

Updates on Viet Nam - U.S economic cooperation

1. Viet Nam – US. trade has made great steps in the past 25 years. There are more potential and opportunities ahead.

- Over the past 25 years, bilateral trade increased by over 150 times, from less than half billion USD in 1996 to 70 billion USD today. Viet Nam and the United States have now become key trade partners of each other.

- In the past 4 years, particularly since the adoption of the bilateral trade Action Plan in 2019, the Government and relevant agencies of Viet Nam have made every efforts to address the US. concerns of trade deficit and market approach. In terms of agricultural and food products such as corn, soybeans, wheat, meat, milk, fruits ... the United States maintains a surplus of 400 million USD exported to Viet Nam annually. It is a big number if comparing to our total import of agricultural products. Viet Nam is increasingly importing more computers, electronic products and accessories from the US, reaching \$3.9 billion annually. These products make a large part of inputs for our electronic exports to the US.

- In 2020, despite COVID-19, Viet Nam-US. cooperation, especially in the area of energy and infrastructure gained great progress. The US. energy enterprises, for example AES, signed the MOU with Vietnamese counterparts on the Son My LNG terminal in Binh Thuan province. I The US. and Vietnamese firms also signed a deal worth US\$1 billion for a power project during Mr. O'Brien's visit to Viet Nam in November.

- Viet Nam is determined to prevent all forms of origin frauds and illegal transshipment. Our Government leaders, as well as Ministry of Industry And Trade, Ministry of Finance have issued many specific instructions and set up a National Steering Committee to address this problem. Over the year, Viet Nam authorities discovered hundreds of violation cases. For example, from October, 2019 to April, 2020, our Customs discovered 42 cases of violations related to origin and labeling frauds. The customs confiscated 3.500 complete bicycles and more than 4,000 bicycle parts which are not eligible for Viet Nam C/O. By the end of 2020, our Customs confirmed that the C/O fraud issue has been under control, particularly the violations relating to bicycles, solar cells, seafood, and timber products. We also hope to work closely with the US., especially the Customs and Border Protection, in capacity-building and monitoring this issue.

2. Viet Nam has seriously taken into due consideration the USTR's 301 investigations on Viet Nam's monetary policies and timber imports, and is making every effort to address them properly.

- Right after the USTR announced the investigation on 2nd October, Viet Nam maintained many forms of contacts with the US. at all levels and with all relevant agencies in the US. administration and the Congress.

+ Prime Minister Nguyen Xuan Phuc sent 02 letters to President Trump, and had a very positive and fruitfull call with President Trump two weeks ago.

+ DPM Pham Binh Minh sent letters to State Secretary Mike Pompeo, National Security Adviser O'Brien, Treasury Secretary S. Mnuchin, Commerce Secretary W. Ross, DFC CEO Adam Boehler. We are working on a phone call between DPM Pham Binh Minh and State Secretary Mike Pompeo soon.

+ Minister of Trade and Industry Tran Tuan Anh, Governor of State Bank Nguyen Thi Hong sent letters to the USTR and US Dept of Treasury to clarify Viet Nam's information and data. A phone call between Minister of Trade and Industry Tran Tuan Anh and USTR Lighthizer is planned.

+ The Embassy of Viet Nam has also actively contacted the US. government agencies (USTR, DOD, DOS), the Congress (Senate's Banking Committee.), as well as business groups and associations (USCC, USABC, BCIU, International Wood Products Association - IWPA, Footwear Distributors and Retailers of America - FDRA etc.). We much appreciate a great number of US. businesses participating in public comments and hearings on the cases.

+ We highlight the importance of constructive dialogue and cooperation with the US. to address issues of concerns. The State Bank of Viet Nam and Ministry of Agriculture and Rural Development have well prepared for the consultations with the US. partners.

- We are committed to maintaining intensive dialogue and consultations with the USTR in the on-going 301 investigations. At the same time, Viet Nam is seriously conducting the bilateral trade Action Plan towards a fair and harmonised trade relations between the two countries. We believe that based on our two countries' shared strategic interests and visions, and with good will, both sides will soon find a solution to these issues.

3. Prime Minister Nguyen Xuan Phuc and President Trump exchanged a very fruitful phone call on 22nd December 2020. Prime Minister Nguyen Xuan Phuc highlighted the fact that as a developing country with limited economic capacities, Viet Nam conducted monetary policies with an aim to control inflation and stabilize macro-economy, not to create unfair competitive advantages in international trade. At the same time, the Government and relevant agencies of Viet Nam are taking very strong and decisive measures to purchase more US products and services, including airplanes, LNG, agricultural products, and create favorable conditions for the US companies to do business in Viet Nam, including those in technology and digital

trade sectors. Viet Nam is also determined to fight against illegal trans-shipment and origin frauds, particularly in cases relating to timber, solar cells, electronics, bicycles, fiber and steel. Vietnamese agencies will continue to actively cooperate with US partners, including the USTR and Treasury Department to address the concerns of both sides. Viet Nam is willing to negotiate with the USTR to upgrade the current bilateral trade action plan towards a more balanced, sustainable and mutually beneficial trade relations.

- President Trump acknowledged the views of Prime Minister Phuc and said that he would instruct relevant agencies to follow up. President Trump congratulated Viet Nam on successfully assuming the ASEAN 2020 Chairmanship, making a positive contribution to regional peace, security, and cooperation. President Trump also congratulated the Government and people of Viet Nam on successful response to the Covid-19 pandemic. President Trump kindly asked Prime Minister Nguyen Xuan Phuc to convey his cordial greetings to the Vietnamese people, and would like to visit Viet Nam again in the near future.

4. Viet Nam's management of monetary and exchange rate policies just aims at controlling inflation and promoting macroeconomic stability. We have no intention to pursue a policy of using exchange rates to gain unfair competitive advantage with the U.S. Currency devaluation will seriously affect the confidence of foreign investors, causing great damage to Viet Nam's economy and our partners, including the US. Currently, FDI businesses make up to 70% of our exports.

- Viet Nam always conducts the monetary and exchange rate policies in a transparent, fair, in accordance with market-economy and non-discriminatory principles among state-owned and private enterprises in financial sector. Regulations governing banking operations of credit institutions in Viet Nam are mostly in line with international practices and standards.

- In the public hearings in late December, most of businesses confirmed that there was no reason to investigate and even impose tariffs on Viet Nam:

i. Increase in the US. trade deficit with Viet Nam stems from many objective reasons as a consequence of the US. high tariffs against China. Viet Nam's successful control of the Covid-19 pandemic helped to restore export growth in 2020.

ii. There is no basis to determine that Viet Nam is manipulating its currency while the recent exchange rate fluctuations are only about 5%, still below the safe limit for foreign exchanges, in the context that FDI investment in Viet Nam, demand for foreign exchange reserves, and Viet Nam's exports have increased. Favorable investment environment and policies, not the exchange rate, in Viet Nam attracted businesses to shift their investment from China to Viet Nam.

iii. Viet Nam's participation in new FTAs (CPTPP, RCEP...) makes imports from other countries more competitive than the US. products in Vietnamese market. Viet Nam's economy is small compared to the US, and domestic consumption cannot increase strongly to increase imports of goods from the US.

5. We oppose any tariffs on Viet Nam's imports as a result of the 301 investigations. These will bring about large negative consequences to thousands of businesses and millions of consumers and workers in the United States and Viet Nam, who are benefiting from our bilateral trade development to overcome severe consequences of Covid-19.

+ We learn from the US. Outdoor Industry Association that tariff could impact 1,300 companies across the United States, including suppliers, manufacturers and retailers of outdoor products. The \$778 billion outdoor recreation economy accounts for 2.1 percent of GDP and 5.2 million jobs in the US.

+ According to the American Apparel & Footwear Association, tariffs are taxes on American consumers and American workers including the nearly 4 million American workers employed by this industry.

6. We look forward to cooperate with the US. to promote broad, longterm and strategic interests of both countries.

- Viet Nam and the US. have a lot of strategic interests to share. We always support a strong US which could play a key role in promoting peace, security and prosperity in the world and the region. A strong US economy would be a driving engine for the whole world, including Viet Nam.

- And a strong and dynamic Viet Nam will support our efforts to purchase more US. products and services. At the same time, our strong economic power will position Viet Nam a higher role in reliable global and regional supply chains that the US. is promoting.

- Viet Nam is always ready for dialogues and cooperations with the US administration and businesses. We look forward to finding reasonable solutions to the US. issues of concern through dialogue./.