

TPP Dialogue Meeting • AmCham, VCCI, and Key Export Industry Associations

May 8, 2013

AmCham Statement

1 Introduction and Background

The purpose of the meeting is to exchange views between business leaders about the opportunities and challenges of the Trans-Pacific Partnership negotiations, and how we might cooperate together in encouraging our respective governments to reach a successful conclusion to the negotiations in a timely fashion.

About two weeks ago, on Apr 22-24, the acting U.S. Trade Representative visited Hanoi for high-level meetings with Vietnam's leaders to encourage the Government in completing the negotiations so that the TPP agreement could be signed at the APEC Leaders Meeting in Bali, Indonesia, scheduled for October 1-8, 2013. We had an opportunity to meet with him and Ambassador Shear. We expressed our concern to that Vietnam was lagging behind others and might not be ready to join the TPP, as expressed by MPI Minister Bùi Quang Vinh.¹

In the past, AmCham and Vietnam's business and industry associations have cooperated closely, together with both Governments, on the Bilateral Trade Agreement, the Bilateral Textile Agreement, and Vietnam's WTO Accession. Partly as a result of this cooperation, strong trade and investment relations have developed between Vietnam and the U.S., so that bilateral trade reached \$24.9 billion in 2012, of which \$20.3 billion was U.S. imports from Vietnam,² including \$7.7 billion of textiles and apparel³ (about 40% of Vietnam's exports to the U.S. and about 50% of Vietnam's textiles and apparel exports); \$1.6 billion in sporting and camping apparel, footwear and gear, and \$1.1 billion of footwear of leather, rubber, or other materials (about 31% of Vietnam's exports in this category); \$2.3 billion of furniture, household items, and baskets; and \$1.1 billion of fish and shellfish.⁴ If present trends continue, bilateral trade is expected to reach \$50 billion by 2020, including \$41.7 billion U.S. imports from Vietnam, and one estimate is that, with TPP, bilateral trade could reach \$63 billion by 2020, including \$52.4 billion U.S. imports from Vietnam and \$22 billion of U.S. apparel imports from Vietnam.⁵

In addition, we have cooperated closely, but without much success, since 2008 with MOLISA and VCCI on the revised Labour Code, minimum wage adjustments, etc. In October last year, a letter to the Government from VCCI and a number of other key industry associations was an important factor in persuading the government to decide on a minimum wage adjustment of 2.35 million vnd/month in Region 1, compared with original options of 2.7 million vnd/month or 2.5 million vnd/month. So the voice of Vietnam's business associations can have a very positive effect. Cooperation between American and Vietnamese businesses on issues of mutual interest has proven to be effective.

We have read with great interest the presentations on the TPP by VCCI, VITAS, and LEFASO, as well as the MoIT presentation by Mr. Ngo Chung Khanh, Deputy Director General of the Multilateral Trade Policy Department on "TPP Negotiations and Vietnam's Participation" at the March 28, 2013 seminars organized by STAR and the WTO Center.⁶

And we would like to share with you AmCham companies' viewpoints on the TPP opportunities and challenges, and discuss how we can cooperate to reach a timely and successful conclusion of the negotiations in the coming months.

¹ <http://www.amchamvietnam.com/30439620/vietnam-to-join-tpp-when-ready/>

² <http://www.census.gov/foreign-trade/balance/c5520.html>

³ <http://otexa.ita.doc.gov/msr/catV0.htm>

⁴ <http://www.census.gov/foreign-trade/statistics/product/enduse/imports/c5520.html>

⁵ <http://www.amchamvietnam.com/30439682/tpp-can-double-vietnamese-garment-exports-to-us-vitas/> and

<http://www.amchamvietnam.com/6085/vietnam-s-apparel-producers-gear-up-to-prepare-for-tpp/>

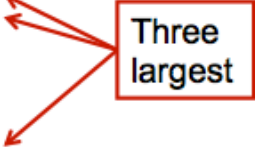
⁶ <http://www.amchamvietnam.com/30440527/seminar-vietnams-viewpoints-on-the-trans-pacific-partnership-tpp-mar-28-2013/>

2. Export and Economic Growth Benefits of TPP

The VCCI WTO Center presentation⁷ on Mar 28, 2013 highlighted Vietnam's expectations of the TPP, starting with increased exports. According to the most recent estimates presented by Professor Peter Petri,⁸ the TPP (TPP-12, including Japan) would increase Vietnam's exports from the expected "baseline" in 2025 without TPP of \$239.0 billion (of which apparel and footwear exports would total \$113 billion) by \$67.9 billion to \$307 billion (of which apparel and footwear exports would increase by \$51.9 billion to \$165 billion). In percentage terms, total exports would increase by 28.4% over the baseline, and apparel and footwear exports would increase by 45.9% over the baseline.

Summary of Changes in Vietnam's exports from the baseline 2025 with TPP-12

	Baseline 2025	Change in exports \$bill.		
		TPP-12	RCEP	FTAAP
Primary products	22.9	-2.8	0.5	-3.7
Rice	2.4	-0.2	0.1	-0.2
Wheat	0.0	0.0	0.0	0.0
Other agriculture	6.5	-1.3	0.4	-1.4
Mining	14.0	-1.3	0.1	-2.1
Manufactures	207.4	71.5	28.8	142.8
Food, beverages	5.9	-0.9	-0.3	-1.6
Textiles	26.0	12.9	5.0	30.1
Apparel, footwear	113.0	51.9	19.5	106.4
Chemicals	8.8	0.0	1.3	2.0
Metals	5.2	-0.1	0.0	-0.6
Electrical equipment	6.6	1.1	1.0	1.3
Machinery	14.4	2.0	1.7	3.0
Transport equipment	3.2	0.2	0.5	0.5
Other manufactures	24.2	4.3	0.2	1.7
Services	8.6	-0.8	0.5	-1.5
Utilities	0.0	0.0	0.0	0.0
Construction	1.2	0.0	0.7	0.4
Trade, transport, comm.	2.3	-0.3	0.1	-0.4
Private services	5.1	-0.5	-0.2	-1.4
Public services	0.1	0.0	0.0	0.0
Total	239.0	67.9	29.9	137.7



This is just an estimate, but gives an indication of potential export growth benefits. According to Professor Petri, traditional economic models often underestimate the trade gains of free trade agreements.⁹ For example, in the case of the North American Free Trade Agreement (NAFTA) among the United States, Canada and Mexico, actual increases turned out to be five times as large as those estimated with similar models. The Petri model is a newer model that accounts for new trade being generated.

In another example, the World Bank estimated that Vietnam's exports to the U.S. would rise to \$1.3 billion – more than double 1999 levels – in the first year of MFN status, as U.S. tariff rates on Vietnamese exports would fall from their non-MFN average of 40% to less than 3%. In particular, Vietnamese garment exports were expected to record a tenfold increase in the first year after receiving MFN treatment. In fact, Vietnam's exports to the U.S. in 2002, the first year of the BTA, were \$2.4 billion, about four times 1999 levels, and garment exports were \$952 million, a nearly

⁷ http://www.amchamvietnam.com/wp-content/uploads/2013/05/130328-2.3.e.-VCCI_TPP-negotiation-updates-and-concerns-of-VNese-business-community_Eng-web.pdf, pg 9 Increased exports, access to low-priced goods/materials, competitive local service market, institutional and administrative reform ["structural reform"]

⁸ slide 17 of Petri's presentation with VCCI WTO Center on Mar 28, 2013 at <http://www.amchamvietnam.com/wp-content/uploads/2013/05/130328-2.2.e.-Petri-TPP-Vietnam-24mar13-v2-web.pdf>, http://asiapacifictrade.org/?page_id=106 and <http://www.asiapacifictrade.org/wp-content/uploads/2013/04/sectoral-TPP11-16-RCEP-FTAAP-12-Apr-13.xlsx>, array MF1-MU2

⁹ <http://www.amchamvietnam.com/30439805/the-big-benefits-of-japans-joining-the-tpp-negotiations/>

twenty-fold increase over the 2001 level of \$49 million.¹⁰

Previous trade agreements brought not only the direct benefits of export growth, but also a number of indirect benefits. These included the growth in both foreign and domestic investment and an overall increase in business confidence spurred by new trade and investment opportunities. Many of these investment opportunities were seized by private Vietnamese companies, and a new breed of Vietnamese entrepreneurs.

Past agreements also included provisions aimed at making regulation of business more consultative and transparent. While more needs to be done, the fact that we are meeting here today is evidence of the important voice that Vietnam's businesses have in developing thoughtful and effective economic and trade policy.

Largest income gains in TPP

	GDP 2025	Income gains (\$bill)		% of baseline	
		TPP11	TPP11 + Japan	TPP11	TPP11 + Japan
United States	20,273	23.9	76.6	0.1	0.4
Japan	5,338	-1.2	104.6	0.0	2.0
Vietnam	340	26.2	35.7	7.7	10.5
WORLD	103,223	74.5	223.4	0.1	0.2

In addition to the potential export growth benefits, the potential GDP growth benefits are also substantial.

According to Professor Petri's estimates,¹¹ Vietnam's GDP in 2025 with TPP-12, including Japan, would be 35.7% higher than the baseline estimate. This is particularly important now that Vietnam is in a "structural growth decline" period, according to the World Bank.

3. Vietnam's Business Community Interests and Concerns

[about 30 minutes for Vietnam side to present their viewpoints]

Note: see attached background paper: "Four Main Concerns of Vietnam's Business Community."

We would welcome hearing the main interests and concerns of Vietnam's business community.

4. AmCham Interests and Concerns

Thank you for sharing with us your interests and concerns.

Let me share with you some of AmCham's interests and concerns.

We in AmCham consider ourselves a part of the Vietnam Business Community. We have always cooperated closely with Vietnamese businesses and key associations to help make Vietnam the best business and investment destination in Southeast Asia by working to improve the legal and regulatory environment and thereby promote trade and investment between the U.S. and Vietnam in particular, and the U.S. and ASEAN in general. I mentioned earlier our cooperation on the BTA, the Bilateral Textile Agreement, Vietnam's WTO Accession, and an effort to modernize Vietnam's Labour Code.

Now we are focused on the TPP. We were concerned earlier this year that Vietnam was falling behind in the TPP negotiations process. The U.S. Chief TPP Negotiator, Barbara Weisel, said in a Feb 12 seminar at the U.S. Congress that "Negotiations where we have no FTAs are being conducted bilaterally and at a pace that is responsive to the offers that we've gotten from the other countries. The key county here is Vietnam, where we're looking to insure that we have significant market access in areas of interest to the United States. Vietnam is looking for improved access in footwear and textiles, which are sensitive areas for us. We are slowly making progress on a package that will be balanced, and addresses the interests of both countries, but we have to do so in a way that is comfortable for both

¹⁰ Textiles and Apparel: Assessment of the Competitiveness of Certain Foreign Countries, U.S. International Trade Commission, pg G-4, http://books.google.com.vn/books?id=3cr3qhV-QYQC&pg=SL7-PA4&lpg=SL7-PA4&dq=%22u.s.+apparel+imports,+vietnam,+2001%22&source=bl&ots=jOBveUEjVu&sig=2tIQ_2TgOw5DA7BwrT_Y-8uBVes&hl=en&sa=X&ei=3piEUdO5KZC6iAeQhICACQ&redir_esc=y#v=onepage&q=%22u.s.%20apparel%20imports%2C%20vietnam%2C%202001%22&f=false

¹¹ <http://www.amchamvietnam.com/wp-content/uploads/2013/05/130328-2.2.e.-Petri-TPP-Vietnam-24mar13-v2-web.pdf>, pg 13

countries.”¹²

“We are slowly making progress ...” was an indication that progress was too slow, that Vietnam was not keeping up with the pace. We were concerned, and expressed our concerns to the U.S. Government. We mentioned the important role of Vietnam in ASEAN and U.S. trade with the region, and we asked for U.S. Government action to help ensure Vietnam’s inclusion in the historic TPP agreement.¹³

Partly in response to our request, acting U.S. Trade Representative, Ambassador Demertios Marantis, together with U.S. Chief TPP Negotiator Barbara Weisel, visited Hanoi April 22-24 to help accelerate progress after the April 20-21 meeting in Indonesia of the APEC Ministers with responsibility for Trade. He met with Vietnamese President Truong Tan Sang, with Deputy Prime Minister Vu Van Ninh, and with ministers and vice-ministers at Vietnam’s ministries of Planning and Investment, Environment and Natural Resources, and Agriculture and Rural Development. Ambassador Marantis also met with the president of the Vietnam General Confederation of Labor, the chairman of Vietnam’s Economic Committee, the Prime Minister’s chief advisor on TPP, and with U.S. businesses (AmCham).¹⁴

The next round of negotiations will be held in Lima, Peru May 15-24, and negotiators plan to complete their work on some chapters and to accelerate progress on more challenging issues that remain including (1) intellectual property, (2) competition/State-owned enterprises, and (3) environment, as well as on the (4) market access packages for goods, (5) services/investment, and (6) government procurement.¹⁵ They seriously plan to work out solutions to outstanding sensitive issues, so that after the July round (in Malaysia?), all will be ready for the political decisions that need to be made in order to achieve the TPP Leaders’ objective of a high-quality, ambitious, and comprehensive agreement that can be signed this year at the October 1-8 APEC Leaders Meeting in Indonesia.

We’d like to share the following AmCham interests and concerns with you.

Vietnam needs to be realistic and take more initiative in moving the TPP talks forward

In fact, Vietnam has been slowing down the process. We have heard that on some or many chapters where there is almost complete agreement among the participants, only Vietnam still has many objections.

With TPP-12 multilateral negotiations, Vietnam can’t wait until the last minute to make meaningful offers on market access for goods, services, etc. Others will already have made compromises and moved on to the harder, more sensitive areas that require higher-level political decisions.

We have also heard that Vietnam has even opposed some commitments that are in FTAs that the U.S. has already signed in recent years and the U.S. Congress has approved, such as the Labor Chapter and the Textiles and Apparel Chapter.

VCCI’s viewpoint on the Labor Chapter,¹⁶ “Vietnam is not ready for such high requirements on labor standards and implementation, which would increase costs for entrepreneurs, risk workers’ unemployment, and have high implementation costs. Vietnam should reject proposals on application of high labor standards that are unclearly listed. And reject proposals on unreasonable sanctions to be applied to enterprises and unfeasible for operating bodies (e.g., preventing measures

¹² <http://www.amchamvietnam.com/30437715/tpp-trade-discussion-highlighted-challenges-opportunities-feb-12-2012/>

¹³ <http://www.amchamvietnam.com/wp-content/uploads/2013/04/Letter-from-AmCham-Vietnam-to-USTR-Ambassador-Ron-Kirk-Mar-8-2013.pdf>

¹⁴ <http://www.ustr.gov/about-us/press-office/press-releases/2013/april/US-advances-TPP-goals-Vietnam>

¹⁵ <http://www.ustr.gov/about-us/press-office/press-releases/2013/april/joint-statement-tpp-ministers> “As the negotiating teams prepare for the next round in Lima, Peru, set for May 15-24, ministers agreed on next steps to advance the TPP talks in a range of areas. They directed negotiators to complete their work on some chapters and to accelerate progress on more challenging issues that remain including intellectual property, competition/State-owned enterprises, and environment, as well as on the market access packages for goods, services/investment, and government procurement. Ministers committed to intensifying their own engagement over the coming months to work out solutions to outstanding sensitive issues and to achieve the TPP Leaders’ objective of a high-quality, ambitious, and comprehensive agreement this year.”

¹⁶ Pg 17, http://www.amchamvietnam.com/wp-content/uploads/2013/05/130328-2.3.e.-VCCI_TPP-negotiation-updates-and-concerns-of-VNese-business-community_Eng-web.pdf

for goods at borders)”¹⁷ would be “a step backwards,” and not acceptable to the U.S. Congress. We hope that Vietnam will consider carefully what the U.S. and many other countries have already agreed to in the Labor Chapters of many other Free Trade Agreements, most recently the Korea-U.S. FTA Labor Chapter,¹⁸ and not propose what would be changes to existing generally accepted FTA practice.

Similarly, the VCCI and VITAS position on Rules Of Origin seems politically unrealistic, since there have been “Yarn-Forward” Rules of Origin, made flexible by the “Short Supply” provisions in the Textiles and Apparel Chapters of all U.S. FTAs for the past several years, most recently in the Korea-U.S. FTA.¹⁹ And in December 2012, the U.S. offered an even more flexible “Temporary [Three year] Short Supply” initiative in the TPP.²⁰

VCCI’s recommendation “(1) ROO - simpler the better; (2) Ensure Vietnam’s real benefits from TPP tariff cuts; (3) Interests of TPP members - most important (It’s unacceptable to apply unfavorable ROO rules to TPP members due to concern that other non-TPP member [China] will benefit from TPP).” [VCCI, 3/28/13]²¹

VITAS recommendation: “U.S. Government officials insist on yarn-forward rule and other restrictive regulation. Major U.S. buyers and their vendors have expressed little interest in investing in Vietnam to benefit from TPP. Vietnam T&A sector is not ready for yarn-forward.” [VITAS, 3/28/13]²²

We need to keep in mind the different positions of the U.S. importers/retailers/”brands” and their “partner factories” in Vietnam from Korea, Taiwan, etc., and the Vietnam textile and apparel industry, which accounts for 15 ~ 20% of Vietnam’s apparel exports, according to a presentation on **Investment in Vietnam’s Textile and Garment Industry**, by Le Tien Truong, First Vice President, VINATEX - Vietnam National Textile & Garment Group. VINATEX accounts for only \$2.7 billion of \$18 billion exported.²³

	2005	2006	2007	2008	2009	2010	2011	E2012
■ The whole industry	4838	5927	7780	9100	9007	11200	15800	18000
■ Vinatex	1007	1199	1293	1613	1639	2000	2390	2700

■ The whole industry ■ Vinatex

And we need to remember, also, the viewpoint of U.S. textile industry, represented by the [National Council of Textiles Organizations](#), and their international partners from 31 countries in Africa and the Americas, organized in the [TAAT Textile and Apparel Alliance for TPP](#). This coalition represents more than two million employees, of which 500,000 are in the U.S., and exports of textiles from the U.S. of more than \$22 billion in 2011. Their point of view is that “Strong textile rules of origin in TPP can similarly drive increased exports of U.S. textile products, including apparel yarns and fabrics, to Asia.

“As the major supplier of textile inputs to Vietnam, China would benefit more than any other country from a ‘flexible rule of origin.’ Apparel orders would quickly switch from U.S. FTA partner countries to Vietnam in order to get duty-free access to subsidized Chinese yarns and fabrics. As the Western Hemisphere loses apparel orders, orders for yarns and fabrics from U.S. textile mills would shrink as well, leading to widespread plant closures and job losses [in the United States].

“The same scenario would face textile producers throughout the TPP region. By giving Chinese producers special access under a ‘flexible rule,’ there would be little incentive to put textile plants –

¹⁷ 130508 Vietnam’s Four Main Concerns, pg 2, last paragraph

¹⁸ http://www.ustr.gov/sites/default/files/uploads/agreements/fta/korus/asset_upload_file934_12718.pdf, Chap 19, Labor

¹⁹ http://www.ustr.gov/sites/default/files/uploads/agreements/fta/korus/asset_upload_file751_12702.pdf, Chap 4, Textiles and Apparel

²⁰ <http://www.amchamvietnam.com/30438972/tpp-short-supply-list-initiative/>

²¹ http://www.amchamvietnam.com/wp-content/uploads/2013/05/130328-2.3.e.-VCCI_TPP-negotiation-updates-and-concerns-of-VNese-business-community_Eng-web.pdf, pg 14

²² http://www.amchamvietnam.com/wp-content/uploads/2013/05/130328-2.4.e.-VINATEX_TPP-negotiation-Opportunities-and-challenges-for-Viet-Nam’s-textile-and-apparel-industry-web.pdf, pg 21

²³ Charts from pages 9-12 of Investment in Vietnam’s Textile and Apparel Industry, Nov 2012 http://www.itmf.org/wb/media/hanoi/afterhanoi/Le_Tien_Truong.pdf

and textile jobs – in the TPP region. Instead, the importers' proposal would drive new investment in China as importers shift apparel orders to Vietnam and, in turn, increase their sourcing of Chinese yarns and fabrics to fill those orders. A 'flexible' rule of origin cuts out the possibility for more U.S. textile exports to and investment in the TPP region, including Vietnam, by cutting out the requirement that textile products be produced in the region."²⁴

Whatever we may think about the economics of the different points of view, we need to be aware of the politics, as well.

In closing on this point, we need to consider the VITAS comment in the presentation on Mar 28, 2013 that "Major U.S. buyers and their vendors have expressed little interest in investing in Vietnam to benefit from TPP. Vietnam T&A sector is not ready for yarn-forward."²⁵

However, in 2006, just as Vietnam was about to become a member of WTO, one of Vietnam's Top 10 FDI Projects in 2006 was the **US-based International Textile Group (ITG)** investment of about \$65.5 million to build a production complex in Da Nang.²⁶ The was a joint venture of ITG's Burlington Worldwide subsidiary and Vietnam's Phong Phu Corp, an equitized SOE textile company. At the time, ITG owner Wilbur Ross said, "We are extremely excited about Vietnam. The workforce is disciplined, and they have a good work ethic and manual dexterity. I don't see any structural reason why Vietnam over time cannot approach or exceed Korean levels. This is particularly true now that Vietnam has been admitted to the WTO and has achieved permanent normal trade relation status with the US."²⁷

But in January 2012, the joint venture shut down production because of certain disputes between ITG and Phong Phu.²⁸

The ITG comprehensive global supply chain strategy is to combine capabilities in the U.S. and Mexico with international greenfield facilities, such as in Vietnam, to allow ITG to seamlessly supply products and related services to customers worldwide. ITG believes that geographically aligning with customers is a critical component of success. However, the strategy did not work in Vietnam, for some reason.

The question of Vietnam's "investment climate"²⁹ needs to be addressed, as FDI is steadily declining over the past three years. Vietnam's ranking on the World Bank "Ease of Doing Business," and Transparency International's "Corruption Perception Index" is also not good. Even the Prime Minister recently said in a cabinet meeting that better conditions are needed to attract FDI.³⁰

²⁴ http://www.ncto.org/newsroom/Testimony2011-1214--NCTO_TPP_WaysandMeans.pdf

²⁵ http://www.amchamvietnam.com/wp-content/uploads/2013/05/130328-2.4.e.-VINATEX_TPP-negotiation-Opportunities-and-challenges-for-Viet-Nam's-textile-and-apparel-industry-web.pdf, pg 21

²⁶ <http://www.amchamvietnam.com/1284/vietnam-s-top-10-fdi-projects-in-2006-include-three-u-s-investments/>

²⁷ <http://www.amchamvietnam.com/1416/who-is-wilbur-ross-and-what-does-he-think-about-vietnam-international-textile-group/>

The workforce is disciplined, and they have a good work ethic and manual dexterity. Vietnam has about 85 million people -- one and one-half times the population of South Korea. And when you think about how important South Korea has become to the world economy, I don't see any structural reason why Vietnam over time cannot approach or exceed Korean levels. This is particularly true now that Vietnam has been admitted to the WTO and has achieved permanent normal trade relation status with the US. In both cases Vietnam had to make some real sacrifices in terms of its contractual obligations -- but it achieved these goals so we are very keen about opportunities there

²⁸ <http://biz.yahoo.com/e/120330/itxn10-k.html> ITG's strategy is to be the leading, globally diversified provider of textiles and related supply chain solutions for its customers. As such, the Company's manufacturing footprint includes 15 production facilities in 5 countries. However, **the Company's manufacturing complex in Vietnam was idled in January 2012**. The Vietnam facility has continued to incur significant operating losses primarily due to a shortage of available working capital resulting in plant curtailments, late customer deliveries and high air freight costs. As such, the Company and with the assistance of WLR Recovery Fund IV, L.P. ("Fund IV") made additional investments in the ITG and Phong Phu ("ITG-PP") joint venture during 2011. Currently there is no capacity utilization and certain disputes exist between the Company and its joint venture partner. The Company and its joint venture partner have entered into an arbitration process to resolve their disputes. As a result of such disputes, in December 2011 the board of directors of ITG-PP passed a resolution to idle the Vietnam operation for an unknown period of time which idling began in January 2012. The Company continues to monitor its strategic alternatives in those regions. Combined with capabilities in the U.S. and Mexico, the international greenfield facilities are key parts of the Company's comprehensive global supply chain solution that is intended to allow the Company to seamlessly supply products and related services to customers worldwide. We believe geographically aligning with our customers is a critical component of our success.

²⁹ Vietnam: Investment Climate Statement http://export.gov/vietnam/static/2012%20CCG_Latest_eg_vn_056243.pdf

³⁰ <http://www.amchamvietnam.com/30439813/pm-better-conditions-needed-to-attract-investment/>

Customs and Trade Facilitation³¹

This is an important area for AmCham companies. We, as well as many Vietnamese companies, face considerable delays in dealing with Customs in Vietnam. If present trends continue, bilateral trade between Vietnam and the United States could nearly double, from about \$25 billion in 2012 to nearly \$50 billion by 2020, and more than \$60 billion with TPP. The increasingly global nature of supply chains means that efficiency of exports is dependent on efficiency of imports. We need to cooperate closely with the General Department of Vietnam Customs and the regional customs offices in order to manage this explosive growth. Not only will bilateral trade increase, but also intra-ASEAN trade, based on the ASEAN Economic Blueprint 2015, to achieve a single market and production base, a highly competitive economic region, equitable economic development, and fully integrated into the global economy.

So we look forward in particular to robust implementation of the commitments in the Customs and Trade Facilitation Chapter, in particular Automation (eCustoms), Express Shipments, Advance Rulings, and the Right of Appeal.

Effectiveness of the Customs function relies not only on the degree to which it integrates with partner countries, but also how well it integrates with other regulatory agencies within Vietnam. Many of the bottlenecks importers/exporters experience at customs are the result of regulations issued by other agencies without sufficient notice to or consultation and coordination with the Department of Customs or the relevant business stakeholders.

Regulatory Coherence, Coordination and Transparency (including TBT and SPS)

Another key area of interest and concern for AmCham is Regulatory Coherence and Transparency. Frankly, we have been disappointed with Vietnam's implementation of its transparency commitments in the Report of the Working Party on Vietnam's Accession to WTO,³² as ratified by the National Assembly in November 2006,³³ to "... publish in an official journal all laws, regulations, decrees, judicial decisions and administrative orders or rulings of general application or other measures having similar effect relating to trade or economic policy in such a manner as to enable governments and traders to become acquainted with them." And to allow "... a reasonable period, i.e., no less than 60 days, for Members, individuals, associations and enterprises to provide comments to the appropriate authorities before such measures are adopted."

Moreover, we do not feel that "The Government would take into account any comments received during the period for commenting." For example, during four years, 2008-2012, and more than forty meetings regarding the revised Labour Code that many in this room participated in, not only AmCham but all business associations, both foreign and Vietnamese recommended that workers be allowed more overtime and that maternity benefits be maintained at the then current level of four months, already the most generous in Asia. However, the revised Labour Code, approved in June 2012, maintained the 200 hours/year limit on overtime and extended maternity benefits to six months.

While we cannot expect that all policies favored by the business community will receive unqualified acceptance by policymakers, we believe that discussion results in more thoughtful and effective policy. In the case of the maternity leave issue, regretfully, we don't believe real discussion ever took place. The issue was presented as simple trade off of mothers' health vs. economic growth, when no such

³¹ http://www.ustr.gov/sites/default/files/uploads/agreements/fta/korus/asset_upload_file732_12705.pdf KORUS FTA, Chap 7, Customs and Trade Facilitation

³² <http://www.amchamvietnam.com/9247/attachment-b-to-jan-24-2013-letter-to-molisa-re-foreign-workers-work-permits-and-no-less-than-60-days-comment-period/> "518. The representative of Viet Nam confirmed that from the date of accession his Government would fully implement Article X of the GATT 1994, Article III of the GATS and the other WTO transparency requirements, including those requiring notification, prior comment and publication. As such, all laws, regulations, decrees, judicial decisions and administrative rulings of general application pertaining to or affecting customs issues, trade in goods, services, intellectual property and the control of foreign exchange would be published promptly in a manner that fulfils the WTO requirements, and no such laws, regulations, decrees, judicial decisions and administrative rulings of general application would become effective or be enforced prior to such publication, ... The representative of Viet Nam confirmed that with respect to proposed laws, ordinances, decrees and other regulations and measures issued by the National Assembly and the Government pertaining to or affecting trade in goods, services, and intellectual property, Viet Nam would provide."

³³ <http://www.amchamvietnam.com/wp-content/uploads/2013/01/D-E-National-Assembly-Resolution-71-Nov-29-2006-and-Annex.pdf>

trade-off need ever have existed. We could have discussed “How can we optimize the health of Vietnamese while minimizing the impact on manufacturing cost and competitiveness?” Only through such constructive public-private dialogue can Vietnam achieve the optimal balance between the economic growth and the social good.

Regulatory coherence and transparency in preparing laws and regulations would lead to the “institutional and administrative reform” that VCCI and Vietnam’s business community have highlighted as a positive factor in the TPP negotiations. It would reduce the number of “unworkable laws”³⁴ and decrees that too often are arbitrarily imposed in Vietnam, for example the many overlapping taxes and fees on vehicles.³⁵

Competition/State-Owned Enterprises³⁶

We have not seen the TPP Chapter on Competition/State-Owned Enterprises, which will be high on the agenda for accelerated progress at the 17th Round of TPP Negotiations in Lima, Peru, May 15-24. But we expect that it will help promote institutional and administrative reform in Vietnam, one of the positive outcomes of TPP mentioned in the VCCI 28/03/2013 Presentation³⁷

The U.S. also has State-Owned Enterprises (SOEs) or Government-Owned Corporations (GOC).³⁸ For example, San Francisco International Airport is owned by the City and County of San Francisco, O’Hare International Airport is owned by the City of Chicago Department of Transportation, the Port of Los Angeles and Los Angeles International Airport are owned by the City and County of Los Angeles, and the Port Authority of New York and New Jersey,³⁹ an interstate agency the states of New York and New Jersey, owns and operates five airports (including JFK, LaGuardia, Newark), several container seaports that account for 30% of container shipments on the U.S. East Coast, bridges and tunnels in the NY-NJ area, and the World Trade Center, which is being rebuilt.

There are also many SOEs in OECD countries, in Europe, Japan, Korea, etc. The OECD has published “OECD Guidelines on Corporate Governance of State-Owned Enterprises.”⁴⁰ Perhaps some of these guidelines will be in the TPP Chapter on Competition/State-Owned Enterprises.

Outside the United States, SOEs with a more commercial focus may be more prevalent, particularly in emerging markets. Governments have justified the rise of such forms of hybrid capitalism as a way to “solve market failures,” or promote economic and social development. Private companies, in contrast, see the rise of new state-owned enterprises, firms with minority government ownership, and private companies backed by loans of development banks as threats.⁴¹

We agree with the World Bank and many others that “Delayed and inadequate implementation of structural reforms including the resolution of bad debts in the banking sector and SOEs are dragging down Vietnam’s long-term growth potential.”⁴² Prime Minister Decision 929 and Decision 704 have set some important deadlines. “The question is how to raise public investment efficiency, and improve transparency across the board, which is needed to support Vietnam’s middle income status. Concentration of economic power in a small number of large firms undermines efforts at economic

³⁴ <http://english.thesaigontimes.vn/Home/features/friday/27678/>

³⁵ <http://english.vietnamnet.vn/en/special-report/20224/huge-cost-for-owning-a-car-in-vietnam.html> *No place in the world like Vietnam--where people have to pay three kinds of taxes and seven types of fees to use a car.*

³⁶ Gist from AmCham statement at 120509 Vietnam Business Forum, with some additional updated info.

³⁷ http://www.amchamvietnam.com/wp-content/uploads/2013/05/130328-2.3.e.-VCCI_TPP-negotiation-updates-and-concerns-of-VNese-business-community_Eng-web.pdf and <http://wtocenter.vn/other-agreement/recommendation-draft-business-community-tpp-negotiating-strategies> The recommendation on negotiating position and strategies for Vietnam in TPP negotiations is made by the Committee on International Trade Policies of VCCI on behalf of Vietnamese business community to send to the state Agencies in charge of negotiating TPP. This Recommendation Draft is made on the basis of desk study, discussion among specialists, survey on business associations and enterprises’ opinions. KHUYẾN NGHỊ CHÍNH SÁCH CỦA CỘNG ĐỒNG DOANH NGHIỆP VIỆT NAM VỀ ĐÀM PHÁN HIỆP ĐỊNH ĐỐI TÁC XUYÊN THÁI BÌNH DƯƠNG (Trans-Pacific Partnership - TPP)

³⁸ http://en.wikipedia.org/wiki/Government-owned_corporation

³⁹ <http://www.panynj.gov/corporate-information/governance.html> The governor of each state appoints six members of the agency’s Board of Commissioners, subject to state senate approval.

⁴⁰ <http://www.oecd.org/corporate/ca/corporategovernanceofstate-ownedenterprises/34803211.pdf>

⁴¹ <http://hbswk.hbs.edu/item/7020.html> Leviathan in Business: Varieties of State Capitalism and their Implications for Economic Performance

⁴² <http://www.amchamvietnam.com/wp-content/uploads/2006/12/Taking-Stock-An-Update-on-Vietnam-Recent-Economic-Developments.pdf>, pg 7 “Risks to Vietnam’s Economy” and pg 12 “Restructuring the SOEs.”

and social development. Large firms and industries that circumvent rules to their advantage are promoting corruption, and undermining efficiency, which damages the country's potential. The governance challenges are complex, but Vietnam's medium-term outlook will be much better if they are addressed sooner rather than later." And "There needs to be a greater emphasis on efficiency of public investment, restructuring of SOEs, and other structural reforms even if this means some moderation in short-term growth."⁴³

Good Governance and Anti-Corruption

We also have not seen the TPP Chapter on Good Governance and Anti-Corruption. But we expect that it will help promote institutional and administrative reform in Vietnam, one of the positive outcomes of TPP mentioned in the VCCI 28/03/2013 Presentation.⁴⁴

AmCham has been in the vanguard of efforts to promote good governance and anti-corruption, since our participation in and statement at the Prime Minister's Dialogue with Entrepreneurs on Oct 13-14, 2004.⁴⁵

We look forward to cooperation with the Vietnam Business Community on this issue.

5. Summary and Conclusion

In conclusion, the **Trans-Pacific Partnership (TPP)** will eliminate tariffs and non-tariff barriers to trade in goods and services, promote economic growth, and enhance trade between the 12 partners, including Japan, for their industrial and agricultural products, and services.

VCCI and Vietnam's business community recognize the benefits to Vietnam: (1) increased exports, (2) access to low price goods/materials, (3) competitive local service market, and (4) institutional and administrative reform.

Once again, according to the most recent estimates presented by Professor Peter Petri,⁴⁶ the TPP (TPP-12, including Japan) would increase Vietnam's exports from the expected "baseline" in 2025 without TPP of \$239 billion (of which apparel and footwear exports would total \$113 billion) by \$68 billion to \$307 billion (of which apparel and footwear exports would increase by \$51.9 billion to \$165 billion). In percentage terms, total exports would increase by 28.4% over the baseline, and apparel and footwear exports would increase by 45.9% over the baseline.

And, according to Professor Petri's estimates,⁴⁷ Vietnam's GDP in 2025 with TPP-12, including Japan, would be 35.7% higher than the baseline estimate. This is particularly important now that Vietnam is in a "structural growth decline" period, according to the World Bank.

For Vietnam, **TPP is the next step** after the 2001 Bilateral Trade Agreement (BTA) and 2007 World Trade Organization (WTO) accession in terms of gaining access to foreign markets and becoming more attractive to foreign investment.

⁴³ World Bank, Update on Vietnam's Economic Development, Dec 2011 <http://www.amchamvietnam.com/5178/world-bank-update-on-vietnam-s-economic-development-dec-6-2011/>

⁴⁴ http://www.amchamvietnam.com/wp-content/uploads/2013/05/130328-2.3.e.-VCCI_TPP-negotiation-updates-and-concerns-of-VNese-business-community_Eng-web.pdf and <http://wtocenter.vn/other-agreement/recommendation-draft-business-community-tpp-negotiating-strategies> The recommendation on negotiating position and strategies for Vietnam in TPP negotiations is made by the Committee on International Trade Policies of VCCI on behalf of Vietnamese business community to send to the state Agencies in charge of negotiating TPP. This Recommendation Draft is made on the basis of desk study, discussion among specialists, survey on business associations and enterprises' opinions. KHUYẾN NGHỊ CHÍNH SÁCH CỦA CỘNG ĐỒNG DOANH NGHIỆP VIỆT NAM VỀ ĐÀM PHÁN HIỆP ĐỊNH ĐỐI TÁC XUYÊN THÁI BÌNH DƯƠNG (Trans-Pacific Partnership - TPP)

⁴⁵ http://www.amchamvietnam.com/?page_id=710

⁴⁶ slide 17 of Petri's presentation with VCCI WTO Center on Mar 28, 2013 at <http://www.amchamvietnam.com/wp-content/uploads/2013/05/130328-2.2.e.-Petri-TPP-Vietnam-24mar13-v2-web.pdf>, http://asiapacifictrade.org/?page_id=106 and <http://www.asiapacifictrade.org/wp-content/uploads/2013/04/sectoral-TPP11-16-RCEP-FTAAP-12-Apr-13.xlsx>, array MF1-MU25

⁴⁷ <http://www.amchamvietnam.com/wp-content/uploads/2013/05/130328-2.2.e.-Petri-TPP-Vietnam-24mar13-v2-web.pdf>, pg 13

The TPP framework will **promote competition and efficiency** in all markets, leveling the playing field for businesses and investors across partner jurisdictions.

Key **aspects of the modern global economy** will be enshrined in the TPP, like greater protection of intellectual property rights, environmental commitments, and international labor standards. Each of these areas is consistent with Vietnam's emergence as an industrialized economy by 2020.

TPP participation **maintains momentum for Vietnam's structural reforms, modernization, and global integration**. According to the World Bank, Vietnam is caught in a "structural growth decline" with annual growth rates no longer at 8% but closer to 5%. Only structural reform, including restructuring SOEs and the banking sector, will put Vietnam back on a high growth path. The TPP would help achieve this.

TPP is urgent – the 12 partners, including Japan, seek a deal within the year. *Significant progress must be made at the 17th Round of Negotiations in Peru, May 15-24.*

Any Vietnamese export sector that still faces high tariffs in one of the TPP markets, including the United States, stands to potentially benefit. However, **TPP must be reciprocal** in that each partner will only enjoy the benefits when they also allow access to their market.

The TPP commitment is that **95+% of tariff line items to zero**: If we focus just on the possible gains regarding the U.S. market – and I must emphasize these are examples, not confirmed provisions – the benefits could be substantial in the short term. The United States has tariffs as high as 30% - 130% on some agricultural products. Tariffs on apparel and footwear are also relatively high. On footwear, 17 percent; even as high as 48 percent on some sneakers. For auto parts, the average tariff is 25 percent. Several of Vietnam's export products should see surges to the U.S. and other TPP markets.

Adaptability and entrepreneurship are Vietnam's strengths; and exactly what are needed to take advantage of TPP opportunities and rise to the challenge of competition.

The difficult steps and hard work required to complete the TPP on schedule represent a substantially **lower cost than missing the opportunity** for integration with 11 other markets. And the difficult steps and hard work are what will bring about the institutional and administrative reform that will make Vietnam in general, and businesses in particular, more competitive.

It seems that some other TPP countries may have decided that concluding a TPP Agreement in 2013 is more important than having Vietnam be a part of such an agreement. Although Minister of Planning and Investment implied that Vietnam might not be ready to join the TPP and can join at a later time "when ready,"⁴⁸ we believe that Vietnam is ready and the benefits would outweigh the costs by far. Therefore, we need to be realistic and take more initiative in moving the TPP talks forward, to make sure that Vietnam is included.

So, in closing, let me ask you, how can we cooperate to make sure that Vietnam will be fully on board with the TPP process and contribute to reaching agreement this year?

Attachment: Details of Petri's Quantitative Analysis of TPP Results for Vietnam

⁴⁸ <http://www.amchamvietnam.com/30439620/vietnam-to-join-tpp-when-ready/>

Note: Below table is from <http://www.asiapacifictrade.org/wp-content/uploads/2013/04/sectoral-TPP11-16-RCEP-FTAAP-12-Apr-13.xlsx>, array MF1-MU25, and is the basis of table slide 17 of Petri's presentation with WTO Center on Mar 28, 2013 at <http://www.amchamvietnam.com/wp-content/uploads/2013/05/130328-2.2.e.-Petri-TPP-Vietnam-24mar13-v2-web.pdf>

	Vietnam									
	Baseline	ΔExports USD2007bill.			% Baseline			Exports USD2007bill.		
Exports 2025	2025	TPP-11	TPP-12	TPP-13	TPP-11	TPP-12	TPP-13	TPP-11	TPP-12	TPP-13
Primary products	22.9	-2	-3	-4	-8.5	-12.0	-15.6	21	20	19
Rice	2.4	0	0	0	-6.4	-8.5	-11.1	2	2	2
Wheat	0.0	0	0	0	#DIV/0!	#DIV/0!	#DIV/0!	0	0	0
Other agriculture	6.5	-1	-1	-2	-14.4	-19.7	-24.5	6	5	5
Mining	14.0	-1	-1	-2	-6.1	-9.0	-12.2	13	13	12
Manufactures	207.4	49	72	94	23.8	34.5	45.3	257	279	301
Food, beverages	5.9	-1	-1	-1	-8.8	-14.6	-20.4	5	5	5
Textiles	26.0	9	13	19	33.7	49.7	72.4	35	39	45
Apparel, footwear	113.0	35	52	70	31.0	45.9	62.2	148	165	183
Chemicals	8.8	0	0	0	1.0	-0.2	-2.5	9	9	9
Metals	5.2	0	0	0	0.9	-1.2	-5.8	5	5	5
Electrical equipment	6.6	1	1	1	10.4	16.5	16.9	7	8	8
Machinery	14.4	1	2	2	6.1	14.0	12.9	15	16	16
Transport equipment	3.2	0	0	0	2.3	5.8	3.5	3	3	3
Other manufactures	24.2	4	4	3	18.4	17.9	14.4	29	29	28
Services	8.6	0	-1	-1	-3.7	-9.6	-15.3	8	8	7
Utilities	0.0	0	0	0	-16.8	-24.4	-31.6	0	0	0
Construction	1.2	0	0	0	-4.5	-2.3	-4.9	1	1	1
Trade, transport, comm.	2.3	0	0	0	-6.2	-11.1	-15.5	2	2	2
Private services	5.1	0	-1	-1	-2.2	-10.4	-17.4	5	5	4
Public services	0.1	0	0	0	-12.2	-18.3	-23.8	0	0	0
Total	239.0	47	68	89	19.8	28.4	37.3	286	307	328