



U.S. SENATE COMMITTEE ON

Finance

SENATOR CHUCK GRASSLEY, OF IOWA - CHAIRMAN

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Opening Statement of Chairman Chuck Grassley

Senate Finance Committee Hearing on S. 3495:

A bill to authorize the extension of nondiscriminatory treatment to the products of Vietnam

Wednesday, July 12, 2006

Today's hearing provides the committee an opportunity to examine a bill introduced by the Ranking Member, Senator Baucus, to authorize the extension of nondiscriminatory treatment to the products of Vietnam. This treatment is also referred to as permanent normal trade relations. Under current law, we afford Vietnam conditional normal trade relations. It's conditional because it has to be renewed annually under Title IV of the Trade Act of 1974. Title IV is sometimes referred to as the Jackson-Vanik amendment. The bill Senator Baucus introduced would change that. It would allow the President to proclaim that Jackson-Vanik no longer applies to Vietnam and that 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 to explore the context for its consideration.

By context I mean the current state and direction of our bilateral relations, as well as the pace and direction of internal reforms within Vietnam. The impetus for Senator Baucus' bill is the recent conclusion of our bilateral agreement on Vietnam's accession to the World Trade Organization. Vietnam has been negotiating the terms of its accession since 1995. We still need to complete multilateral negotiations on a Working Party Report and Protocol of Accession that describes how Vietnam will conform its laws and regulations to conform to the rules of the World Trade Organization. Once those multilateral negotiations are completed and Vietnam accedes, the United States must extend unconditional normal trade relations to Vietnam.

If we don't, we won't enjoy the market access benefits of our bilateral agreement with Vietnam. And those benefits are 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 less. We'll realize significant reductions in duties on our exports of beef, pork, soybean, fruit, and dairy products, among others. And more than 94 percent of U.S. exports of manufactured goods will face duties of 15 percent or 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 include banking, insurance, telecommunications, energy, express delivery, distribution, and computer and related services.

So the commercial merits of Vietnam's accession to the World Trade Organization are amply demonstrated. But that's not to say there aren't any concerns. For example, concerns have been raised that Vietnam does not adequately protect human rights and religious and political freedoms.

We're going to hear from some of our witnesses who will testify about those concerns. I look forward to their testimony. 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 in Vietnam.

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 as soon as possible. The list includes Madeleine Albright, James Baker III, Warren Christopher, Henry Kissinger, Robert Rubin, and Colin Powell, among others. In addition to that letter, the committee has received numerous statements in support, each of which will be made part of the record. We've also received statements expressing additional concerns, such as the inadequate protection of intellectual property rights in Vietnam. Those statements will be made part of the record as well.

We have a diverse group of witnesses for today's hearing. On Panel 1 we have 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, the former president of the National Pork Producers Council, Christian Schlect, President of the Northwest Horticultural Council, Jeffrey Shafer, Vice Chairman of Global Markets at Citigroup, and Augustine Tantillo, Executive Director of the American Manufacturing Trade Action Coalition. And on Panel 3 we have 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 want to note for the record that the Committee also sought to have a labor witness testify at today's hearing. Committee staff reached out to the AFL-CIO, the International Brotherhood of Teamsters, and the Union of Needletrades, Industrial and Textile Employees. Apparently there were some scheduling conflicts, and those organizations were unable to send a witness to today's hearing. I encourage them to submit statements for the record.