Inside U.S. Trade
May 5, 2006

USTR Cool To Textile Industry Demands For Vietnam Safeguard

U.S. trade officials have been cool to demands by the domestic textile industry that a bilateral market access deal paving the way for Vietnam's entry into the World Trade Organization include restraints for textile trade. Instead, U.S. officials have insisted that such an issue must be addressed in the multilateral working party negotiations, without making a specific commitment to do so, according to informed sources.

U.S. industry has demanded that the U.S. government put in place a textile and apparel safeguard similar to the one included in China's working party report but with streamlined procedures that would promote quicker action. That safeguard would be lifted once Vietnam eliminated its export subsidies, which the U.S. textile industry charges benefit the textile sector in Vietnam given that sector's relative importance to the economy.

Alternatively, the U.S. textile industry wants to continue existing quotas on some of the 25 categories of Vietnamese apparel exports put in place under a bilateral agreement in 2003 not subject to WTO disciplines. Under both proposals, the restrictions would stay in place until Vietnam eliminates its export subsidy programs and state-trading enterprises, sources said. The industry is opting for this approach over setting a specific end date for the trade restrictions.

This second option, sources said, would be more attractive to the industry because it would be more predictable and would not be subject to the uncertainties of having a safeguard petition approved by the U.S. government.

U.S. officials have signaled that they consider a safeguard or quota extension unnecessary because Vietnamese exports of textiles and apparel only make up 2 percent of the U.S. market. They do not dispute that Vietnamese apparel exports to the U.S. have increased from $49 million in 2001 to $2.4 billion by 2003 despite the existing quotas in place.

The 25 categories include cotton and man-made apparel, including knit shirts, trousers, underwear, blouses, nightwear, women's coats and wool slacks. These quotas increase by 6 to 8 percent a year, sources said.

The textile safeguard issue will likely be on the agenda next week when a delegation from Vietnam visits Washington D.C. for what it hopes will be the final negotiating session for the bilateral talks. Some private-sector sources speculated that the U.S. has been keeping the issue on the table to exert leverage on Vietnam to reveal a list of its export subsidies, which it wants eliminated upon accession.

Under WTO rules, export subsidies for industrial goods are prohibited as are subsidies contingent on the use of local components over imported ones.

In next week's meeting, Vietnam is expected to make a new market access offer and the U.S. is expected to press Vietnam on easing its restrictions on retail establishments and distribution rights.

Currently, U.S. companies can apply for licenses to sell or distribute goods, which Vietnam grants on a case-by-case basis. The U.S. has charged that the licenses are not granted in a consistent manner, according to private-sector sources.

The U.S. and Vietnam bilateral deal is the last one that needs to be concluded after Mexico concluded its bilateral talks with Vietnam on April 27. The focus will then be on negotiating the multilateral disciplines for Vietnam's accessions.

Technically, the bilateral concessions negotiated will be consolidated in one multilateral schedule and their benefits extended to all WTO members.

Vietnam has signaled it would like to conclude the negotiations in May ahead of the Asia Pacific Economic Cooperation trade ministers' meeting in Ho Chi Minh City in June, and accede to the WTO by November when President Bush attends the APEC summit in Hanoi.

The U.S. and Vietnam last met in Geneva on the fringes of the WTO working party meeting on March 27. At that meeting, Luong Van Tu, Vietnam's trade vice minister and chief negotiator, said the U.S. and Vietnam were "very close to a final deal."

The safeguard envisioned by the U.S. textile industry would be similar to the China textile safeguard in terms of its cap and invocation, sources said. The standard for invocation in the China accession agreement is market disruption or threat of market disruption, which is defined as "threatening to impede the orderly development of trade."

Under the China safeguard, China has to limit its shipments to 7.5 percent over the amount of imports during the first 12 months of the 15-month period preceding the U.S. request for consultations with China, which is the formal trigger that starts the safeguard. The limit for wool products is 6 percent of shipments in the same period.

However, sources said the U.S. industry wants the Vietnam safeguard to last a full year, regardless of when it is triggered.

Under the China rule, any safeguard that takes affect before October 1 lasts only till the end of that same year and only those safeguards that take effect on October 1 or after last a full calendar year.

U.S. industry would like the Vietnam quota to end on the anniversary date of the request for consultation, regardless of how many months are left in the year.

The U.S. textile industry has also suggested to shorten the process the government uses for accepting and acting on a safeguard petition, but has not tabled a specific proposal. Currently for China, the Committee on Implementation of Textile Agreements examines an industry petition for 15 working days, before scheduling a 30 day comment period and making a decision on the petition 60 days after that.

One source said the industry would like to see the initial consideration period cut from 15 days to 10. They also want to cut in half the comment period and the time used to decide the petition.

U.S. manufacturers have also suggested the U.S. government change its reliance on reported trade data by the Census Bureau, which are consistently two months behind the actual imports. Instead, the U.S. government should rely on preliminary trade data collected by Census.