timber trade, the Vietnamese government and the furniture industry in Vietnam have made significant improvements in forest management and timber sourcing in recent years through strengthened regulations, administration and enforcement, and sustainable commercial practices.

The government continues to take actions to strengthen its oversight, including promulgating a decree establishing a new Vietnam Timber Legality Assurance System (VTLAS) on October 31. VTLAS confirms the legality of timber used in each stage of the supply chain by regulating both timber products and market actors, enabling the use of criminal sanctions against corporate entities that violate timber management laws.

To the extent any illegal timber is imported or used in Vietnam, it is highly unlikely that such timber is exported to the United States. The Convention on International Trade in Endangered Species ("CITES") species alleged to be imported from Cambodia, the Democratic Republic of Congo and Cameroon are all high-value varieties of rosewood, which were used traditionally in temples or in homes of wealthy Vietnamese. Furniture exports to the United States use other species, such as walnut, cherry, maple, or oak in higher-priced furniture; or pine, poplar, or veneers in lower-priced furniture.

Furthermore, furniture manufacturers in Vietnam are now required to meet increasingly stringent global Environment, Social, and Governance criteria to access export markets and international financing. Bix-box retailers buying core value furniture and cabinets require the same from their suppliers and actively monitor compliance.

### **Importance of U.S. -Vietnam Timber and Furniture Trade**

The U.S.-Vietnam timber and furniture trade is important to both countries. Vietnam is one of the fastest growing export markets for the United States. It was the seventh largest agricultural export market for the United States, with \$4 billion in exports in 2019.

The United States is the largest supplier of imported timber to Vietnam, with an annual supply of nearly 1 million cubic meters, equivalent to 16-17% of the total annual imported timber. Vietnam is the #2 destination for U.S. wood exports, with \$350 million of exports of wood products to Vietnam in 2019.

Meanwhile, U.S. furniture businesses and retailers are major customers for Vietnam, contributing to jobs, tax revenues, and prosperity in both countries. Vietnam is expected to become one of the largest furniture markets in the world as the middle class grows and decorates new homes. Much of this furniture will be manufactured with materials originating in the United States from sustainable forests.

We hear from our members that furniture manufacturers in Vietnam attribute a recent rise in exports to the United States to a few factors. More Americans have been home-bound during the COVID pandemic, increasing their desire to “nest” and spend on furniture. There was a related spike in Vietnamese kitchen and bathroom cabinet exports, exacerbated by manufacturers relocating to Vietnam after the imposition of U.S. antidumping duties on cabinets originating from China. Finally, Vietnam’s exports benefitted from the effective COVID response of the Vietnamese government. Manufacturing largely continued without a break in Vietnam, whereas staggered lockdowns and restrictions on re-starting production have caused breakdowns in normal supply chains, including in India and Brazil.

### **Absence of Burden on U.S. Commerce**

Any alleged import into or use of illegal timber in Vietnam appears to be minimal. Both the Vietnamese government and the furniture industry in Vietnam have been taking active measures to prevent the import and use of illegal timber. In addition, it is highly unlikely that any such timber would find its way into furniture products exported to the United States, due to consumer preferences, legal restrictions, and exporting companies’ corporate compliance requirements.

Thank you for providing this opportunity to express our concerns and suggestions. AmCham hopes our comments are taken as an opportunity to create a “win-win situation” by improving market access conditions for U.S. exports of goods and services to Vietnam. This will enable the bilateral trade partnership to continue to grow, contributing to prosperity in both the United States and Vietnam.

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