

Insider Interview

AmCham director: Vietnam taking Section 301 currency probe ‘seriously’

July 15, 2021 at 10:03 AM

Vietnam is taking a U.S. investigation into its currency practices seriously, engaging with U.S. trade officials who are assessing possible tariffs as a key deadline approaches, Mary Tarnowka, the executive director of the American Chamber of Commerce in Vietnam, said this week.

The Trump administration in October 2020 [launched](#) a Section 301 investigation into Vietnam’s acts, policies and practices related to currency valuation, as well as a separate probe into Vietnam’s timber practices. Section 301 of the Trade Act of 1974 authorizes the Office of the U.S. Trade Representative to impose import restrictions, withdraw or suspend trade deal concessions or enter into a binding agreement with a country to stop the conduct in question. The Trump administration in January issued [findings](#) in the currency probe, concluding that Vietnam's practices were “unreasonable and burden or restrict U.S. commerce” but deferred action to the Biden administration. USTR has yet to release the findings of the timber probe.

The Biden administration is mulling whether to impose tariffs over Vietnam’s currency actions and engaging in consultations with Vietnam, Bloomberg [reported](#) last week. Section 301 says USTR must make determinations within a year after an investigation begins -- in this case, by October 2021. The agency also would have to allow time for public comment and hearings before imposing any duties.

Tarnowka -- who has served as executive director of AmCham Vietnam for two years, and who has more than a decade of experience in Asia, including postings in Seoul, Delhi, Shanghai, and Taipei, as well as at the State Department’s China desk -- said U.S. and Vietnamese officials have held discussions and “enhanced engagement” on the currency issue.

“I just know that they are continuing to have talks,” she told *Inside U.S. Trade*. “My understanding is the talks are going much better.”

The two sides had been “seeking to establish” a kind of “roadmap” or joint agreement on how to proceed on the issues of timber and currency, she said, though she added she is unclear “where that stands right now.”

“I know the Vietnamese government is taking this seriously,” Tarnowka added. “And I think what's important there is that Vietnam continues to take these matters seriously, remain engaged and continue to take paths towards transparency and avoiding intervention on currency issues.”

Vietnam has denied that it manipulates its currency to create a competitive advantage in international trade.

Tai in April held her first virtual [meeting](#) with Vietnamese Minister of Industry and Trade Trần Tuấn Anh in April, during which she urged the country to address U.S. currency concerns, according to USTR.

USTR has not responded to requests for comment about the state of its talks with Vietnam.

Tarnowka on Tuesday said Vietnam might initially have felt it “didn’t have to worry so much” about the currency probe after the Treasury Department in April determined there was insufficient evidence to declare Vietnam was using foreign exchange intervention to gain an advantage and declined to label the country a “currency manipulator” in a mandated report to Congress. Treasury in December 2020 [labeled](#) Vietnam a currency manipulator.

Eventually, though, Vietnamese officials had “a growing recognition” that while the country wasn’t on the currency manipulator list, there was a “need to continue to have this dialogue and ensure that this isn’t an issue,” said Tarnowka, who worked at USTR from 2002 to 2003 where she helped to negotiate the U.S.-Chile free trade agreement.

“I think that was a bit of a learning curve -- with a new government in Vietnam -- trying to sort things out and learn from the new administration in the U.S., too,” she said. The Biden administration “may take a different approach” to the currency issue, she added, such as “not as many threats or actions without notice, but continuing concern and wanting to work on these issues.”

If the U.S. were to impose sanctions in the currency case, it would be “unfortunate timing” from a geostrategic perspective and because of the COVID-19 pandemic, Tarnowka argued. Beijing recently has taken “more aggressive actions” in the South

China Sea, she said, while Vietnam in recent weeks has faced its worst COVID-19 outbreak yet and is short on vaccine supply.

The U.S., she noted, has donated 2 million COVID-19 vaccine doses to Vietnam through the COVAX program, which has been “hugely important.”

But if the U.S. were to respond to the Section 301 currency investigation with tariffs, it would put the relationship on a “negative trajectory,” she said.

AmCham Vietnam, along with 75 other business and industry associations including the U.S. Chamber of Commerce and the National Retail Federation, sent a [letter](#) to Tai on Wednesday urging USTR not to impose tariffs in the timber and currency investigations because duties would undermine American businesses’ competitiveness and result in retaliatory tariffs on U.S. exports to Vietnam. The organizations also said the tariffs would cause a “serious setback” to the Biden administration’s efforts to strengthen alliances in the Indo-Pacific region.

The Alliance for American Manufacturing, meanwhile, in a [blog post](#) on Wednesday, urged USTR to levy tariffs on Vietnam in the currency case, contending the country’s “trade cheating” hurts U.S. manufacturers and workers.

AmCham Vietnam officials testified in both Section 301 investigations, Tarnowka said. USTR last December held [hearings](#) on the investigations, during which several industry groups urged the agency not to impose tariffs.

When AmCham Vietnam analyzed the timber investigation, it found “little evidence” that Vietnam was importing illegal timber, Tarnowka said.

“And there was clear evidence of Vietnamese government efforts to increase enforcement,” she added. It also appeared, Tarnowka said, that what “little” illegal timber Vietnam may use does not get exported to the U.S. due to companies’ strict supply chain custody compliance sourcing measures.

Vietnam must take “continued action,” on timber practices, she added, to satisfy the U.S. as well as the European Union’s concerns on the matter.

“Vietnam is taking that seriously, but I think it’s worth continuing to encourage those efforts,” Tarnowka said.

USTR held a meeting on Friday with Vietnamese officials to discuss timber and currency as well as other trade issues, Tarnowka said, referencing [a July 9 report](#) in Bloomberg.

Despite the timber and currency issues, there are “lots of opportunities” for the U.S.-Vietnam trade relationship going forward, she said, noting that 90 percent of Vietnamese people see the U.S. in a positive light despite the two countries’ “complicated past.”

“They really view the U.S. as the future,” she said.

Vietnamese trade and exports with the U.S. have been increasing in recent years, accelerated by the Trump administration’s imposition of tariffs on goods from China, which have encouraged companies to look elsewhere to diversify their supply chains. If the U.S. were to join the Comprehensive and Progressive Agreement for Trans-Pacific Partnership, Tarnowka said, relations with Vietnam, a CPTPP member, would improve even more.

The Trump administration in 2017 withdrew the U.S. from CPTPP’s predecessor, the Trans-Pacific Partnership, arguing it was bad for American workers. Progressive Democrats took issue with TPP as well, contending it was weak on labor and environment. Several lawmakers [in recent months](#) have contended the Trump administration’s decision to withdraw was shortsighted and have urged USTR to consider joining CPTPP.

“It’s frustrating to be an American in Vietnam and see Canada and Australia and other countries enjoying the benefits of the CPTPP that the U.S. played such a huge role in negotiating,” Tarnowka said. “We need to continue to take efforts to ensure we stay competitive.”

U.S. companies, she said, are at a disadvantage because the U.S. is not a part of the pact. Tarnowka, however, said it was unlikely the Biden administration would join CPTPP. The administration has said it will focus on domestic priorities before pursuing new trade agreements, and Tai has said CPTPP would have to be reformed before the U.S. would join if it chose to do so.

Instead, Tarnowka said, the U.S. is likely to focus on enhancing its Trade and Investment Framework Agreement with Vietnam. During her virtual [meeting](#) with Anh in April, Tai discussed the importance of increased bilateral dialogue under the TIFA framework and committed to hold a TIFA meeting this year to “assess progress made in

strengthening the trade relationship and in resolving outstanding bilateral issues,” according to USTR.

The U.S. also could pursue other “interim steps” that could serve as a “stepping stone” to joining CPTPP, including sectoral agreements involving agriculture. U.S. pork producers, she noted, are eager to continue securing access to Vietnam’s market. Lawmakers in recent months have [called on](#) USTR to press Vietnam to remove tariffs on U.S. pork. They noted that U.S. exporters are subject to the country’s most-favored nation tariff rate of 15 percent, while competitors in the EU and CPTPP member countries benefit from lower rates.

And there are other ways the U.S. can ensure some of its “key products” stay competitive, Tarnowka said. The Biden administration’s priority, she said, is to continue to seek market access and lower barriers to trade, which she contended is why the administration is continuing the Section 301 investigation into Vietnam’s currency and timber practices.

The administration might also look to a digital trade agreement in the region, Tarnowka said. The Biden administration is reportedly discussing proposals for such an agreement in the Indo-Pacific to counter China’s influence, Bloomberg [reported](#) this week.

Tarnowka cited a slew of other opportunities for the U.S.-Vietnam trade relationship, which were among the reasons she took the position with AmCham. Vietnam is making strides in the energy sector and continues to look to reduce its dependency on coal, she said. Medical equipment, pharmaceuticals and aviation might also offer areas for cooperation, she said.

“There’s huge potential in the relationship,” she said. “It continues to grow very rapidly, despite the fact that we do not have a free trade agreement and that the U.S. is not in some of these regional agreements like CPTPP or the [Regional Comprehensive Economic Partnership] that Vietnam is.”

Tarnowka said she envisions “even more potential” if the two sides continue to engage on easing trade irritants and “continue to strengthen our bilateral, overall comprehensive partnership.” -- *Madeline Halpert* (mhalpert@iwppnews.com)