



November 12, 2020

The Office of the United States Trade Representative

RE: Section 301 Investigation: Vietnam’s Acts, Policies, and Practices Related to Currency Valuation

The American Chamber of Commerce (“AmCham”) appreciates the opportunity to present the following comments to the Office of the US Trade Representative (“USTR”) on its Section 301 investigation into “Vietnam’s Acts, Policies, and Practices Related to Currency Valuation” pursuant to Federal Register Notice USTR 2020-0037 (the “Investigation”).

This year, we celebrate 25-years of diplomatic relations and the remarkable changes that have occurred. During this period, the two countries have significantly strengthened their economic, political, and security ties. The United States and Vietnam are now good friends and close partners. The relationship is based on candid dialogue, mutual respect, and a strong commitment to succeed 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.

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

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 tax revenues for both countries but has also enhanced regional security.

The United States is Vietnam’s largest export market. Vietnam receives billions of dollars of foreign investment from US 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. There are great opportunities for US agriculture, aircraft, energy, equipment, technology, and many other sectors which are helping to create wealth and jobs in America's heartland.

During President Trump's two visits to Vietnam, leaders pledged to expand bilateral trade and investment relations in line with the US President's commitment to pursuing fair and reciprocal trade. In our view, by opening up its market to more US goods and services, Vietnam can help to rectify the growing trade deficit between the two countries in a manner that benefits both countries.

Currency manipulation has not been an issue for our membership. There are, however, many areas that our members view as unfair or discriminatory policies and practices in Vietnam. Examples include digital trade and broadcast, pharmaceutical imports, intellectual property rights, customs and tax procedures, and more.

To effectively address the trade imbalance, we would prefer the Administration continue to work closely with the US business community in Vietnam on the principal challenges and opportunities that matter most. Success on many of these fronts would in fact contribute to the reduction of the bilateral trade deficit by increasing US exports of goods and services into Vietnam. Moreover, success would benefit US businesses and other US interests in many other ways.

The Bilateral Trade Deficit with Vietnam Does Not Justify Tariffs

Although the stated intent of the Investigation is to assess whether Vietnamese currency undervaluation harms the United States, it seems the motivation to initiate the Investigation appears to be primarily due to a rising US bilateral trade deficit with Vietnam.

AmCham does not believe that the 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.

In our view, the value of the commercial relationship between the United States and Vietnam cannot be measured by the trade deficit alone. And currency valuation needs to be assessed in terms of overall trade, foreign exchange needs, investment flows, inflation, and economic stability. Our members salute Vietnam's ability to maintain a stable macro-economic situation for over a decade.

While it is true that the bilateral US-Vietnam trade deficit had grown markedly in recent years, the cause of this growth appears to be driven primarily by the relocation and reassessment of supply chain security and sourcing operations from China to Vietnam. This shift was also driven by the imposition of tariffs by the Administration on goods imported from China and an attractive business environment in Vietnam, not by actions taken by the State Bank of Vietnam.

We urge the Administration to view this trend as evidence of its success in implementing their 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 US 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 US government prioritize the most pressing issues facing US businesses operating in or trading with Vietnam.

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 US exports of goods and services to Vietnam as the bilateral trade relationship develops on both sides.

Contact:

Adam Sitkoff
Executive Director
AmCham Hanoi
5 Tu Hoa Street, Hanoi, Vietnam
info@amchamhanoi.com