

Washington Post

US, Vietnam sign trade deal to put Hanoi in WTO

By Grant McCool

Reuters

Wednesday, May 31, 2006; 8:03 AM

HO CHI MINH CITY (Reuters) - Former enemies Vietnam and the United States solidified peacetime ties by signing a new trade deal on Wednesday in the historic palace where communist tanks ended the war in 1975.

Vietnamese and American trade officials signed the pact, which will open the Southeast Asian country's markets in virtually every sector, in the Reunification Palace in Ho Chi Minh City, formerly Saigon.

It paves the way for one-party Vietnam to enter the World Trade Organization this year, 11 years after it began applying.

"I think you will see a jump in two-way trade soon after accession, but the companies who are already here will continue to do well and attract other companies," Virginia Foote, president of the U.S.-Vietnam Trade Council said at the palace,

the venue in February when Intel Corp. the world's biggest computer chip maker, announced a \$605 million investment.

Since a previous trade deal came into effect in 2001, Vietnamese exports to the United States have grown to more than \$6.5 billion in 2005. U.S. exports were more than \$1.2 billion.

Wednesday's signing is the latest in a series of business deals and diplomatic steps by the country of 83 million to integrate its small, but fast-expanding economy into the global trading system. Vietnam's gross domestic product grew 8.4 percent in 2005, one of the world's fastest rates after China.

After officials signed and exchanged documents at a long red-cloth covered table in the palace, Vietnam Trade Minister Truong Dinh Tuyen said, "Both sides have been speeding the process of Vietnam's accession to the WTO. It makes important trade preconditions and mutual benefits for both sides."

Vietnamese officials want to finish talks with the Geneva-based WTO in July.

OPEN MARKETS

Details of the agreement released by the United States at the signing showed Vietnam would open its markets to a range of U.S. agricultural goods, services and manufactured products.

For the deal with the United States to come into effect, the U.S. Congress must grant what is called Permanent Normal Trade Relations Status. Any bill passed by Congress will be opposed by some critics of Vietnam's human rights and religious rights record. The textiles industry complained the agreement will open the U.S. market to subsidized foreign competition.

"It was not an easy agreement to reach but that makes the signing all the sweeter," Deputy U.S. Trade Representative Karan Bhatia said at the signing ceremony.

The United States and Vietnam restored diplomatic ties in 1995, 20 years after the April 30, 1975 end of the Vietnam War when communist North Vietnam tanks crashed through the gates of the then presidential palace of the U.S.-backed South Vietnam.

Vietnam agreed to duty-free entry of computers and semiconductors and no tariffs on aircraft. It made commitments that will phase the opening of its energy services market.

More than 94 percent of U.S. exports of manufactured goods will face duties of 15 percent or less and about three quarters of U.S. agriculture exports to Vietnam such as beef, pork, dairy, fruits and nuts will face tariffs of 15 percent or less.

Vietnam limits foreign banks to a minority shareholding of 30 percent but from April 1, 2007 U.S. and other foreign banks will be able to establish 100 percent foreign-invested subsidiaries.

(Additional reporting by Ho Binh Minh)

U.S., Vietnam Remove Last Trade Barriers

By TINI TRAN

The Associated Press

Wednesday, May 31, 2006; 7:33 AM

HO CHI MINH CITY, Vietnam -- The United States and Vietnam signed a trade pact Wednesday that removes one of the last major hurdles in Hanoi's bid to join the World Trade Organization.

The deal would knock down remaining trade barriers between the two countries, which saw bilateral trade rise 21.6 percent to nearly \$8 billion last year, by ending U.S. quotas on Vietnamese textiles and garments and giving American companies greater access to a growing Southeast Asian market.

It also paves the way for Vietnam to reach its goal of becoming a member of the global trading body before Hanoi hosts the Asia Pacific Economic Cooperation summit in November, which President Bush is scheduled to attend.

A vote in the U.S. Congress is still needed for the pact to take effect.

Deputy Trade Minister Luong Van Tu and Deputy U.S. Trade Representative Karan Bhatia signed the agreement during a ceremony that was attended by Trade Minister Truong Dinh Tuyen and Deputy Prime Minister Vu Khoan as well as U.S. Trade Representative-designate Susan Schwab.

Calling it a "historic step forward," Bhatia said, "Today's signing is the culmination of years of hard work and preparation on both sides."

The United States was the last country that Vietnam had to negotiate a bilateral treaty with for WTO access but a final challenge remains: the U.S. Congress must vote to grant Vietnam permanent normal trading relations.

A vote is needed before Congress breaks in August or else the entire process could be delayed until next year due to U.S. elections in November. However, observers are hopeful that Hanoi will achieve its decade-long goal.

Bhatia said the U.S. Trade Representative's office will seek "prompt approval" for permanent normal trading relations for Vietnam, but said the climate in Congress was challenging, suggesting the deal may face some opposition.

"It's a tight time frame but I think it's doable," said Virginia Foote, with the U.S. Vietnam Trade Council, a Washington, D.C.-based business advocacy group. "This is a huge accomplishment for both sides but especially Vietnam."

The ceremony was held at the Reunification Palace where three decades ago Communist tanks barreled through to end the Vietnam War. But times have changed, and the former wartime adversaries are enjoying their strongest relationship in decades.

A historic bilateral trade agreement in 2001 pushed two-way trade from under \$1 billion a year to \$7.8 billion last year _ most of it exports from Vietnam.

This trade pact will help reduce barriers even further, with Vietnam agreeing to reduce tariffs to 15 percent or less on U.S. manufactured and agricultural goods and open up its telecoms, financial and energy services to foreign companies.

Vietnam also agreed to scrap a \$4 billion government plan to improve its textile and garment industry, which the U.S. considered a subsidy.

However, observers are hopeful that Hanoi will achieve its decade-long goal.