

USTR Spurs Retailer Request To Remove Vietnam Commitments

U.S. Trade Representative Susan Schwab this week rejected a request by retailers that she withdraw a commitment made on behalf of the Bush Administration to consider self-initiation of antidumping cases against Vietnamese apparel imports on the basis of import data the executive branch will collect, according to informed sources. In a meeting with senior representatives of the retail industry, Schwab made it clear that this commitment stands as expressed in a letter to Sens. Lindsey Graham (R-SC) and Elizabeth Dole (R-NC), they said.

But she also conveyed the message that the Bush Administration would not capriciously bring antidumping cases against Vietnamese imports, and emphasized that the administration stands ready to work with the retailers to address the specific issues they are raising with respect to this commitment, according to these sources.

Retail representatives at the meeting failed to respond specifically to this USTR offer and did not lay out exactly what kind of explanation and clarification they were seeking from the Bush Administration, according to these sources. This may partially be due to the fact that the retailers are a diverse coalition that may find it difficult to find a common position beyond demanding that USTR and Commerce withdraw the commitments made to Dole and Graham, they said.

Other private-sector sources acknowledged that some in the retail community have taken a harder line on the issue and are pressing the administration to withdraw the pledge to Dole and Graham, which these sources acknowledged is impossible politically. However, these sources said some retail representatives are simply pressing for specific clarifications from the administration on how it will conduct antidumping investigations of Vietnamese exports.

For example, retailers are looking for assurances that if the administration considers an antidumping investigation of cotton trousers from Vietnam, it will only consider the impact of imports of cotton trousers on U.S. producers of cotton trousers, and not on producers of trousers from other fibers. It also continues to press for assurances that the U.S. will only consider the impact on makers of apparel, and not makers of apparel inputs.

Retailers and importers also want assurances that they will be participants, along with the textile industry, in providing input to the administration on its decisions.

Retailers plan to continue discussions with the administration and members of Congress ahead of House and Senate votes on legislation granting Vietnam permanent normal trade relations that are expected the week of Nov. 13, according to one private-sector source. This source said retailers want assurances from the administration that would give them confidence that \$1 billion in garments imported from Vietnam will not disappear as a result of the commitments in the Dole-Graham letter.

Retailers told USTR at the meeting that they would need to consult before offering a response, sources said. One private-sector source said the two sides have essentially until the return of Congress to reach some kind of accommodation.

Retailers and importers previously had been considering whether to approach a member of the Senate to place their own hold on the bill, sources said. In a related development, Sen. Dianne Feinstein (D-CA) has demanded a more detailed explanation from USTR of the Dole-Graham letter and USTR staff has met with her to address her objections, sources said. They said they did not know whether the objections Feinstein has raised on behalf of importer constituents formally constitute a hold, but made it clear her requests could pose a new obstacle for the Vietnam legislation.

In an Oct. 11 letter to Schwab and Commerce Secretary Carlos Gutierrez, retailers criticized the commitments to Dole and Graham and said failure to remedy the problem, preferably by revoking the commitments to Dole and Graham, would negate benefits from the U.S.-Vietnam trade partnership. The letter called for the issue to be remedied before the scheduled vote in November.

However, one private-sector source insisted the majority of retailers do not want to do anything to keep the Vietnam bill from moving in a lame-duck session.

Some private-sector sources charged that retailers seem to be so wound up about not having been consulted before the Bush Administration made its commitments to Dole and Graham that they are failing to see how they can shape the process for consideration of possible antidumping cases to their advantage as much as possible, sources said. They also emphasized that the retailers' request to withdraw the letter to Graham and Dole is politically unrealistic and may ultimately serve to solidify the pressure from Congress to initiate antidumping cases.

As a result of retailers not being prepared to engage with USTR on the issue, the meeting produced little more than the message from USTR that it will not back away from the letter, they said. The meeting also served to affirm that the retail groups do not oppose the legislation extending permanent most favored nation treatment to Vietnam despite their demands that they get a better explanation of the letter's commitments.

Separately, the working party on Vietnam's accession to the World Trade Organization as expected formally concluded its work on Oct. 26. A WTO official said the General Council is expected to meet Nov. 7 to decide on accepting Vietnam, but that this is considered a routine procedure.

Vietnam will still have to have its legislative body approve the terms of its accession before it can become a WTO member. It is expected for formally become a member in January 2007.